Unaudited Consolidated Financial Statements and Other Information

For The Period Ended March 31, 2025

The Cleveland Clinic Foundation
d.b.a. Cleveland Clinic Health System

Contents

CLEVELAND CLINIC HEALTH SYSTEM
MANAGEMENT'S SUMMARY OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED MARCH 31, 2025

The following summary describes the unaudited, consolidated financial results for Cleveland Clinic Health System (System) for the quarters ended March 31, 2025 and 2024.

Operating income for the System for the first quarter of 2025 was $53 million on total unrestricted revenues of $4.2 billion, resulting in a 1.3% operating margin, as compared to operating income of $50 million and a 1.3% operating margin in the first quarter of 2024. The System generated $263 million in operating cash flow (EBIDA) during the first quarter of 2025, a 6.2% EBIDA margin, compared to $243 million and a 6.3% EBIDA margin in the first quarter of 2024. The System's operating income and EBIDA in the first quarter of 2025 represent year-over-year increases of 5.2% and 8.4%, respectively. The improved operating performance in the first quarter of 2025 resulted from an 8.9% increase in operating revenues, supported by strong patient demand for outpatient services and new value-based delegated premium and risk agreements that went into effect January 1, 2025. Operating expenses also increased 8.9% over the same period. Overall, the System reported an excess of revenues over expenses of $85 million in the first quarter of 2025, a 2.0% total margin, compared to an excess of revenues over expenses of $333 million in the first quarter of 2024. The decrease in excess over expenses was driven by volatile investment markets that resulted in lower investment return in the first quarter of 2025 compared to the first quarter of 2024.

The following table summarizes patient utilization statistics for the System:

	For the three months ended March 31			
	2025	2024	Variance	%
Inpatient admissions(1)	69,532	70,347	-815	-1.2%
Patient days(1)	357,893	357,870	23	0.0%
Surgical cases				
Inpatient	20,817	21,392	-575	-2.7%
Outpatient	60,259	60,058	201	0.3%
	81,076	81,450	-374	-0.5%
Emergency department visits	251,460	245,633	5,827	2.4%
Clinic outpatient evaluation and management visits	2,078,481	2,003,814	74,667	3.7%
Total patient encounters	3,635,386	3,612,250	23,136	0.6%

(1) Excludes newborns

Total operating revenue increased $343 million (8.9%) in the first quarter of 2025 compared to the same period in 2024. Revenue growth in 2025 includes increases of $242 million in net patient service revenue, supported by a 0.6% increase in total patient encounters driven by an increase in outpatient activity, a strong case mix index that improved revenue quality of inpatient activity and premium revenue related to new value-based delegated premium and risk agreements that were effective January 1, 2025, which also increased expenses for related claim payments. Other unrestricted revenues increased $101 million primarily due to growth in outpatient pharmacy revenues, appropriations from a board-designated endowment fund to support the expanding research and education activities of the System and an increase in gifts and assets released from restriction.

Total operating expenses increased $341 million (8.9%) in the first quarter of 2025 compared to the same periods in 2024. The increase in expenses is due primarily to inflationary trends that increased personnel costs and pharmaceutical expenses, as well as the costs associated with the new delegated premium and risk agreements noted above. The System continues to develop and implement cost reduction and containment initiatives designed to make a more affordable care model for patients and to enable investments in key strategic initiatives.

The following table summarizes the financial results of the System ($ in thousands):

	For the three months ended March 31			
	2025	2024	Variance	%
Total unrestricted revenue	$ 4,216,053	$ 3,872,773	$ 343,280	8.9%
Operating income before interest, depreciation and amortization	$ 263,193	$ 242,843	$ 20,350	8.4%
Operating cashflow margin	6.2%	6.3%		
Operating income	$ 52,812	$ 50,217	$ 2,595	5.2%
Operating margin	1.3%	1.3%		
Net nonoperating gains and losses	$ 31,818	$ 282,607	$ (250,789)	-88.7%
Excess of revenues over expenses	$ 84,630	$ 332,824	$ (248,194)	-74.6%
Total margin	2.0%	8.0%		

Gains and losses from nonoperating activities are recorded below operating income in the statement of operations. The System recognized nonoperating gains of $32 million in the first quarter of 2025 compared to net gains of $283 million in the same period of 2024. The System's investment portfolio has been impacted by recent volatility in the investment markets. Investment returns on the System's investment portfolio approximated 0.4% in the first quarter of 2025 compared to returns of 3.4% in the same period of 2024.

Unaudited Consolidated Balance Sheets

($ in thousands)

	March 31 2025	December 31 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 767,106	$ 1,022,346
Patient receivables	1,937,215	1,850,016
Investments for current use	89,627	89,627
Other current assets	978,739	863,182
Total current assets	3,772,687	3,825,171
Investments:		
Long-term investments	11,928,867	11,944,509
Funds held by trustees	6,175	6,169
Assets held for self-insurance	139,670	165,757
Donor restricted assets	1,539,462	1,571,601
	13,614,174	13,688,036
Property, plant, and equipment, net	6,952,494	6,882,228
Other assets:		
Pledges receivable, net	155,682	137,852
Trusts and interests in foundations	97,395	97,562
Operating lease right-of-use assets	380,418	374,656
Other noncurrent assets	1,107,130	1,110,529
	1,740,625	1,720,599
Total assets	$ 26,079,980	$ 26,116,034

Unaudited Consolidated Balance Sheets (continued)

($ in thousands)

	March 31 2025	December 31 2024
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 677,279	$ 819,544
Compensation and amounts withheld from payroll	648,664	708,934
Short-term borrowings	40,000	-
Current portion of long-term debt	96,614	108,261
Variable rate debt classified as current	701,499	701,499
Other current liabilities	798,726	786,970
Total current liabilities	2,962,782	3,125,208
Long-term debt	4,533,976	4,580,902
Other liabilities:		
Professional and general insurance liability reserves	272,055	260,469
Accrued retirement benefits	199,808	198,805
Operating lease liabilities	334,409	328,034
Other noncurrent liabilities	829,971	798,901
	1,636,243	1,586,209
Total liabilities	9,133,001	9,292,319
Net assets:		
Without donor restrictions	15,039,643	14,908,343
With donor restrictions	1,907,336	1,915,372
Total net assets	16,946,979	16,823,715
Total liabilities and net assets	$ 26,079,980	$ 26,116,034

See notes to unaudited consolidated financial statements.

Unaudited Consolidated Statements of Operations and Changes in Net Assets

($ in thousands)

Operations

	Three Months Ended March 31	
	2025	2024
Unrestricted revenues		
Net patient service revenue	$ 3,620,226	$ 3,378,165
Other	595,827	494,608
Total unrestricted revenues	4,216,053	3,872,773
Expenses		
Salaries, wages, and benefits	2,344,183	2,238,136
Supplies	387,363	384,359
Pharmaceuticals	652,730	520,511
Purchased services and other fees	355,856	275,864
Administrative services	52,818	55,907
Facilities	120,812	116,513
Insurance	39,098	38,640
	3,952,860	3,629,930
Operating income before interest, depreciation, and amortization expenses	263,193	242,843
Interest	41,281	45,045
Depreciation and amortization	169,100	147,581
Operating income	52,812	50,217
Nonoperating gains and losses		
Investment return	36,549	275,194
Derivative (losses) gains	(2,026)	10,020
Other, net	(2,705)	(2,607)
Net nonoperating gains and losses	31,818	282,607
Excess of revenues over expenses	84,630	332,824

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Unaudited Consolidated Statements of Operations and Changes in Net Assets (continued)

($ in thousands)

Changes in Net Assets

	Three Months Ended March 31	
	2025	2024
Changes in net assets without donor restrictions:		
Excess of revenues over expenses	$ 84,630	$ 332,824
Donated capital	22	55
Net assets released from restriction for capital purposes	47,339	10,053
Retirement benefits adjustment	(799)	(792)
Foreign currency translation	2,005	(1,164)
Other	(1,897)	(478)
Increase in net assets without donor restrictions	131,300	340,498
Changes in net assets with donor restrictions:		
Gifts and bequests	65,944	48,805
Net investment income	8,820	31,555
Net assets released from restrictions used for operations included in other unrestricted revenues	(35,871)	(34,476)
Net assets released from restriction for capital purposes	(47,339)	(10,053)
Change in interests in foundations	(33)	570
Change in value of perpetual trusts	243	1,095
Other	200	2,000
(Decrease) increase in net assets with donor restrictions	(8,036)	39,496
Increase in net assets	123,264	379,994
Net assets at beginning of year	16,823,715	15,672,260
Net assets at end of period	$ 16,946,979	$ 16,052,254

See notes to unaudited consolidated financial statements.

