

**MAYO
CLINIC**



Mayo Clinic

Consolidated Financial Report
Years Ended December 31, 2025 and 2024



Mayo Clinic

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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, 2025 and 2024, 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, 2025 and 2024, 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.



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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

March 2, 2026



Consolidated Statements of Financial Position
December 31, 2025 and 2024 (In Millions)

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	45	48
Accounts receivable for medical services	2,169	2,123
Other receivables	794	707
Other current assets	489	456
Total current assets	<u>3,497</u>	<u>3,334</u>
Investments	24,866	20,958
Other long-term assets	5,832	4,614
Property, plant, and equipment, net	7,687	7,099
Total assets	<u>\$ 41,882</u>	<u>\$ 36,005</u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	696	778
Accrued payroll	1,120	1,004
Accrued employee benefits	188	178
Deferred revenue	85	88
Long-term variable-rate debt	620	620
Other current liabilities	587	629
Total current liabilities	<u>3,296</u>	<u>3,297</u>
Long-term debt, net of current portion	4,383	3,989
Accrued pension and postretirement benefits, net of current portion	899	827
Other long-term liabilities	2,693	2,435
Total liabilities	<u>11,271</u>	<u>10,548</u>
Net assets:		
Without donor restrictions	23,767	19,644
With donor restrictions	6,844	5,813
Total net assets	<u>30,611</u>	<u>25,457</u>
Total liabilities and net assets	<u>\$ 41,882</u>	<u>\$ 36,005</u>

See notes to consolidated financial statements.



Consolidated Statements of Activities
Years Ended December 31, 2025 and 2024 (In Millions)

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	\$ 18,126	\$ —	\$ 18,126	\$ 16,554	\$ —	\$ 16,554
Grants and contracts	788	—	788	772	—	772
Investment return allocated to current activities	490	57	547	432	46	478
Contributions available for current activities	119	329	448	252	288	540
Other	1,617	—	1,617	1,451	—	1,451
Net assets released from restrictions	426	(426)	—	444	(444)	—
Total revenue, gains and other support	21,566	(40)	21,526	19,905	(110)	19,795
Expenses:						
Salaries and benefits	11,159	—	11,159	10,482	—	10,482
Supplies and services	7,485	—	7,485	6,731	—	6,731
Depreciation and amortization	772	—	772	685	—	685
Facilities	456	—	456	415	—	415
Finance and investment	186	—	186	189	—	189
Total expenses	20,058	—	20,058	18,502	—	18,502
Income (loss) from current activities	1,508	(40)	1,468	1,403	(110)	1,293
Noncurrent and other items:						
Contributions not available for current activities, net	(34)	539	505	(16)	176	160
Unallocated investment (loss) return, net	1,977	532	2,509	961	351	1,312
Income tax expense	(48)	—	(48)	(41)	—	(41)
Benefit credit	340	—	340	324	—	324
Other	(219)	—	(219)	(142)	—	(142)
Total noncurrent and other items	2,016	1,071	3,087	1,086	527	1,613
Increase in net assets before other changes in net assets	3,524	1,031	4,555	2,489	417	2,906
Pension and other postretirement benefit adjustments	599	—	599	930	—	930
Purchase of non-controlling interest	—	—	—	(15)	—	(15)
Increase in net assets	4,123	1,031	5,154	3,404	417	3,821
Net assets at beginning of year	19,644	5,813	25,457	16,240	5,396	21,636
Net assets at end of year	\$ 23,767	\$ 6,844	\$ 30,611	\$ 19,644	\$ 5,813	\$ 25,457

See notes to consolidated financial statements.



Consolidated Statements of Cash Flows
Years Ended December 31, 2025 and 2024 (In Millions)

	2025	2024
Cash flows from operating activities:		
Cash from medical services	\$ 16,990	\$ 15,418
Cash from external lab services	1,090	989
Cash from grants and contracts	774	785
Cash from benefactors	407	445
Cash from other activities	1,570	1,440
Cash for salaries and benefits	(10,974)	(10,236)
Cash for supplies, services, and facilities	(8,037)	(7,225)
Interest and dividends received	454	367
Interest paid	(185)	(177)
Income taxes paid	(24)	(26)
Net cash provided by operating activities	2,065	1,780
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(1,338)	(1,341)
Purchases of investments	(23,678)	(21,205)
Sales and maturities from investments	22,414	20,503
Investment in unconsolidated entities	—	75
Net cash used in investing activities	(2,602)	(1,968)
Cash flows from financing activities:		
Restricted gifts, bequests, and other	244	198
Purchase of non-controlling interest	—	(15)
Proceeds from issuance of long-term debt	404	—
Payment of long-term debt	(104)	(18)
Payment on leases	(10)	(9)
Net cash provided by financing activities	534	156
Net (decrease) in cash and cash equivalents	(3)	(32)
Cash and cash equivalents at beginning of year	48	80
Cash and cash equivalents at end of year	\$ 45	\$ 48

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements (In Millions)

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 Entities*.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America 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.