Unaudited Consolidated Statements of Cash Flows

($ in thousands)

	Three Months Ended March 31	
	2025	2024
Operating activities and net nonoperating gains and losses		
Increase in net assets	$ 123,264	$ 379,994
Adjustments to reconcile increase in net assets to net cash used in operating activities and net nonoperating gains and losses:		
Retirement benefits adjustment	799	792
Net realized and unrealized gains on investments	(76,929)	(319,529)
Depreciation and amortization	168,136	146,333
Foreign currency translation (gain) loss	(2,005)	1,164
Donated capital	(22)	(55)
Restricted gifts, bequests, and other	(66,154)	(82,025)
Accreted interest and amortization of bond premiums	(3,508)	(1,841)
Net loss (gain) in value of derivatives	1,669	(9,783)
Changes in operating assets and liabilities:		
Patient receivables	(85,113)	(151,018)
Other current assets	(108,476)	6,017
Other noncurrent assets	3,943	(53,154)
Accounts payable and other current liabilities	(160,869)	(87,713)
Other liabilities	41,273	78,553
Net cash used in operating activities and net nonoperating gains and losses	(163,992)	(92,265)
Financing activities		
Proceeds from short-term borrowings	40,000	-
Principal payments on long-term debt	(84,895)	(81,622)
Change in pledges receivables, trusts and interests in foundations	(23,847)	(757)
Restricted gifts, bequests, and other	66,154	82,025
Net cash used in financing activities	(2,588)	(354)
Investing activities		
Expenditures for property, plant and equipment	(251,256)	(157,027)
Proceeds from sale of property, plant and equipment	10,000	10,000
Net change in cash equivalents reported in long-term investments	129,958	55,327
Purchases of investments	(1,250,263)	(1,543,331)
Sales of investments	1,273,011	1,510,456
Net cash used in investing activities	(88,550)	(124,575)
Effect of exchange rate changes on cash	1,805	(900)
Decrease in cash and cash equivalents	(253,325)	(218,094)
Cash, cash equivalents and restricted cash at beginning of year	1,026,968	703,716
Cash, cash equivalents and restricted cash at end of period	$ 773,643	$ 485,622

See notes to unaudited consolidated financial statements.

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. For further information, refer to the audited financial statements and notes thereto for the year ended December 31, 2024.

2. Organization and Consolidation

The Cleveland Clinic Foundation (Clinic) is a nonprofit, tax-exempt, Ohio corporation organized and operated to provide medical and hospital care, medical research, and education. The accompanying consolidated financial statements include the accounts of the Clinic and its controlled affiliates, d.b.a. Cleveland Clinic Health System (System). All significant intercompany balances and transactions have been eliminated in consolidation.

The System is the leading provider of healthcare services in northeast Ohio. As of March 31, 2025, the System operates 21 hospitals with approximately 5,500 staffed beds. Fifteen of the hospitals are operated in the northeast Ohio area, anchored by the Clinic. The System operates 22 outpatient family health centers and nine ambulatory surgery centers, as well as numerous physician offices, which are located throughout northeast Ohio, and specialized cancer centers in Sandusky and Mansfield, Ohio. In southeast Florida, the System operates five hospitals, a clinical facility in Weston, outpatient family health centers in Port St. Lucie, Stuart and West Palm Beach, an outpatient family health and ambulatory surgery center in Coral Springs, and numerous physician offices located throughout southeast Florida. In the United Kingdom, the System operates a hospital and two outpatient facilities in the central London area. In addition, the System operates a health and wellness center and a sports medicine clinic in Toronto, Canada, and a specialized neurological clinical center in Las Vegas, Nevada. Pursuant to agreements, the System also provides management services for Ashtabula County Medical Center, located in Ashtabula, Ohio, with approximately 120 staffed beds, and Cleveland Clinic Abu Dhabi, a multispecialty hospital offering a range of complex quaternary and general acute care services that is part of M42 Health’s network of healthcare facilities located in Abu Dhabi, United Arab Emirates, with 364 staffed beds.

3. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. Net Patient Service Revenue and Patient Receivables

Net patient service revenue is reported at the amount that reflects the consideration to which the System expects to be entitled for providing patient care. These amounts are due from patients, third-party payors, and others and include variable consideration for retroactive revenue adjustments due to settlement of reviews and audits. Generally, the System bills the patients and third-party payors several days after the services are performed or shortly after discharge. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the System. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges. The System believes that this method provides a reasonable 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 receiving inpatient acute care services. The System 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. These services are considered to be a single performance obligation. Revenue for performance obligations satisfied at a point in time is recognized when services are provided and the System does not believe it is required to provide additional services to the patient.

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

The System is utilizing the portfolio approach practical expedient in ASC 606 for contracts related to net patient service revenue. The System accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics of the patients within each portfolio. The portfolios consist of major payor classes for inpatient revenue and outpatient revenue. Based on historical collection trends and other analyses, the System has concluded that revenue for a given portfolio would not be materially different from accounting for revenue on a contract-by-contract basis.

4. Net Patient Service Revenue and Patient Receivables (continued)

The System has agreements with third-party payors that generally provide for payments to the System at amounts different from its established rates. For uninsured patients who do not qualify for charity care, the System recognizes revenue based on established rates (charges), subject to certain discounts and implicit price concessions as determined by the System. The System determines the transaction price based on standard charges for services provided, reduced by explicit price concessions provided to third-party payors, discounts provided to uninsured patients in accordance with the System's policy, and implicit price concessions provided to uninsured patients. Explicit price concessions are based on contractual agreements, discount policies and historical experience. Implicit price concessions represent differences between amounts billed and the estimated consideration the System expects to receive from patients, which are determined based on historical collection experience, current market conditions and other factors.

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The System estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price were not significant in the first three months of 2025 or 2024.

The System is paid a prospectively determined rate for the majority of inpatient acute care and outpatient, skilled nursing, and rehabilitation services provided (principally Medicare, Medicaid, and certain insurers). These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Payments for capital are received on a prospective basis for Medicare and Medicaid. Payments are received on a prospective basis for the System's medical education costs, subject to certain limits. The System is paid for cost reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicare Administrative Contractor.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation as well as significant regulatory action, and, in the normal course of business, the System is subject to contractual reviews and audits, including audits initiated by the Medicare Recovery Audit Contractor program. As a result, there is at least a reasonable possibility that recorded estimates will change in the near term. The System believes it is in compliance with applicable laws and regulations governing the Medicare and Medicaid programs and that adequate provisions have been made for any adjustments that may result from final settlements.

4. Net Patient Service Revenue and Patient Receivables (continued)

Settlements with third-party payors for retroactive adjustments due to reviews and audits are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System's historical settlement activity, including an assessment to ensure that it is probable that 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 or as years are settled or are no longer subject to such reviews and audits. Adjustments arising from a change in estimated settlements were not significant in in the first three months of 2025 or 2024.

The System provides care to patients who do not have the ability to pay and who qualify for charity care pursuant to established policies of the System. Charity care is defined as services for which patients have the obligation to pay but do not have the ability to do so. The System does not report charity care as net patient service revenue.

Net patient service revenue by major payor source, for the three months ended March 31, 2025 and 2024 is as follows (in thousands):

	Three Months Ended March 31, 2025		**Three Months Ended March 31, 2024**	
Medicare	**$ 1,469,458**	**41%**	$ 1,310,132	39%
Medicaid	**327,637**	**9**	330,905	10
Managed care and commercial	**1,755,602**	**48**	1,682,546	50
Self-pay	**67,529**	**2**	54,582	1
Net patient service revenue	**$ 3,620,226**	**100%**	$ 3,378,165	100%

5. Cash and Cash Equivalents

The System considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents are recorded at fair value in the consolidated balance sheets and exclude amounts held for long-term investment purposes and amounts included in long-term investment portfolios as those amounts are commingled with long-term investments.

5. Cash and Cash Equivalents (continued)

The reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets that comprise the amount reported on the consolidated statements of cash flows at March 31, 2025 and December 31, 2024 is as follows (in thousands):

	March 31 2025	December 31 2024
Cash and cash equivalents	**$ 767,106**	$ 1,022,346
Restricted cash in investments	**6,537**	4,622
Total cash, cash equivalents, and restricted cash	**$ 773,643**	$ 1,026,968

Restricted cash in investments includes amounts held by the System's captive insurance subsidiaries and restricted cash for various programs.

6. Fair Value Measurements

Fair value measurements are defined as 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.

Authoritative guidance provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. The System did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

The framework for measuring fair value is comprised of a three-level hierarchy 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 full term of the financial instrument.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

6. Fair Value Measurements (continued)

The following tables present the financial instruments measured at fair value on a recurring basis as of March 31, 2025 and December 31, 2024, based on the valuation hierarchy (in thousands):

March 31, 2025

	Level 1	Level 2	Level 3	Total
Assets				
Cash and investments:				
Cash and cash equivalents	$ 773,643	$ –	$ –	$ 773,643
Money market funds	366,102	–	–	366,102
Fixed-income securities:				
U.S. treasuries	1,042,741	–	–	1,042,741
U.S. government agencies	–	60,249	–	60,249
U.S. corporate	–	485,373	–	485,373
U.S. government agencies asset-backed securities	–	403,021	–	403,021
Corporate asset-backed securities	–	283,172	–	283,172
Foreign	–	146,148	–	146,148
Fixed-income mutual funds	533,824	–	–	533,824
Common and preferred stocks:				
U.S.	206,692	–	–	206,692
Foreign	662,589	48,009	–	710,598
Equity mutual funds	79,911	–	–	79,911
Total cash and investments	3,665,502	1,425,972	–	5,091,474
Perpetual and charitable trusts	–	69,323	–	69,323
Investments in affiliates	–	–	66,433	66,433
Total assets at fair value	$ 3,665,502	$ 1,495,295	$ 66,433	$ 5,227,230
Liabilities				
Interest rate swaps	$ –	$ 7,747	$ –	$ 7,747
Total liabilities at fair value	$ –	$ 7,747	$ –	$ 7,747

6. Fair Value Measurements (continued)

December 31, 2024

	Level 1	Level 2	Level 3	Total
Assets				
Cash and investments:				
Cash and cash equivalents	$ 1,026,968	$ –	$ –	$ 1,026,968
Money market funds	496,060	–	–	496,060
Fixed-income securities:				
U.S. treasuries	900,871	–	–	900,871
U.S. government agencies	–	60,020	–	60,020
U.S. corporate	–	457,169	–	457,169
U.S. government agencies asset-backed securities	–	390,217	–	390,217
Corporate asset-backed securities	–	282,498	–	282,498
Foreign	–	148,683	–	148,683
Fixed-income mutual funds	535,822	–	–	535,822
Common and preferred stocks:				
U.S.	171,563	278	–	171,841
Foreign	578,934	63,616	–	642,550
Equity mutual funds	68,390	–	–	68,390
Total cash and investments	3,778,608	1,402,481	–	5,181,089
Perpetual and charitable trusts	–	69,457	–	69,457
Investments in affiliates	–	–	66,433	66,433
Total assets at fair value	$ 3,778,608	$ 1,471,938	$ 66,433	$ 5,316,979
Liabilities				
Interest rate swaps	$ –	$ 6,078	$ –	$ 6,078
Total liabilities at fair value	$ –	$ 6,078	$ –	$ 6,078

6. Fair Value Measurements (continued)

Financial instruments at March 31, 2025 and December 31, 2024 are reflected in the consolidated balance sheets as follows (in thousands):

	March 31 2025	December 31 2024
Cash, cash equivalents, and investments measured at fair value	**$ 5,091,474**	$ 5,181,089
Commingled funds measured at net asset value	**2,034,697**	2,302,355
Alternative investments measured at net asset value	**7,344,736**	7,316,565
Total cash, cash equivalents, and investments	**$ 14,470,907**	$ 14,800,009
Perpetual and charitable trusts measured at fair value	**$ 69,323**	$ 69,457
Interests in foundations	**28,072**	28,105
Trusts and interests in foundations	**$ 97,395**	$ 97,562

Investments in affiliates measured at fair value are reported in other noncurrent assets in the consolidated balance sheets.

Interest rate swaps (Note 7) are reported in other noncurrent liabilities in the consolidated balance sheets.

The following is a description of the System's valuation methodologies for assets and liabilities measured at fair value.

Level 1 is based upon quoted market prices.

Level 2 is determined as follows:

Investments classified as Level 2 are primarily determined using techniques that are consistent with the market approach. Valuations are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs, which include broker/dealer quotes, reported/comparable trades, and benchmark yields, are obtained from various sources, including market participants, dealers, and brokers.

6. Fair Value Measurements (continued)

The fair value of perpetual and charitable trusts in which the System receives periodic payments from the trust is determined based on the present value of expected cash flows to be received from the trust using discount rates ranging from 4.3% to 5.0%, which are based on Treasury yield curve interest rates or the assumed yield of the trust assets. The fair value of charitable trusts in which the System is a remainder beneficiary is based on the System's beneficial interest in the investments held in the trust, which are measured at fair value.

The fair value of interest rate swaps is determined based on the present value of expected future cash flows using discount rates appropriate with the risks involved. The valuations include a credit spread adjustment to market interest rate curves to appropriately reflect nonperformance risk. The credit spread adjustment is derived from other comparably rated healthcare entities' bonds. The System manages credit risk based on the net portfolio exposure with each counterparty.

Level 3 investments consist of start-up private medical technology companies. The fair value for each investment is determined using inputs from the most recent post-closing valuation or series funding. Other factors such as financial performance, projections and industry developments are also inputs used to support the fair value of each investment. The range of significant unobservable inputs is dependent on the nature and characteristics of each investment and may vary at each balance sheet date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System 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.

7. Derivative Instruments

The System has entered into various derivative financial instruments to manage interest rate risk.

The System's objective with respect to interest rate risk is to manage the risk of rising interest rates on the System's variable rate debt. Consistent with its interest rate risk management objective, the System has entered into various interest rate swap agreements with a total notional amount of $277.3 and $289.4 million at March 31, 2025 and December 31 2024, respectively.

7. Derivative Instruments (continued)

The swap agreements mature in varying years between 2027 and 2039. During the term of these transactions, the System pays interest at a fixed rate, ranging from 3.04% to 5.12%, and receives interest at a variable rate based on the Secured Overnight Financing Rate plus a spread. The swap agreements are not designated as hedging instruments. Net interest paid or received under the swap agreements is included in derivative (losses) gains in the consolidated statements of operations and changes in net assets.

The following table summarizes the location and fair value for the System's derivative instruments (in thousands):

	Balance Sheet Location	March 31 2025	December 31 2024
Derivatives not designated as hedging instruments			
Interest rate swap agreements	Other noncurrent liabilities	**$ 7,747**	$ 6,078

The following table summarizes the location and amounts of derivative (losses) gains on the System's derivative instruments (in thousands):

	Location of (Loss) Gain Recognized	Quarter Ended March 31 2025	Quarter Ended March 31 2024
Derivatives not designated as hedging instruments			
Interest rate swap agreements	Derivative (losses) gains	**$ (2,026)**	$ 10,020

The System has used various derivative contracts in connection with certain prior obligations and investments. Although minimum credit ratings are required for counterparties, this does not eliminate the risk that a counterparty may fail to honor its obligations. Derivative contracts are subject to periodic "mark-to-market" valuations. A derivative contract may, at any time, have a positive or negative value to the System. In the event that the negative value reaches certain thresholds established in the derivative contracts, the System is required to post collateral, which could adversely affect its liquidity. At March 31, 2025 and December 31, 2024, the System had no posted collateral. In addition, if the System were to choose to terminate a derivative contract or if a derivative contract were terminated pursuant to an event of default or a termination event as described in the derivative contract, the System could be required to pay a termination payment to the counterparty.

8. Pensions and Other Postretirement Benefits

The System maintains five defined benefit pension plans, including three tax-qualified funded plans and two unfunded plans. The CCHS Retirement Plan is a tax-qualified defined benefit pension plan that provides benefits to substantially all employees of the System, except those employed by Akron General, Mercy Hospital, Union Hospital or Indian River Hospital. All benefit accruals under the CCHS Retirement Plan ceased as of December 31, 2012. Martin Health System had a tax-qualified defined benefit plan covering substantially all of its employees who were hired before October 1, 2005, and met certain eligibility requirements. All benefit accruals under the Martin Health System defined benefit plan ceased as of January 1, 2013. On June 30, 2019, the Martin Health System defined benefit pension plan merged with the CCHS Retirement Plan, with the CCHS Retirement Plan being a single continuing pension plan. Akron General has a tax-qualified defined benefit plan covering substantially all of its employees who were hired before 2004 and meet certain eligibility requirements. All benefit accruals under the Akron General defined benefit plan ceased as of December 31, 2017. Indian River Hospital has a tax-qualified defined benefit plan covering substantially all of its employees who were hired before December 31, 2002, and meet certain eligibility requirements. All benefit accruals under the Indian River Hospital defined benefit plan ceased as of December 31, 2002. The benefits for the System's tax-qualified defined benefit pension plans are provided based on age, years of service, and compensation. The System's policy for its tax-qualified defined benefit pension plans is to fund at least the minimum amounts required by the Employee Retirement Income Security Act of 1974. The System maintains two unfunded, nonqualified defined benefit supplemental retirement plans, which cover certain professional staff and administrative employees.

The System sponsors two noncontributory, defined contribution plans and three contributory, defined contribution plans covering active System employees. The Cleveland Clinic Investment Pension Plan (IPP) is a noncontributory, defined contribution plan that covers substantially all of the System's employees, except employees covered by the Cleveland Clinic Cash Balance Plan and certain employees of Indian River Hospital. The System's contribution to the IPP for participants is based upon a percentage of employee compensation and years of creditable service. The Cleveland Clinic Cash Balance Plan (CBP) is a noncontributory, defined contribution plan that covers certain professional and administrative employees not covered by the IPP. The System's contribution to the CBP is a percentage of employee compensation that is determined according to age. Prior to 2024, the System sponsored ten tax-qualified contributory, defined contribution plans covering active System employees. In 2024, the System established a new contributory, defined contribution plan and merged eight defined contribution plans related to various System entities into the new or existing plans. Accordingly, the System currently sponsors three tax-qualified contributory, defined contribution plans, including a plan that covers certain employees of Indian River Hospital and two plans that cover substantially all other employees of the System. The plans generally permit employees to make pretax, Roth and after-tax employee deferrals and to become entitled to certain employer matching contributions that are based on pretax and Roth employee contributions.