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.

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, as a practical expedient. 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

Notes to Consolidated Financial Statements (In Millions)

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

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.

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.

Notes to Consolidated Financial Statements (In Millions)

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

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 \$157 and \$130 in 2025 and 2024, 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 various state Medicaid programs for indigent patients. The estimated unreimbursed cost of providing services related to Medicaid programs totaled \$627 and \$622 in 2025 and 2024, 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 \$74 (\$40 allocated to current and \$34 allocated to noncurrent) and \$67 (\$51 allocated to current and \$16 allocated to noncurrent) were incurred in 2025 and 2024, 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.

Notes to Consolidated Financial Statements (In Millions)

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

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 \$2 and \$5 for the years ended December 31, 2025 and 2024, 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 was \$59 and \$58 for the years ended December 31, 2025 and 2024, respectively.

Subsequent events: The Clinic evaluated events and transactions occurring subsequent to December 31, 2025 through March 2, 2026, 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.

Mayo Clinic

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:

	2025	2024
Cash and cash equivalents	\$ 45	\$ 48
Accounts receivable	2,169	2,123
Promises to give	312	245
Grants receivable	164	160
Other receivables	318	302
Investments	15,304	12,903
Total financial assets available within one year	<u>\$ 18,312</u>	<u>\$ 15,781</u>

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 8 - 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 12 - Endowment, under the Clinic spending policy, \$321 from the endowments was available as of January 1, 2026 and \$311 from the endowments was available at January 1, 2025.

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 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

Notes to Consolidated Financial Statements (In Millions)

Note 3. Medical Service Revenue (Continued)

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, 2025 and 2024, revenue recognized due to changes in its estimates of transaction price concessions for performance obligations satisfied in prior years were not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2025 and 2024 were \$1 and \$7, respectively.

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

Notes to Consolidated Financial Statements (In Millions)

Note 3. Medical Service Revenue (Continued)

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, 2025 and 2024 were not significant. Receivables from third-party payors for final settlements was \$68 and \$57 at December 31, 2025 and 2024, respectively.

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, 2025 and 2024, are as follows:

	Year Ended December 31, 2025			
	Midwest	Southeast	Southwest	Total
Hospital	\$ 6,461	\$ 1,614	\$ 2,058	\$ 10,133
Clinic	4,330	1,197	1,217	6,744
Senior Care and Nursing Home	20	—	—	20
Other	92	1	—	93
Total patient care service revenue	10,903	2,812	3,275	16,990
External lab	1,136	—	—	1,136
Total medical service revenue	<u>\$ 12,039</u>	<u>\$ 2,812</u>	<u>\$ 3,275</u>	<u>\$ 18,126</u>

Timing of revenue and recognition:

At time services are rendered	\$ 5,558	\$ 1,198	\$ 1,217	\$ 7,973
Services transferred over time	6,481	1,614	2,058	10,153
Total	<u>\$ 12,039</u>	<u>\$ 2,812</u>	<u>\$ 3,275</u>	<u>\$ 18,126</u>

	Year Ended December 31, 2024			
	Midwest	Southeast	Southwest	Total
Hospital	\$ 5,970	\$ 1,407	\$ 1,809	\$ 9,186
Clinic	4,077	1,057	1,104	6,238
Senior Care and Nursing Home	16	—	—	16
Other	103	1	—	104
Total patient care service revenue	10,166	2,465	2,913	15,544
External lab	1,010	—	—	1,010
Total medical service revenue	<u>\$ 11,176</u>	<u>\$ 2,465</u>	<u>\$ 2,913</u>	<u>\$ 16,554</u>

Timing of revenue and recognition:

At time services are rendered	\$ 5,190	\$ 1,058	\$ 1,104	\$ 7,352
Services transferred over time	5,986	1,407	1,809	9,202
Total	<u>\$ 11,176</u>	<u>\$ 2,465</u>	<u>\$ 2,913</u>	<u>\$ 16,554</u>

Notes to Consolidated Financial Statements (In Millions)

Note 3. Medical Service Revenue (Continued)

Hospital revenue includes a variety of services mainly covering inpatient procedures requiring overnight stays or outpatient operations that require anesthesia or use of complex diagnostic and surgical equipment, as well as emergency care for traumas and other critical conditions. Clinic revenue includes services mainly focused on the care of outpatients covering primary and specialty health care needs. 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.

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

	2025	2024
Medicare	\$ 4,921	\$ 4,439
Medicaid	650	607
Contract	10,631	9,695
Other, including self-pay	1,924	1,813
Total	<u>\$ 18,126</u>	<u>\$ 16,554</u>

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

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, 2025 and 2024.