8. Pensions and Other Postretirement Benefits (continued)

The components of net periodic benefit cost for defined benefit pension plans and defined contribution plan expenses are as follows (in thousands):

	Quarter Ended March 31	
	2025	**2024**
Amounts related to defined benefit pension plans:		
Service credit	**$ (423)**	$ (561)
Interest cost	**17,909**	17,853
Expected return on assets	**(15,967)**	(16,494)
Net amortization and deferral	**(454)**	(454)
Total defined benefit pension plans	**1,065**	344
Defined contribution plans	**126,453**	117,580
	$ 127,518	$ 117,924

The service credit component of net periodic benefit cost and defined contribution plan expenses are included in salaries, wages, and benefits in the consolidated statements of operations and changes in net assets. The components of net periodic benefit cost other than the service credit component are included in other nonoperating gains and losses in the consolidated statements of operations and changes in net assets.

9. Subsequent Events

The System evaluated events and transactions occurring subsequent to March 31, 2025 through May 16, 2025, the date the unaudited consolidated financial statements were issued. During this period, there were no subsequent events requiring recognition in the consolidated financial statements, and there were no nonrecognized subsequent events requiring disclosure.

Unaudited Consolidating Balance Sheets

($ in thousands)

	March 31, 2025				December 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Assets								
Current assets:								
Cash and cash equivalents	$ 749,398	$ 17,708	$ -	$ 767,106	$ 986,681	$ 35,665	$ -	$ 1,022,346
Patient receivables, net	1,638,548	374,225	(75,558)	1,937,215	1,558,559	361,195	(69,738)	1,850,016
Due from affiliates	9,579	54,066	(63,645)	-	29,717	7,664	(37,381)	-
Investments for current use	-	89,627	-	89,627	-	89,627	-	89,627
Other current assets	787,638	207,778	(16,677)	978,739	683,359	188,409	(8,586)	863,182
Total current assets	3,185,163	743,404	(155,880)	3,772,687	3,258,316	682,560	(115,705)	3,825,171
Investments:								
Long-term investments	10,585,997	1,342,870	-	11,928,867	10,613,125	1,331,384	-	11,944,509
Funds held by trustees	6,175	-	-	6,175	6,169	0	-	6,169
Assets held for self-insurance	-	139,670	-	139,670	-	165,757	-	165,757
Donor restricted assets	1,419,433	120,029	-	1,539,462	1,443,640	127,961	-	1,571,601
	12,011,605	1,602,569	-	13,614,174	12,062,934	1,625,102	-	13,688,036
Property, plant, and equipment, net	5,321,532	1,630,962	-	6,952,494	5,262,656	1,619,572	-	6,882,228
Other assets:								
Pledges receivable, net	140,759	14,923	-	155,682	123,392	14,460	-	137,852
Trusts and beneficial interests in foundations	67,467	29,928	-	97,395	67,364	30,198	-	97,562
Operating lease right-of-use assets	137,250	243,168	-	380,418	138,883	235,773	-	374,656
Other noncurrent assets	1,001,349	181,678	(75,897)	1,107,130	1,001,915	184,440	(75,826)	1,110,529
	1,346,825	469,697	(75,897)	1,740,625	1,331,554	464,871	(75,826)	1,720,599
Total assets	$ 21,865,125	$ 4,446,632	$ (231,777)	$ 26,079,980	$ 21,915,460	$ 4,392,105	$ (191,531)	$ 26,116,034

	March 31, 2025				December 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Liabilities and net assets								
Current liabilities:								
Accounts payable	$ 564,138	$ 113,267	$ (126)	$ 677,279	$ 678,591	$ 141,077	$ (124)	$ 819,544
Compensation and amounts withheld from payroll	583,045	65,619	-	648,664	627,337	81,597	-	708,934
Short-term borrowings	40,000	-	-	40,000	-	-	-	-
Current portion of long-term debt	89,459	7,155	-	96,614	100,795	7,466	-	108,261
Variable rate debt classified as current	659,393	42,106	-	701,499	659,393	42,106	-	701,499
Due to affiliates	16,959	12,937	(29,896)	-	5,150	32,752	(37,902)	-
Other current liabilities	657,380	217,322	(75,976)	798,726	639,770	217,362	(70,162)	786,970
Total current liabilities	2,610,374	458,406	(105,998)	2,962,782	2,711,036	522,360	(108,188)	3,125,208
Long-term debt	3,620,665	916,527	(3,216)	4,533,976	3,691,201	892,847	(3,146)	4,580,902
Other liabilities:								
Professional and general insurance liability reserves	140,426	131,629	-	272,055	130,894	129,575	-	260,469
Accrued retirement benefits	198,837	971	-	199,808	197,807	998	-	198,805
Operating lease liabilities	96,007	238,402	-	334,409	98,130	229,904	-	328,034
Other noncurrent liabilities	769,950	109,904	(49,883)	829,971	738,046	68,372	(7,517)	798,901
	1,205,220	480,906	(49,883)	1,636,243	1,164,877	428,849	(7,517)	1,586,209
Total liabilities	7,436,259	1,855,839	(159,097)	9,133,001	7,567,114	1,844,056	(118,851)	9,292,319
Net assets:								
Without donor restrictions	12,712,141	2,400,182	(72,680)	15,039,643	12,632,974	2,348,049	(72,680)	14,908,343
With donor restrictions	1,716,725	190,611	-	1,907,336	1,715,372	200,000	-	1,915,372
Total net assets	14,428,866	2,590,793	(72,680)	16,946,979	14,348,346	2,548,049	(72,680)	16,823,715
Total liabilities and net assets	$ 21,865,125	$ 4,446,632	$ (231,777)	$ 26,079,980	$ 21,915,460	$ 4,392,105	$ (191,531)	$ 26,116,034

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

Unaudited Consolidating Statements of Operations and Changes in Net Assets

($ in thousands)

Operations

	Three Months Ended March 31, 2025				Three Months Ended March 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Unrestricted revenues								
Net patient service revenue	$ 3,072,710	$ 683,765	$ (136,249)	$ 3,620,226	$ 2,822,028	$ 661,279	$ (105,142)	$ 3,378,165
Other	534,595	121,597	(60,365)	595,827	443,989	103,436	(52,817)	494,608
Total unrestricted revenues	3,607,305	805,362	(196,614)	4,216,053	3,266,017	764,715	(157,959)	3,872,773
Expenses								
Salaries, wages, and benefits	2,046,434	443,027	(145,278)	2,344,183	1,884,519	469,337	(115,720)	2,238,136
Supplies	301,722	85,728	(87)	387,363	297,778	86,682	(101)	384,359
Pharmaceuticals	588,924	63,806	-	652,730	469,047	51,464	-	520,511
Purchased services and other fees	322,496	56,736	(23,376)	355,856	234,132	61,366	(19,634)	275,864
Administrative services	(6,031)	69,120	(10,271)	52,818	5,925	57,532	(7,550)	55,907
Facilities	87,043	34,237	(468)	120,812	81,164	35,703	(354)	116,513
Insurance	30,801	25,406	(17,109)	39,098	30,946	22,277	(14,583)	38,640
	3,371,389	778,060	(196,589)	3,952,860	3,003,511	784,361	(157,942)	3,629,930
Operating income (loss) before interest, depreciation, and amortization expenses	235,916	27,302	(25)	263,193	262,506	(19,646)	(17)	242,843
Interest	33,708	7,573	-	41,281	36,186	8,859	-	45,045
Depreciation and amortization	127,837	41,288	(25)	169,100	107,619	39,979	(17)	147,581
Operating income (loss)	74,371	(21,559)	-	52,812	118,701	(68,484)	-	50,217
Nonoperating gains and losses								
Investment return	20,338	16,211	-	36,549	224,692	50,502	-	275,194
Derivative (losses) gains	(2,026)	-	-	(2,026)	10,181	(161)	-	10,020
Other, net	(2,711)	6	-	(2,705)	(3,147)	540	-	(2,607)
Net nonoperating gains and losses	15,601	16,217	-	31,818	231,726	50,881	-	282,607
Excess (deficiency) of revenues over expenses	89,972	(5,342)	-	84,630	350,427	(17,603)	-	332,824

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

Certain prior period amounts have been updated to conform to the current year presentation.