Mayo Clinic

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, 2025 and 2024, on the consolidated statements of financial position categorized by the valuation hierarchy and NAV:

	December 31, 2025				Total Fair Value
	Level 1	Level 2	Level 3	NAV	
Assets:					
Securities lending collateral	\$ 30	\$ —	\$ —	\$ —	\$ 30
Investments:					
Cash and cash equivalents	\$ 2,070	\$ 404	\$ —	\$ —	\$ 2,474
Fixed-income securities:					
U.S. government	—	2,231	—	—	2,231
U.S. government agencies	—	1,009	—	—	1,009
U.S. corporate	—	1,235	—	—	1,235
Foreign	—	19	—	—	19
Common and preferred stocks:					
U.S.	1,221	—	—	—	1,221
Foreign	926	—	—	—	926
Funds:					
Fixed income	467	—	—	—	467
Equities	1,610	981	—	—	2,591
Less securities under lending agreement	(136)	—	—	—	(136)
Investments at NAV	—	—	—	12,693	12,693
Total investments	\$ 6,158	\$ 5,879	\$ —	\$ 12,693	\$ 24,730
Investments under securities lending agreement	\$ 136	\$ —	\$ —	\$ —	\$ 136
Other long-term assets:					
Trust receivables	\$ 74	\$ 29	\$ 235	\$ —	\$ 338
Technology-based ventures	—	—	331	—	331
Total other long-term assets	\$ 74	\$ 29	\$ 566	\$ —	\$ 669
Total assets at fair value	\$ 6,398	\$ 5,908	\$ 566	\$ 12,693	\$ 25,565
Liabilities:					
Securities lending payable	\$ 31	\$ —	\$ —	\$ —	\$ 31
Total liabilities at fair value	\$ 31	\$ —	\$ —	\$ —	\$ 31

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 4. Fair Value Measurements (Continued)

	December 31, 2024				Total Fair Value
	Level 1	Level 2	Level 3	NAV	
Assets:					
Securities lending collateral	\$ 30	\$ —	\$ —	\$ —	\$ 30
Investments:					
Cash and cash equivalents	\$ 1,464	\$ 161	\$ —	\$ —	\$ 1,625
Fixed-income securities:					
U.S. government	—	2,244	—	—	2,244
U.S. government agencies	—	933	—	—	933
U.S. corporate	—	1,016	—	—	1,016
Foreign	—	26	—	—	26
Common and preferred stocks:					
U.S.	1,284	—	—	—	1,284
Foreign	711	—	—	—	711
Funds:					
Fixed income	452	—	—	—	452
Equities	1,346	751	—	—	2,097
Less securities under lending agreement	(76)	—	—	—	(76)
Investments at NAV	—	—	—	10,570	10,570
Total investments	\$ 5,181	\$ 5,131	\$ —	\$ 10,570	\$ 20,882
Investments under securities lending agreement	\$ 76	\$ —	\$ —	\$ —	\$ 76
Other long-term assets:					
Trust receivables	\$ 70	\$ 29	\$ 247	\$ —	\$ 346
Technology-based ventures	—	—	295	—	295
Total other long-term assets	\$ 70	\$ 29	\$ 542	\$ —	\$ 641
Total assets at fair value	\$ 5,357	\$ 5,160	\$ 542	\$ 10,570	\$ 21,629
Liabilities:					
Securities lending payable	\$ 30	\$ —	\$ —	\$ —	\$ 30
Total liabilities at fair value	\$ 30	\$ —	\$ —	\$ —	\$ 30

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, 2025, 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)	\$ 5,909	\$ 222	Monthly to annually	30–90 days
Private partnerships (b)	6,784	2,112		
Total alternative investments	<u>\$ 12,693</u>	<u>\$ 2,334</u>		

At December 31, 2024, 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)	\$ 4,796	\$ 414	Monthly to annually	30–90 days
Private partnerships (b)	5,774	1,897		
Total alternative investments	<u>\$ 10,570</u>	<u>\$ 2,311</u>		

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

Notes to Consolidated Financial Statements (In Millions)

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.

The Clinic uses various external investment managers to diversify the investments. The largest allocation to any investment strategy manager as of December 31, 2025 and 2024 was \$1,277 (7.0 percent) and \$1,020 (6.6 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 \$1,846 and \$1,320, respectively, at December 31, 2025 and 2024, which includes segregated investments for deferred compensation plans of \$1,580 and \$1,317 at December 31, 2025 and 2024, respectively.

At December 31, 2025 and 2024, 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 \$147 and \$126, respectively.

The Clinic had internally designated investment balances of \$3,717 and \$3,324 at December 31, 2025 and 2024, respectively, for research, education, and capital replacement and expansion.

Note 5. 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.