Unaudited Consolidating Statements of Operations and Changes in Net Assets (continued)

($ in thousands)

Changes in Net Assets

	Three Months Ended March 31, 2025				Three Months Ended March 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Changes in net assets without donor restrictions:								
Excess (deficiency) of revenues over expenses	$ 89,972	$ (5,342)	$ -	$ 84,630	$ 350,427	$ (17,603)	$ -	$ 332,824
Donated capital	22	-	-	22	55	-	-	55
Net assets released from restriction for capital purposes	46,203	1,136	-	47,339	9,179	874	-	10,053
Retirement benefits adjustment	(599)	(200)	-	(799)	(592)	(200)	-	(792)
Foreign currency translation	-	2,005	-	2,005	-	(1,164)	-	(1,164)
Other	(56,431)	54,534	-	(1,897)	(57,293)	56,815	-	(478)
Increase in net assets without donor restrictions	79,167	52,133	-	131,300	301,776	38,722	-	340,498
Changes in net assets with donor restrictions:								
Gifts and bequests	60,263	5,681	-	65,944	43,637	5,168	-	48,805
Net investment income	7,874	946	-	8,820	29,610	1,945	-	31,555
Net assets released from restrictions used for operations included in other unrestricted revenues	(31,996)	(3,875)	-	(35,871)	(30,542)	(3,934)	-	(34,476)
Net assets released from restriction for capital purposes	(46,203)	(1,136)	-	(47,339)	(9,179)	(874)	-	(10,053)
Change in interests in foundations	(33)	-	-	(33)	570	-	-	570
Change in value of perpetual trusts	346	(103)	-	243	489	606	-	1,095
Other	11,102	(10,902)	-	200	2,426	(426)	-	2,000
Increase (decrease) in net assets with donor restrictions	1,353	(9,389)	-	(8,036)	37,011	2,485	-	39,496
Increase in net assets	80,520	42,744	-	123,264	338,787	41,207	-	379,994
Net assets at beginning of year	14,348,346	2,548,049	(72,680)	16,823,715	13,470,789	2,254,151	(52,680)	15,672,260
Net assets at end of period	$ 14,428,866	$ 2,590,793	$ (72,680)	$ 16,946,979	$ 13,809,576	$ 2,295,358	$ (52,680)	$ 16,052,254

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

Certain prior period amounts have been updated to conform to the current year presentation.

Unaudited Consolidating Statements of Cash Flows

($ in thousands)

	Three Months Ended March 31, 2025				Three Months Ended March 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Operating activities and net nonoperating gains and losses								
Increase in total net assets	$ 80,520	$ 42,744	$ -	$ 123,264	$ 338,787	$ 41,207	$ -	$ 379,994
Adjustments to reconcile increase in net assets to net cash used in operating activities and net nonoperating gains and losses:								
Retirement benefits adjustment	599	200	-	799	592	200	-	792
Net realized and unrealized gains on investments	(63,629)	(13,300)	-	(76,929)	(270,332)	(49,197)	-	(319,529)
Depreciation and amortization	127,837	40,324	(25)	168,136	107,619	38,731	(17)	146,333
Foreign currency translation (gain) loss	-	(2,005)	-	(2,005)	-	1,164	-	1,164
Donated capital	(22)	-	-	(22)	(55)	-	-	(55)
Restricted gifts, bequests, and other	(60,576)	(5,578)	-	(66,154)	(74,306)	(7,719)	-	(82,025)
Transfers to (from) affiliates	56,428	(56,428)	-	-	57,292	(57,292)	-	-
Accreted interest and amortization of bond premiums	(3,552)	44	-	(3,508)	(1,885)	44	-	(1,841)
Net loss (gain) in value of derivatives	1,669	-	-	1,669	(9,783)	-	-	(9,783)
Changes in operating assets and liabilities:								
Patient receivables	(79,989)	(10,944)	5,820	(85,113)	(139,846)	(25,263)	14,091	(151,018)
Other current assets	(76,824)	(66,007)	34,355	(108,476)	(56,035)	(17,018)	79,070	6,017
Other noncurrent assets	2,119	1,728	96	3,943	(54,377)	1,159	64	(53,154)
Accounts payable and other current liabilities	(99,248)	(63,811)	2,190	(160,869)	(26,318)	(2,245)	(59,150)	(87,713)
Other liabilities	38,075	45,564	(42,366)	41,273	98,125	14,441	(34,013)	78,553
Net cash used in operating activities and net nonoperating gains and losses	(76,593)	(87,469)	70	(163,992)	(30,522)	(61,788)	45	(92,265)
Financing activities								
Proceeds from short-term borrowings	40,000	-	-	40,000	-	-	-	-
Proceeds from long-term borrowings	-	70	(70)	-	-	45	(45)	-
Principal payments on long-term debt	(83,475)	(1,420)	-	(84,895)	(80,263)	(1,359)	-	(81,622)
Change in pledges receivable, trusts and interests in foundations	(24,787)	940	-	(23,847)	536	(1,293)	-	(757)
Restricted gifts, bequests, and other	60,576	5,578	-	66,154	74,306	7,719	-	82,025
Net cash (used in) provided by financing activities	(7,686)	5,168	(70)	(2,588)	(5,421)	5,112	(45)	(354)
Investing activities								
Expenditures for property, plant and equipment	(221,534)	(29,722)	-	(251,256)	(130,722)	(26,305)	-	(157,027)
Proceeds from sale of property, plant and equipment	10,000	-		10,000	10,000	-		10,000
Net change in cash equivalents reported in long-term investments	119,188	10,770	-	129,958	41,048	14,279	-	55,327
Purchases of investments	(1,113,826)	(136,437)	-	(1,250,263)	(1,320,373)	(222,958)	-	(1,543,331)
Sales of investments	1,109,773	163,238	-	1,273,011	1,317,745	192,711	-	1,510,456
Transfers (to) from affiliates	(56,428)	56,428	-	-	(57,292)	57,292	-	-
Net cash (used in) provided by investing activities	(152,827)	64,277	-	(88,550)	(139,594)	15,019	-	(124,575)
Effect of exchange rate changes on cash	-	1,805		1,805	-	(900)		(900)
Decrease in cash and cash equivalents	(237,106)	(16,219)	-	(253,325)	(175,537)	(42,557)	-	(218,094)
Cash, cash equivalents and restricted cash at beginning of year	990,202	36,766	-	1,026,968	658,473	45,243	-	703,716
Cash, cash equivalents and restricted cash at end of period	$ 753,096	$ 20,547	$ -	$ 773,643	$ 482,936	$ 2,686	$ -	$ 485,622

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

Certain prior period amounts have been updated to conform to the current year presentation.

Utilization

The following table provides selected utilization statistics for the System:

	Year Ended December 31			YTD March 31	
	2022	2023	2024	2024	2025
Total Staffed Beds[1]	5,512	5,527	5,454	5,527	5,480
Percent Occupancy[1]	72.4%	74.9%	76.8%	78.9%	79.9%
Inpatient Admissions[1]					
Acute	236,684	258,731	265,502	67,945	67,032
Post-acute	9,856	9,591	9,473	2,402	2,500
Total	246,540	268,322	274,975	70,347	69,532
Patient Days[1]					
Acute	1,266,144	1,289,273	1,305,988	338,187	338,109
Post-acute	81,399	78,413	76,251	19,683	19,784
Total	1,347,543	1,367,686	1,382,239	357,870	357,893
Average Length of Stay					
Acute	5.16	4.90	4.80	4.95	5.02
Post-acute	8.04	8.19	8.09	8.19	7.91
Surgical Facility Cases					
Inpatient	73,867	80,049	84,208	21,392	20,817
Outpatient	209,330	232,066	242,221	60,058	60,259
Total	283,197	312,115	326,429	81,450	81,076
Emergency Department Visits	907,491	951,863	993,993	245,633	251,460
Outpatient Observations	68,613	68,572	73,002	17,123	18,965
Outpatient Evaluation and Management Visits	6,896,348	7,580,447	7,992,804	2,003,814	2,078,481
Acute Medicare Case Mix Index - Health System	2.00	1.98	2.03	2.00	2.05
Acute Medicare Case Mix Index - Cleveland Clinic	2.95	2.99	3.09	3.06	3.17
Total Acute Patient Case Mix Index - Health System	1.93	1.91	1.95	1.94	1.99
Total Acute Patient Case Mix Index - Cleveland Clinic	2.84	2.84	2.93	2.91	2.99

[1] Acute and post-acute, including rehabilitative and psychiatric services within post-acute, but excluding newborns and bassinets.

Utilization statistics for Cleveland Clinic London are included in the above table, including certain prior period statistics that have been updated to conform with the current year presentation.

Utilization (continued)

The following table provides selected utilization statistics for the Obligated Group:

	Year Ended December 31			YTD March 31	
	2022	2023	2024	2024	2025
Total Staffed Beds[1]	4,104	4,113	4,047	4,113	4,073
Percent Occupancy[1]	74.9%	78.1%	79.7%	81.4%	81.7%
Inpatient Admissions[1]					
Acute	181,709	196,482	200,013	51,141	49,977
Post-acute	5,762	5,938	5,830	1,484	1,437
Total	187,471	202,420	205,843	52,625	51,414
Patient Days[1]					
Acute	989,958	1,002,826	1,011,518	260,891	259,971
Post-acute	48,716	50,874	50,166	12,430	12,294
Total	1,038,674	1,053,700	1,061,684	273,321	272,265
Surgical Facility Cases					
Inpatient	59,384	62,661	64,626	16,535	15,814
Outpatient	166,565	187,565	195,904	48,249	48,855
Total	225,949	250,226	260,530	64,784	64,669
Emergency Department Visits	660,421	697,515	732,958	181,840	185,493
Outpatient Observations	51,084	53,109	57,142	13,483	14,885
Outpatient Evaluation and Management Visits	5,447,629	5,965,741	6,283,469	1,572,154	1,626,069
Acute Medicare Case Mix Index	2.05	2.04	2.08	2.05	2.10
Total Acute Patient Case Mix Index	1.98	1.97	2.01	1.99	2.04

[1] Acute and post-acute, including rehabilitative and psychiatric services within post-acute, but excluding newborns and bassinets.