At December 31, 2025 and 2024, the aggregate market value of securities on loan under securities lending agreements totaled \$136 and \$76, respectively, and the total value of the collateral supporting the securities was \$143 and \$79, respectively, which represents 104% of the value of the securities on loan at December 31, 2025 and 2024. The cash portion of the collateral supporting the securities as of December 31, 2025 and 2024 was \$31 and \$30. 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.

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Notes to Consolidated Financial Statements (In Millions)

Note 6. Property, Plant, and Equipment, Net

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

	2025	2024
Land	\$ 624	\$ 620
Buildings and improvements	9,463	8,629
Furniture and equipment	5,387	4,926
	15,474	14,175
Accumulated depreciation and amortization	(8,768)	(8,082)
	6,706	6,093
Construction in progress	981	1,006
Total property, plant, and equipment	\$ 7,687	\$ 7,099

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 \$781 and \$763 at December 31, 2025 and 2024, respectively. The total accumulated amortization was \$675 and \$608 at December 31, 2025 and 2024, respectively. Amortization expense for capitalized software was \$67 and \$70 in 2025 and 2024, respectively.

Note 7. 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 2022 through 2024 remain open in major U.S. taxing jurisdictions in which the Clinic and subsidiaries are subject to taxation.

The Clinic's reserve for uncertain tax positions totaled \$16 and \$14 as of December 31, 2025 and 2024, 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	
	2025	2024
Current—federal	\$ 36	\$ 41
Current—state	7	6
	43	47
Deferred—U.S. domestic	5	(6)
Total	\$ 48	\$ 41

Cash payments for income taxes were \$24 and \$26 for the years ended December 31, 2025 and 2024, respectively.

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Notes to Consolidated Financial Statements (In Millions)

Note 7. Income Taxes (Continued)

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:

	2025	2024
Deferred compensation	\$ 10	\$ 10
Net operating loss	25	21
Other	4	5
Total deferred tax asset	<u>39</u>	<u>36</u>
Deferred tax liability	(1)	(1)
Valuation allowance	(35)	(27)
Net deferred tax asset	<u>\$ 3</u>	<u>\$ 8</u>

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Notes to Consolidated Financial Statements (In Millions)

Note 8. Financing

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

		2025	2024
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 2.57% in 2025 and 3.42% in 2024), principal due in varying amounts from 2028 through 2064	Variable	\$ 745	\$ 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 2026 through 2032	Fixed	105	110
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 interest rates ranging from 2.10% to 5.00%, principal due in varying amounts from 2044 through 2055	Fixed	400	200
City of Rochester, Minnesota Health Care Facilities Revenue Refunding Bonds, series 2016B, issued with a coupon 5.00%, an effective rate of 2.97% in 2025 and 2024 after amortization of premium, principal due in varying amounts from 2029 through 2036 (unamortized premium of \$33 in 2025 and \$37 in 2024)	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 2025 and 2024 after amortization of premium principal due in varying amounts from 2039 through 2057 (unamortized net premium of \$15 in 2025 and 2024)	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 2.16% in 2025 and 2.97% in 2024), 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 2.82% in 2025 and 3.51% in 2024), 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 1.99% to 4.71%, principal due in varying amounts from 2027 through 2062	Fixed	1,015	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 2025 and 2024 after amortization of premium, principal due in varying amounts from 2053 to 2057 (unamortized net premium of \$3 in 2025 and 2024)	Fixed	298	298
Other notes payable		10	10
Unamortized discounts and premiums, net		56	55
Debt issuance cost		(15)	(13)
		5,008	4,714
Long-term variable-rate debt classified as current		(620)	(620)
Current maturities included in other current liabilities		(5)	(105)
Long-term debt, net of current portion		<u>\$ 4,383</u>	<u>\$ 3,989</u>

Notes to Consolidated Financial Statements (In Millions)

Note 8. 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, 2025, the \$1,050 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 \$430 of which \$140 will expire in January 2027, \$100 will expire in April 2028, \$90 will expire in January 2030 and \$100 will expire in April 2030. 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, 2026. 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 2026 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.

In April 2025, the Clinic issued fixed rate bonds in the amount of \$200 par at a net premium of \$6. Coupon rates range from 4.25% to 5.00% and have final maturities in varying amounts between the years 2049 to 2055. The Clinic also issued variable rate demand bonds at the same time in the amount of \$200 at a daily interest rate mode with final maturities in varying amounts from the years 2062 to 2064. The fixed and variable rate debt were issued through the City of Rochester, Minnesota will be used for construction projects.

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 2026 and \$430 may be due in years from 2027 to 2030.

Years ending December 31:	
2026	5
2027	105
2028	45
2029	67
2030	59

Interest payments on long-term debt, net of amounts capitalized for 2025 and 2024, totaled \$152 and \$151, respectively. The amount of interest capitalized, net of related interest income, was \$19 and \$17 during 2025 and 2024. Interest expense totaled \$153 and \$155 for 2025 and 2024, respectively.