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

Payor Mix

The following table shows payor mix as a percentage of gross patient service revenue for the System and Obligated Group as a whole:

CLEVELAND CLINIC HEALTH SYSTEM
Based on Gross Patient Service Revenue

	Year Ended December 31			YTD March 31	
	2022	2023	2024	2024	2025
Payor					
Managed Care and Commercial	34%	34%	34%	33%	33%
Medicare	51%	51%	51%	51%	52%
Medicaid	13%	13%	12%	13%	12%
Self-Pay & Other	2%	2%	3%	3%	3%
Total	100%	100%	100%	100%	100%

OBLIGATED GROUP
Based on Gross Patient Service Revenue

	Year Ended December 31			YTD March 31	
	2022	2023	2024	2024	2025
Payor					
Managed Care and Commercial	37%	37%	37%	37%	37%
Medicare	48%	49%	49%	49%	50%
Medicaid	13%	12%	12%	12%	11%
Self-Pay & Other	2%	2%	2%	2%	2%
Total	100%	100%	100%	100%	100%

Please refer to Management's Discussion and Analysis for a listing of the hospitals in the Obligated Group.

Research Support

($ in thousands)

The Clinic funds the annual cost of research from external sources, such as federal grants and contracts and contributions restricted for research, and internal sources, such as contributions, endowment earnings and revenue from operations. The following table summarizes the sources of research support for the Clinic:

	Year Ended December 31			YTD March 31	
	2022	2023	2024	2024	2025
External Grants Earned					
Federal Sources	$ 161,270	$ 157,489	$ 164,172	$ 41,569	$ 41,776
Non-Federal Sources	138,925	145,922	171,933	40,463	39,684
Total	300,195	303,411	336,105	82,032	81,460
Internal Support	77,569	100,549	105,725	25,417	26,707
Total Sources of Support	$ 377,764	$ 403,960	$ 441,830	$ 107,449	$ 108,167

Debt Service Coverage

($ in thousands)

The following table provides the Obligated Group's income available to pay maximum annual debt service of the Obligated group:

	Year Ended December 31			YTD March 31	
	2022	2023	2024	2024	2025
Excess (deficiency) of revenues over expenses	$ (760,743)	$ 1,127,365	$ 1,120,242	$ 1,114,628	$ 859,787
Plus depreciation, amortization and interest	613,647	569,116	620,076	552,264	637,816
(Less) plus (increase) decrease in unrealized net (gains) losses on investments and earnings on alternative investments	947,024	(729,756)	(673,845)	(667,733)	(447,515)
Less increase in fair value of derivative instruments	(84,336)	(1,815)	(10,981)	(18,320)	471
Actuarial gains and losses related to pension plans, gains and losses resulting from changes in foreign currency exchange rates and other	89,857	29,269	5,907	28,753	5,480
Funds available for debt service	$ 805,449	$ 994,179	$ 1,061,399	$ 1,009,592	$ 1,056,039
Maximum annual debt service**	$ 237,645	$ 262,828	$ 289,198	$ 263,694	$ 273,228
Maximum annual debt service coverage (x)	3.39	3.78	3.67	3.83	3.87

NOTES:
Calculated using 12-month rolling income statement

*** Maximum annual debt service is calculated based on the master trust indenture*

Other Key Ratios

The following table provides selected key ratios for the System:

	Year Ended December 31			YTD March 31	
	2022	2023	2024	2024	2025
Liquidity ratios					
Days of cash on hand	334	316	315	309	302
Days of revenue in accounts receivable	50	53	48	54	48
Coverage ratios					
Cash to debt (%)	228.8	228.3	240.5	232.5	236.3
Interest expense coverage (x)	3.9	4.8	5.9	4.8	6.2
Leverage ratios					
Debt to cash flow (x)	8.5	6.2	5.2	6.0	5.0
Debt to capitalization (%)	28.1	27.5	26.6	26.7	26.3
Debt to revenue (%)	38.8	36.3	33.8	34.9	33.0
Profitability ratios					
Operating margin (%)	(1.6)	0.4	1.7	1.3	1.3
Operating cash flow margin (%)	4.3	5.5	6.8	6.3	6.2
Excess margin (%)	(10.4)	5.9	5.9	8.0	2.0
Return on assets (%)	(5.4)	3.7	3.8	5.4	1.3

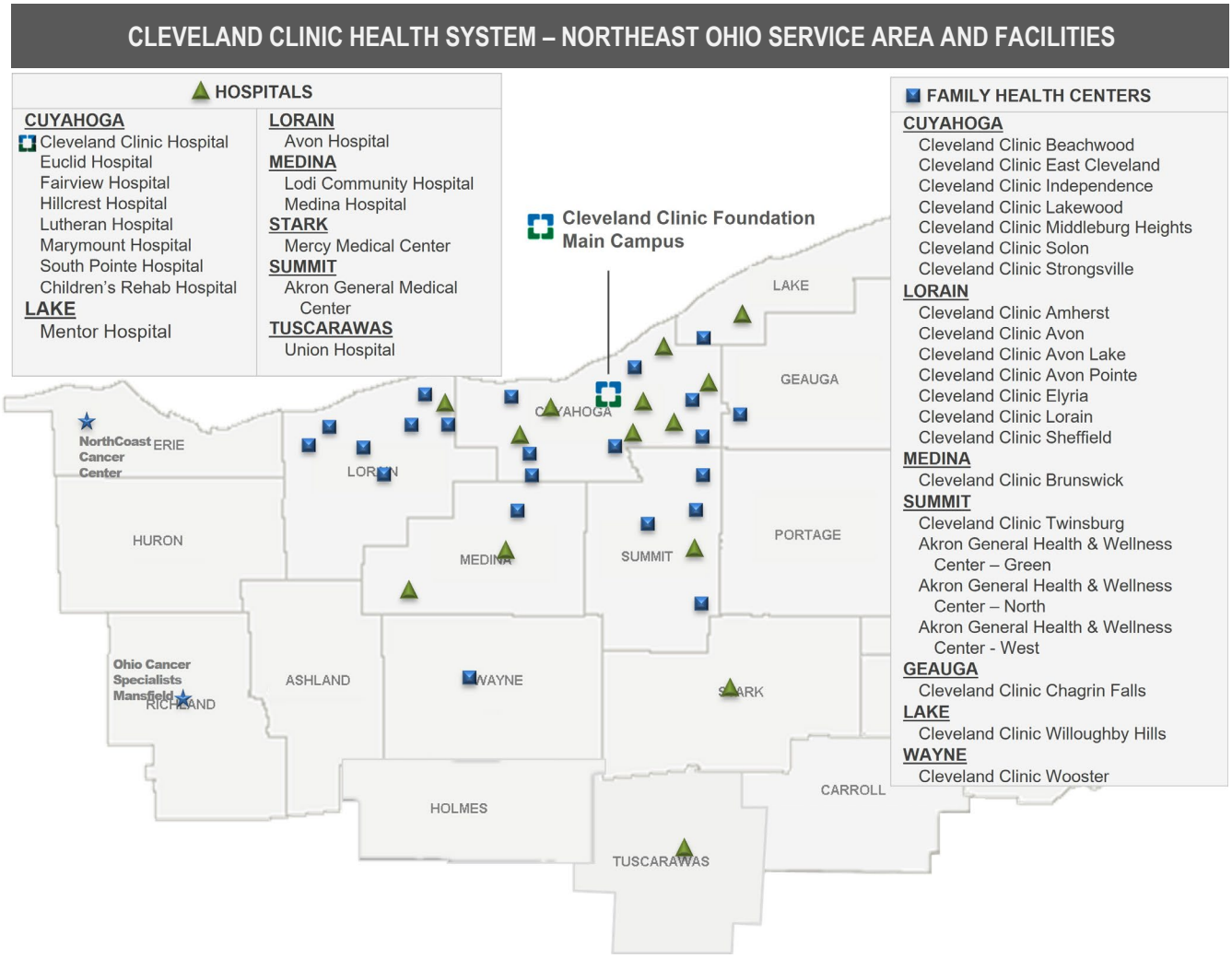
NOTES:
Liquidity, coverage and leverage ratios are calculated using a 12-month rolling income statement.

OVERVIEW

The Cleveland Clinic Health System (System) is a world-renowned provider of healthcare services that attracted patients from across the United States and from 178 other countries in 2024. As of March 31, 2025, the System operates 21 hospitals with approximately 5,500 staffed beds and is the leading provider of healthcare services in Northeast Ohio. Fifteen of the hospitals are operated in the Northeast Ohio area, anchored by The Cleveland Clinic Foundation (Clinic). The System also operates 22 outpatient family health centers, nine ambulatory surgery centers, numerous physician offices located throughout Northeast Ohio, and specialized cancer centers in Sandusky and Mansfield, Ohio. In Southeast Florida, the System operates five hospitals, including an academic medical center in Weston, outpatient family health centers in Port St. Lucie, Stuart and West Palm Beach, an outpatient family health and ambulatory surgery center in Coral Springs and numerous physician offices located throughout Southeast Florida. In the United Kingdom, the System operates a hospital and two outpatient facilities in the central London area. In addition, the System operates a health and wellness center and a sports medicine clinic in Toronto, Canada and a specialized neurological clinical center in Las Vegas, Nevada. Pursuant to agreements, the System also provides management services for Ashtabula County Medical Center, located in Ashtabula, Ohio, with approximately 120 staffed beds, and Cleveland Clinic Abu Dhabi, a multispecialty hospital offering a range of complex quaternary and general acute care services that is part of M42 Health's network of healthcare facilities located in Abu Dhabi, United Arab Emirates with approximately 364 staffed beds.