At December 31, 2025 and 2024, 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, 2025 and 2024.

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 9. Leases

At December 31, 2025 and 2024, 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:

	2025	2024
Operating lease expense	\$ 31	\$ 31
Finance lease expense:		
Amortization of right-of-use assets	\$ 8	\$ 10
Interest on lease liabilities	1	1
Total finance lease expense	\$ 9	\$ 11
Short-term lease expense	\$ 39	\$ 29

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

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	\$ 72	\$ 62
Operating cash flows for finance leases	\$ 1	\$ 1
Financing cash flows for finance leases	\$ 10	\$ 9
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 18	\$ 34
Finance leases	\$ 4	\$ 12

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

	2025	2024
Operating leases:		
Right-of-use assets	\$ 126	\$ 136
Other current liabilities	\$ 28	\$ 26
Other long-term liabilities	125	137
Total operating lease liabilities	\$ 153	\$ 163

Mayo Clinic**Notes to Consolidated Financial Statements (In Millions)****Note 9. Leases (Continued)**

	2025	2024
Finance leases:		
Property, plant, and equipment, gross	\$ 59	\$ 60
Accumulated depreciation	(26)	(23)
Property, plant, and equipment, net	<u>\$ 33</u>	<u>\$ 37</u>
Other current liabilities	\$ 9	\$ 8
Other long-term liabilities	23	29
Total finance lease liabilities	<u>\$ 32</u>	<u>\$ 37</u>
Weighted average remaining lease years:		
Operating leases	7.47	8.25
Finance leases	3.96	4.94
Weighted average discount rate:		
Operating leases	3.52 %	3.50 %
Finance leases	3.51 %	3.53 %

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

	Operating	Finance
2026	\$ 32	\$ 10
2027	29	9
2028	26	7
2029	17	5
2030	16	3
Thereafter	58	—
Minimum lease payments	<u>178</u>	<u>34</u>
Less amount representing interest	25	2
Net minimum lease payments	<u>\$ 153</u>	<u>\$ 32</u>

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 10. Board-Designated Funds

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

	2025	2024
Research	\$ 1,848	\$ 1,659
Education	384	344
Buildings and equipment	4	3
Charity care	15	14
Clinical	189	168
Other	1,277	1,136
Total designation for specified purpose	<u>\$ 3,717</u>	<u>\$ 3,324</u>

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

	2025	2024
Quasi-endowments	\$ 3,468	\$ 3,113
Professional liability reserve	209	178
Other	\$ 40	\$ 33
Total	<u>\$ 3,717</u>	<u>\$ 3,324</u>

Mayo Clinic**Notes to Consolidated Financial Statements (In Millions)****Note 11. 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:

	2025	2024
Subject to expenditure for specified purposes:		
Research	\$ 883	\$ 749
Education	67	64
Buildings and equipment	244	199
Charity care	41	34
Clinical	89	86
Other	38	44
Total expenditure for specified purposes	<u>1,362</u>	<u>1,176</u>
Subject to passage of time:		
Pledges and trusts	<u>1,033</u>	<u>730</u>
Endowments:		
Perpetual in nature:		
Research	1,412	1,332
Education	392	374
Charity care	15	15
Clinical	229	223
Other	66	63
Pledges and trusts	283	272
Total perpetual in nature	<u>2,397</u>	<u>2,279</u>
Subject to endowment spending policy:		
Research	1,194	931
Education	498	408
Charity care	65	56
Clinical	233	185
Other	62	48
Total subject to endowment spending policy	<u>2,052</u>	<u>1,628</u>
Total endowments	<u>4,449</u>	<u>3,907</u>
Total net assets with donor restrictions	<u>\$ 6,844</u>	<u>\$ 5,813</u>

Notes to Consolidated Financial Statements (In Millions)

Note 11. 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:

	2025	2024
Research	\$ 244	\$ 292
Education	42	38
Buildings and equipment	88	74
Other	52	40
Total net assets released from donor restrictions	<u>\$ 426</u>	<u>\$ 444</u>

Note 12. Endowment

The Clinic's endowment consists of approximately 2,500 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

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 12. 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, 2025, the endowment net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ —	\$ 4,449	\$ 4,449
Quasi-endowments	3,468	—	3,468
Total funds	<u>\$ 3,468</u>	<u>\$ 4,449</u>	<u>\$ 7,917</u>

Changes in endowment net assets for the year ended December 31, 2025, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 3,113</u>	<u>\$ 3,907</u>	<u>\$ 7,020</u>
Investment return:			
Investment income	49	58	107
Net appreciation (realized and unrealized)	450	537	987
Total investment return	<u>499</u>	<u>595</u>	<u>1,094</u>
Contributions	<u>—</u>	<u>119</u>	<u>119</u>
Appropriation of endowment assets for expenditure	<u>(173)</u>	<u>(172)</u>	<u>(345)</u>
Other changes:			
Transfers to create quasi-endowments	29	—	29
Endowment net assets, end of year	<u>\$ 3,468</u>	<u>\$ 4,449</u>	<u>\$ 7,917</u>

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 12. Endowment (Continued)

At December 31, 2024, the endowment net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	\$ —	\$ 3,907	\$ 3,907
Quasi-endowments	3,113	—	3,113
Total funds	<u>\$ 3,113</u>	<u>\$ 3,907</u>	<u>\$ 7,020</u>

Changes in endowment net assets for the year ended December 31, 2024, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	<u>\$ 2,967</u>	<u>\$ 3,630</u>	<u>\$ 6,597</u>
Investment return:			
Investment income	40	46	86
Net depreciation (realized and unrealized)	249	286	535
Total investment return	<u>289</u>	<u>332</u>	<u>621</u>
Contributions	<u>—</u>	<u>103</u>	<u>103</u>
Appropriation of endowment assets for expenditure	<u>(170)</u>	<u>(158)</u>	<u>(328)</u>
Other changes:			
Transfers to create quasi endowments	27	—	27
Endowment net assets, end of year	<u>\$ 3,113</u>	<u>\$ 3,907</u>	<u>\$ 7,020</u>

Note 13. 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:

	2025	2024
Pledges due:		
In less than one year	\$ 312	\$ 245
In one to five years	466	330
In more than five years	169	39
	<u>947</u>	<u>614</u>
Allowance for uncollectible pledges and discounts	<u>(58)</u>	<u>(28)</u>
Total	<u>\$ 889</u>	<u>\$ 586</u>

Notes to Consolidated Financial Statements (In Millions)

Note 13. 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 5.86 percent and 5.43 percent at December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and 2024, there were no contributions recorded related to the split-interest trusts. The balance of the expected payment streams was \$338 and \$346 at December 31, 2025 and 2024, respectively.

Note 14. 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, 2025 and 2024 supported the following programs and functions:

		2025								
		Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses	
Salaries and benefits	\$	9,286	\$ 233	\$ 849	\$ 451	\$ 240	\$ 27	\$ 73	\$	11,159
Supplies and services		5,211	1,555	344	113	110	12	140		7,485
Depreciation and amortization		635	9	85	16	22	—	5		772
Facilities		347	5	26	17	57	1	3		456
Finance and investment		179	6	18	2	3	—	(22)		186
Total	\$	15,658	\$ 1,808	\$ 1,322	\$ 599	\$ 432	\$ 40	\$ 199	\$	20,058

		2024								
		Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses	
Salaries and benefits	\$	8,685	\$ 213	\$ 807	\$ 425	\$ 257	\$ 33	\$ 62	\$	10,482
Supplies and services		4,723	1,314	347	102	105	16	124		6,731
Depreciation and amortization		561	8	74	14	23	1	4		685
Facilities		311	6	24	15	56	1	2		415
Finance and investment		186	8	19	2	4	—	(30)		189
Total	\$	14,466	\$ 1,549	\$ 1,271	\$ 558	\$ 445	\$ 51	\$ 162	\$	18,502

Notes to Consolidated Financial Statements (In Millions)

Note 15. 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, 2025 and 2024, are the following amounts, respectively, that have not yet been recognized in net periodic cost: unrecognized actuarial losses of \$906 and \$317 and unrecognized prior service benefit of \$98 and \$109. 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 2025 and 2024 included the following:

	2025	2024
Current-year actuarial gain	\$ 589	\$ 936
Amortization of actuarial loss	(1)	1
Current-year prior service cost	1	—
Amortization of prior service credit	10	(7)
Pension and other postretirement benefit adjustments	<u>\$ 599</u>	<u>\$ 930</u>

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:

	2025	2024
Change in projected benefit obligation:		
Benefit obligation, beginning of year	\$ 8,575	\$ 8,889
Service cost	398	426
Interest cost	485	468
Actuarial loss (gain)	149	(796)
Benefits paid	(544)	(412)
Estimated benefit obligation at end of year	<u>\$ 9,063</u>	<u>\$ 8,575</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ 11,567	\$ 10,702
Actual return on plan assets	1,718	996
Employer contributions	270	281
Benefits paid	(544)	(412)
Fair value of plan assets at end of year	<u>\$ 13,011</u>	<u>\$ 11,567</u>

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 15. Employee Benefit Programs (Continued)

	2025	2024
Funded status of the plans	\$ 3,948	\$ 2,992
Accumulated benefit obligation	\$ (8,246)	\$ (7,803)

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

	2025	2024
Noncurrent assets	\$ 3,949	\$ 2,993
Noncurrent liabilities	\$ (1)	\$ (1)
Net amount recognized	\$ 3,948	\$ 2,992

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

	2025	2024
Service cost	\$ 398	\$ 426
Interest cost	485	468
Expected return on plan assets	(883)	(831)
Amortization of unrecognized:		
Prior service benefit	9	(8)
Net periodic benefit cost	\$ 9	\$ 55

Plan assets: The largest of the pension funds is the Mayo Clinic Master Retirement Trust Plan, which holds \$12,863 of the \$13,011 in combined plan assets at December 31, 2025, and \$11,434 of the \$11,567 in combined plan assets at December 31, 2024. 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.