Cleveland Clinic London
London, UK

The location of the System's hospitals, its family health centers and its specialized cancer centers in the Northeast Ohio area are identified on the following map:

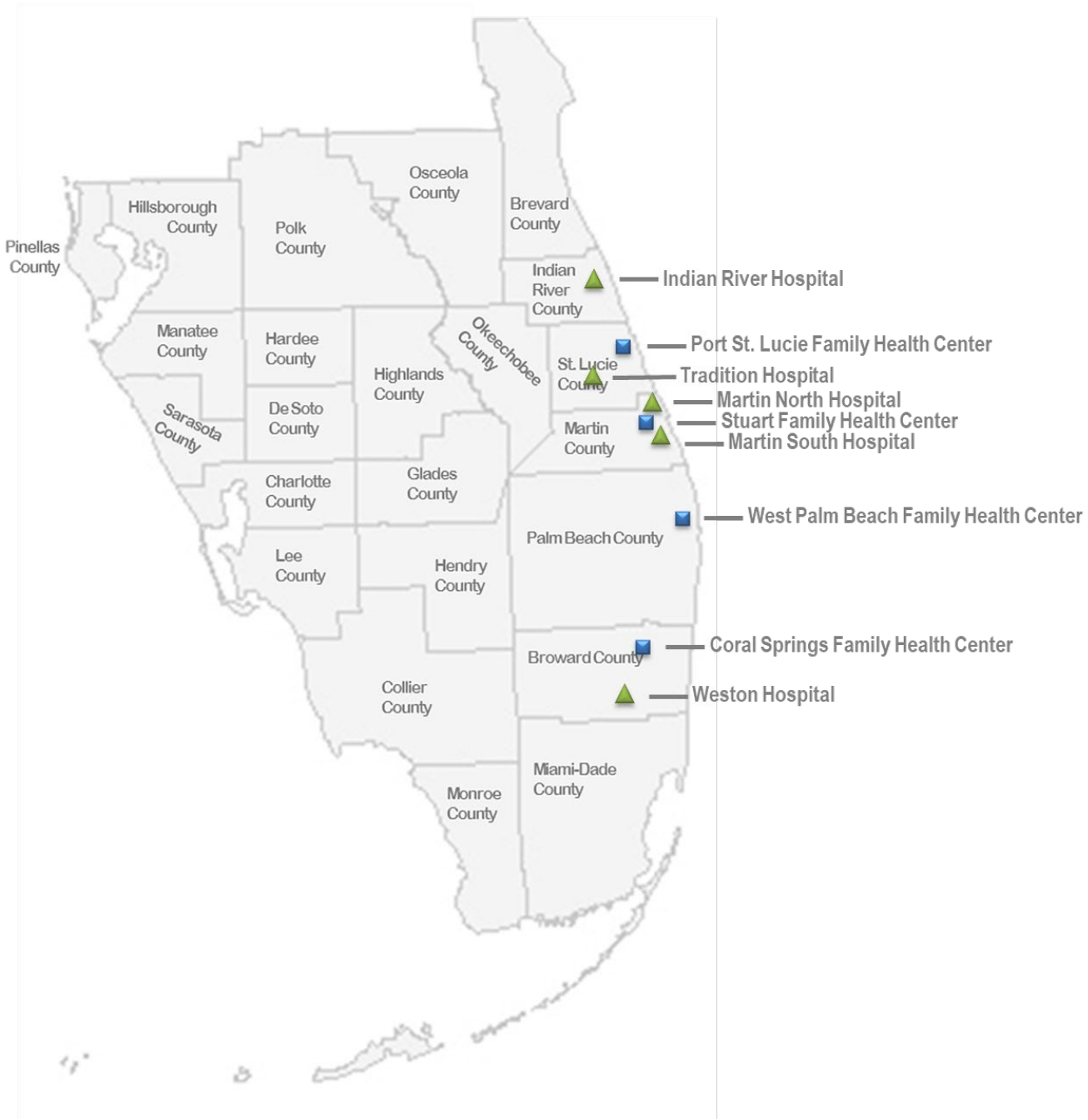


Cleveland Clinic

Every life deserves world class care.

The location of the System's hospitals and family health centers in the Southeast Florida area are identified on the following map:

CLEVELAND CLINIC HEALTH SYSTEM – SOUTHEAST FLORIDA FACILITIES



The following table sets forth the hospitals operated by the obligated issuers and their affiliates, together with each hospital's staffed bed count as of March 31, 2025:

	Staffed Beds
OBLIGATED	
Cleveland Clinic	1,253
Avon Hospital	126
Euclid Hospital	146
Fairview Hospital	498
Hillcrest Hospital	462
Lutheran Hospital	192
Martin North Hospital	244
Martin South Hospital	100
Marymount Hospital	263
Medina Hospital	148
Mentor Hospital	34
South Pointe Hospital	172
Tradition Hospital	177
Weston Hospital	258
	4,073
NON-OBLIGATED	
Akron General Medical Center	478
Children's Rehabilitation Hospital	25
Indian River Hospital	275
Lodi Hospital	20
London Hospital	184
Mercy Hospital	323
Union Hospital	102
	1,407
HEALTH SYSTEM	5,480

AWARDS & RECOGNITION

The Clinic was named by *U.S. News and World Report* to the Honor Roll in its 2024-2025 edition of "America's Best Hospitals." The Honor Roll recognizes 20 top-performing hospitals based on their rankings in various specialties and procedures. The Clinic's Heart, Vascular and Thoracic Institute, located on the Clinic's main campus, was recognized as the best cardiology and heart surgery program in the United States, an honor the Clinic has received annually for 30 consecutive years. The Clinic was nationally ranked in 14 specialties, including eight in the top ten nationwide. The following table summarizes the Clinic's national rankings by medical specialty:

The publication also evaluated hospitals by state and metropolitan area with a methodology similar to that used to determine the national rankings. The Clinic was ranked as the best hospital in both the State of Ohio and the Cleveland metropolitan area, which includes the City of Cleveland and its surrounding counties. The report also ranked additional System hospitals in the top hospitals in the Cleveland metropolitan area and Ohio. Hillcrest Hospital ranked third in the Cleveland metropolitan area and fourth in Ohio. Fairview Hospital ranked fourth in the Cleveland metropolitan area and seventh in Ohio. Akron General Medical Center, located in Summit County, was ranked first in the Akron metropolitan area and fifth (tie) in the State of Ohio. In Florida, Weston Hospital was ranked first in the Miami-Fort Lauderdale metro area and sixth (tie) in the State of Florida; Martin Health was ranked 15th (tie) in the State of Florida; and Indian River Hospital was ranked 22nd in the State of Florida.

Cleveland Clinic Children's Hospital located on the Clinic's main campus earned national recognition in ten out of ten pediatric specialties ranked by *U.S. News and World Report* in its 2024-2025 edition of "Best Children's Hospitals." For 16 consecutive years, the Cleveland Clinic Children's Hospital has ranked among the nation's top 50 pediatric hospitals. Regionally, Cleveland Clinic Children's Hospital has also been ranked as the third best (tie) pediatric hospital in the Midwest and the third best (tie) in Ohio.

In February 2025, the Clinic was named the second-best hospital in the world for the seventh consecutive year by *Newsweek* as part of its "World's Best Hospitals 2025" list. *Newsweek* partnered with global research data company Statista to rank the leading hospitals in 30 countries. According to *Newsweek,* its rankings are based on data sources including: opinions from more than 85,000 global medical experts; publicly available data on patient experience and hospital quality metrics; and patient reported outcome measures. Fairview Hospital and Cleveland Clinic Abu Dhabi were also ranked in the top 225 hospitals internationally, and the System had four other hospitals listed among the best hospitals in the U.S.

In September 2024, the Clinic was recognized among the top hospitals in the world in *Newsweek's* "World's Best Specialized Hospitals of 2025." The Clinic was ranked as the number one hospital in the world for urologic care and among the world's best in all twelve specialties rated by *Newsweek*. In addition to urology, ranked specialties include cardiac surgery, cardiology, endocrinology, gastroenterology, neurology, neurosurgery, obstetrics and gynecology, oncology, orthopedics, pediatrics and pulmonology. Fairview Hospital, Hillcrest Hospital and Weston Hospital were also recognized among the world's best specialized hospitals in at least one specialty.

In *Newsweek's* separate "World's Best Smart Hospitals of 2025" list, the Clinic was ranked as the number one smart hospital in the world. In its rankings, *Newsweek* identified hospitals that implement new medical technologies and fundamentally rethink how patient care is provided using some of the most advanced technologies. The list highlights hospitals that lead in their use of artificial intelligence (AI), robotic surgery, digital imaging, telemedicine, smart buildings, information technology infrastructure and electronic medical records.