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 15. Employee Benefit Programs (Continued)

The fair values of the Plan's assets at December 31, 2025, by asset category, are as follows:

Assets	Quoted Prices			NAV	Total
	in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Cash and cash equivalents	\$ 731	\$ —	\$ —	\$ —	\$ 731
Fixed income securities:					
U.S. government	—	188	—	—	188
U.S. government agencies	—	311	—	—	311
U.S. corporate	—	359	—	—	359
Foreign	—	5	—	—	5
Common and preferred stocks:					
U.S.	926	—	—	—	926
Foreign	580	—	—	—	580
Funds:					
Fixed income	134	—	—	—	134
Equities	66	876	—	—	942
Foreign	73	—	—	—	73
Investments at NAV	—	—	—	8,614	8,614
Total investments	\$ 2,510	\$ 1,739	\$ —	\$ 8,614	\$ 12,863

The fair values of the Plan's assets at December 31, 2024, by asset category, are as follows:

Assets	Quoted Prices			NAV	Total
	in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Cash and cash equivalents	\$ 596	\$ 9	\$ —	\$ —	\$ 605
Fixed income securities:					
U.S. government	—	199	—	—	199
U.S. government agencies	—	207	—	—	207
U.S. corporate	—	350	—	—	350
Foreign	—	16	—	—	16
Common and preferred stocks:					
U.S.	1,028	—	—	—	1,028
Foreign	529	—	—	—	529
Funds:					
Fixed income	123	—	—	—	123
Equities	60	617	—	—	677
Foreign	60	—	—	—	60
Investments at NAV	—	—	—	7,640	7,640
Total investments	\$ 2,396	\$ 1,398	\$ —	\$ 7,640	\$ 11,434

Notes to Consolidated Financial Statements (In Millions)

Note 15. 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 2025 or 2024.

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, 2025, 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)	\$ 4,511	\$ 119	Monthly to annually	30–90 days
Private partnerships (b)	4,103	1,401		
	<u>\$ 8,614</u>	<u>\$ 1,520</u>		

At December 31, 2024, 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)	\$ 3,919	\$ 142	Monthly to annually	30–90 days
Private partnerships (b)	3,721	1,323		
	<u>\$ 7,640</u>	<u>\$ 1,465</u>		

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

Notes to Consolidated Financial Statements (In Millions)

Note 15. 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 2026.

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:

	2025	2024
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 887	\$ 869
Service cost	3	4
Interest cost	49	45
Plan participants contributions	41	44
Amendments	—	—
Medicare subsidy	—	9
Actuarial loss	97	26
Benefits paid	(111)	(110)
Estimated benefit obligation at end of year	<u>\$ 966</u>	<u>\$ 887</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ —	\$ —
Employer contributions	70	66
Plan participants contributions	41	44
Benefits paid	(111)	(110)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>\$ —</u>
Funded status of the plan	<u>\$ (966)</u>	<u>\$ (887)</u>

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

	2025	2024
Current liabilities	\$ (68)	\$ (61)
Noncurrent liabilities	(898)	(826)
Net amount recognized	<u>\$ (966)</u>	<u>\$ (887)</u>

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 15. Employee Benefit Programs (Continued)

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

	2025	2024
Service cost	\$ 3	\$ 4
Interest cost	49	45
Amortization of:		
Unrecognized prior service benefit	1	1
Unrecognized net actuarial (gain) loss	(1)	1
Net periodic benefit cost for other postretirement benefits	<u>\$ 52</u>	<u>\$ 51</u>

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:	
2026	\$ 5
2027	5
2028	5
2029	5
2030	5
2031–2035	23

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	
	2025	2024	2025	2024
Discount rate	5.83%	5.86%	5.57%	5.74%
Rate of compensation increase	3.69%	3.69%	N/A	N/A

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 15. Employee Benefit Programs (Continued)

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

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
Discount rate	5.86%	5.43%	5.74%	5.42%
Expected long-term return on plan assets	7.50%	7.50%	N/A	N/A
Rate of compensation increase	3.69%	3.67%	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 \$238 to its pension plans in 2026.

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

Years ending December 31:	Pension	Postretirement
	Benefits	Benefits
2026	\$ 642	\$ 70
2027	647	73
2028	652	75
2029	661	76
2030	659	77
2031-2035	3,413	380

In addition to the defined benefit plans, the Clinic sponsors various defined contribution benefit plans. Expense recognized by the Clinic for those plans was \$165 and \$151 for 2025 and 2024, respectively.

Note 16. 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.

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 16. General and Professional Liability Insurance (Continued)

The Clinic's general and professional liability as reported in the accompanying consolidated statements of financial position was \$207 and \$177 at December 31, 2025 and 2024, 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:

	2025	2024
Balance, beginning of year	\$ 177	\$ 164
Incurred related to captive insurance company liability:		
Current year	43	40
Prior years	29	15
Total incurred	72	55
Paid related to captive insurance company liability:		
Current year	—	—
Prior years	(40)	(60)
Total paid	(40)	(60)
Net change in self-insurance liability	(2)	18
Balance, end of year	\$ 207	\$ 177

Note 17. Other Receivables, Other Current and Long-Term Assets, and Other Current and Long-Term Liabilities

At December 31, other receivables consisted of the following:

	2025	2024
Pledges receivable	\$ 312	\$ 245
Grants receivable	164	160
Rebates receivable	106	85
Pharmacy receivable	68	60
Interest receivable	48	40
Royalty receivable	14	12
Other tax receivable	—	6
Other	82	99
Total other receivables	\$ 794	\$ 707

Mayo Clinic**Notes to Consolidated Financial Statements (In Millions)**

Note 17. 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:

	2025	2024
Inventories	\$ 279	\$ 253
Prepaid expenses	179	173
Other	31	30
Total other current assets	<u>\$ 489</u>	<u>\$ 456</u>

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

	2025	2024
Pension asset	\$ 3,949	\$ 2,993
Pledges receivable	578	341
Trust receivables	338	346
Technology-based ventures	331	295
Oil and gas interests	239	254
Operating lease right-of-use asset	126	136
Notes receivable	97	78
Prepaid maintenance	92	76
Long-term portion of deferred tax asset	2	8
Investments in unconsolidated entities	—	2
Other	80	85
Total other long-term assets	<u>\$ 5,832</u>	<u>\$ 4,614</u>

Mayo Clinic**Notes to Consolidated Financial Statements (In Millions)****Note 17. 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:

	2025	2024
Other taxes	\$ 112	\$ 103
Current portion of professional and general liability	61	58
Current portion of long-term disability	53	56
Refunds/recoupments	53	30
Short-term disability	39	33
Real estate tax accrual	29	27
Operating lease liability	28	26
Accrued interest	20	21
Oil and gas liability	18	36
Medicare settlements liability	17	21
Current portion of workers' compensation liability	13	13
Finance lease liability	9	8
Current maturities of long-term debt	5	105
Other	130	92
Total other current liabilities	<u>\$ 587</u>	<u>\$ 629</u>

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

	2025	2024
Deferred compensation	\$ 1,580	\$ 1,317
Long-term disability	266	270
Professional and general liability	146	119
Operating lease liability	124	138
Retirement community obligations	86	88
Electronic medical record	81	90
Gift annuities	77	72
Financing obligations	58	59
Asset retirement obligation	56	55
Trust obligations	47	49
Workers' compensation liability	36	35
Contract deposit	25	25
Finance lease liability	23	29
Deferred gain	16	18
Other	72	71
Total other long-term liabilities	<u>\$ 2,693</u>	<u>\$ 2,435</u>

Mayo Clinic

Notes to Consolidated Financial Statements (In Millions)

Note 18. Other Revenue

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

	2025	2024
Retail pharmacy sales	\$ 819	\$ 660
Royalties	140	191
Retail stores	87	86
Oil and gas producing activities	75	83
Graduate medical and other education revenue	60	61
Technology commercialization, health information, and medical products	59	46
Cafeteria revenue	46	41
Other	331	283
Total other revenue	<u>\$ 1,617</u>	<u>\$ 1,451</u>

The Clinic's retail pharmacy recognizes revenue at the time the customer takes possession of the pharmaceuticals. Each prescription claim is its own arrangement with the customer and is a separate and distinct performance obligation. The nature, amount, timing, and uncertainty of revenue from pharmacy claims are not significantly impacted by economic factors.

Note 19. 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, 2025 and 2024, is \$6,955 and \$5,756 respectively, all of which is expected to be expended over the next three to five years. This includes a \$5 billion initiative for the Rochester, Minnesota campus project with five new buildings and related technology and infrastructure investments. It also includes a \$2 billion initiative for the Phoenix, Arizona campus project with more than one million square feet of new clinical space across three buildings designed around integrated care neighborhoods, along with 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.