CORPORATE GOVERNANCE

The Board of Directors of the Clinic is responsible for all of its operations and affairs and controls its property. The Board of Directors is also responsible for ensuring that the Clinic is organized, and at all times operated, consistent with its charitable mission and its status as an Ohio nonprofit corporation and tax-exempt charitable organization. The Board of Directors generally meets four times per year, including an annual meeting during which the Clinic's officers are elected and standing committees are appointed. The size of the Board of Directors can range between 15 to 30 Directors (currently there are 23 Directors). The Board of Trustees serves as an advisor to the Board of Directors. Trustees actively serve on the committees of the Board of Directors. At present, there are 76 active Trustees, two Professional Staff Trustees, eleven Emeritus Directors and six Emeritus Trustees. Directors and Trustees each serve four-year terms and are selected on the basis of their expertise and experience in a variety of areas beneficial to the Clinic. Directors and Trustees are not compensated for their service.

The Board of Directors annually appoints certain committees to perform duties that it delegates to them from time to time, subject to ratification of such action by the Board of Directors. The current committees are as follows:

Members of the Committees are chosen based on the interests and skills of individual Board members and the needs of the particular Committee. Most Committees meet three or four times per year, though a few meet more often. Board members also have the opportunity to participate in regular discussions on Safety, Quality and Patient Experience, Research and Education, Community Relations and Government Relations. The Governance Committee is authorized to function as an Executive Committee. The Clinic is engaged in an ongoing review of its governance practices, as well as those of other top academic medical centers, to ensure the Clinic's governance structures function at a high level.

The System maintains a governance model for the Ohio regional hospitals that maintains separate boards of trustees for each hospital. The Ohio regional hospital boards meet quarterly and, among other topics, provide local input on quality, patient safety and community health needs.

The System maintains a separate Board of Directors to oversee the Florida hospitals. This Board of Directors has representatives from the Clinic Board of Directors and each of the Florida hospitals. Local boards at Martin Health, Indian River Hospital and Weston Hospital provide input on quality, patient safety and community health needs.

APPOINTMENTS

Brian Harte, MD was appointed President of Hillcrest and Mentor Hospitals and President of the East Submarket of the Northeast Ohio Market, effective February 1, 2025. Dr. Harte has been with the Clinic for more than 20 years and most recently served as President of Akron General and Lodi Hospital and President of the South Submarket of the Northeast Ohio Market. Dr. Harte previously served as President of both Hillcrest and South Pointe Hospitals and was the former Chair of the Department of Hospital Medicine and the Medicine Institute at the Clinic.

Teri Lash-Ritter, MD was appointed President of Akron General and Lodi Hospitals and President of the South Submarket of the Northeast Ohio Market, effective February 1, 2025. Dr. Lash-Ritter most recently served as the Chief Medical Officer at Akron General and Lodi hospitals. She previously served as the Associate Chief Experience Officer for Cleveland Clinic Regional Hospitals and the Associate Chief Experience Officer for Akron General. Dr. Lash-Ritter replaces Dr. Harte, who was appointed the new President of Hillcrest and Mentor hospitals and President of the East Submarket of the Northeast Ohio Market.

Rakesh Sharma was appointed Chief Information Security Officer, effective February 15, 2025. Mr. Sharma joined the Clinic in 2022 as the Senior Director of Cybersecurity Assurance and most recently served as the Interim Chief Information Security Officer since November 2024. Mr. Sharma has more than 25 years of experience in healthcare information technology and cybersecurity leadership. His past appointments include roles at Accenture, Health Care Service Corporation and Froedtert Health.

STRATEGY

The Clinic's mission statement, updated in 2021 as the Clinic celebrated its centennial year, is as follows:

Caring for life
Researching for health
Educating those who serve

The mission statement stays true to the past, encompasses the present and outlines the future of the System.

The Clinic's Professional Staff is organized as an integrated academic group of practicing physicians, scientists and other health-related professionals. It is a unique model that continues to be conducive to the achievement of excellence in the delivery of health care services. The System's commitment to excellence, its integrated, academic group practice approach to the delivery of health care services and its commitment to the guiding principles established by its founders — namely, cooperation, compassion and innovation — enable the System to continue to attract and retain world-class physicians in all specialty areas to deliver world-class health care services to patients from throughout the world.

The System's vision is to be the best place to receive care anywhere and the best place to work in healthcare. The strategy charts the course to achieve the mission and vision of the System, while navigating an industry undergoing dramatic change. The System's strategic planning process prioritizes work, focuses resources appropriately and monitors performance. Anchoring the strategy is the System's belief that modern nonprofit healthcare organizations must tend to four care priorities: care for patients; care for caregivers; care for the organization; and care for the community.

As the System celebrated its centennial year in 2021, the executive team began to review the strategy needed for the System to remain a leader in healthcare for the next 100 years and made the decision to evolve its operating model to better support its current footprint and plan for future growth. The operating model changes better align services and enhance quality, safety and patient experience across all System locations. In addition to enabling greater clarity and execution of strategy, the new operating model creates organizational synergies and efficiencies needed in a challenging operating environment.

In 2024, under the new operating model, the System adopted a new enterprise, market-focused planning approach. The strategy emerging from this process guides the organization and positions the System to not only succeed, but also to lead. Through this strategy, the System will strive to build on its integrated strategic, financial and capital plan to sustainably achieve its mission and fulfill its vision.

The strategy to achieve the System's vision is organized around four focus areas:

Transform Care	Providing care that is consistent, continuous and customized.
Empower Caregivers	Ensuring a work environment that is safe, rewarding and team-based.
Uplift Communities	Focusing on prevention and solutions.
Sustain Cleveland Clinic	Controlling costs to allow for sustainable growth.

The strategic focus areas are aligned with the four care priorities and the path to achieve the mission and fulfill the vision. Each focus area has multi-year strategic initiatives with various goals and tactics.

Overall, the System continues to identify and pursue ways to improve on every dimension of the enterprise's performance: the relentless pursuit of quality and safety; efficient organization and delivery of care; engaging environment for caregivers; development of new technologies; integration of research and education; and providing value to the patient. The System is committed to a path that responds to the changing healthcare environment and develops novel approaches that preserve excellence in care.

AFFILIATIONS AND PARTNERSHIPS

The Clinic has entered into various affiliations with national and regional partners that are seeking to improve clinical quality, patient care, medical education and research. The goal of clinical affiliations is to provide value-added, high-quality clinical care to patients through the support, expansion and development of Institute-driven integrated care strategies. In addition, the Clinic has partnered with educational institutions with the goal of improving medical education and research.

In March 2021, the Clinic and International Business Machines Corporation (IBM) announced a planned ten-year partnership to establish the Discovery Accelerator, a joint Cleveland Clinic – IBM partnership with the mission of fundamentally advancing the pace of discovery in healthcare and life sciences through high performance computing on the hybrid cloud, artificial intelligence and quantum computing technologies. As part of the collaboration, IBM installed its first private sector, on-premises IBM Quantum System One in the United States on the Clinic's main campus. The Quantum System One, IBM's commercial quantum computer, went online in the first quarter of 2023. This quantum program is designed to actively engage with universities, government, industry, startups and other relevant organizations and serve as the foundation of a new quantum ecosystem for life sciences, focused on advancing quantum skills and the mission of the center.

In February 2024, the System joined the AI Alliance, a group launched by IBM and Meta that is dedicated to artificial intelligence innovation. The AI Alliance is focused on creating an open research environment between different companies and will also work to develop benchmarks and evaluation standards for artificial intelligence safety.

In October 2024, the Clinic and the Cleveland Cavaliers, partnering with Bedrock Real Estate, broke ground on the Cleveland Clinic Global Peak Performance Center – an innovative sports performance center and training facility. Plans include the development of an interdisciplinary training center, which will be located on the Cuyahoga Riverfront in downtown Cleveland. The center, which is expected to open in 2027, plans to offer personalized expertise in training, treatment, nutrition and recovery from the Clinic's professional medical specialists.

In October 2024, the Clinic and Amazon One Medical announced a collaboration to expand access to high-quality coordinated care in the Cleveland area. Amazon One Medical, a hybrid virtual and in-person primary care organization, will open its first primary care office in affiliation with the Clinic in 2025, offering same and next-day appointment availability, onsite lab services and virtual care support for members. The Clinic and Amazon One Medical will determine where to open new facilities to meet patient needs over the next several years. This new relationship will ensure that patients have increased access to coordinated care through Amazon One Medical's innovative care model and the Clinic's network of specialists, hospitals and facilities.

VALUE-BASED CARE RISK AGREEMENTS

Effective January 1, 2025, the System entered into two value-based care risk agreements to manage populations of patients attributed to Clinic employed providers and independent providers in the Quality Alliance. The Quality Alliance is a clinically integrated provider network that integrates employed Clinic providers and independent physician practices with a goal of improving clinical quality and efficiency of patient care. The agreements allow the Clinic to provide care coordination and other population health management activities for those attributed members participating in Medicare Advantage plans currently written by two national payors (the Contracted Plans). The terms of the agreements are two years, expiring on December 31, 2026. During the term of both agreements, the Contracted Plans will allocate a percentage of premium (Delegated Premium) the Contracted Plans receive from the Centers for Medicare and Medicaid Services to the Clinic. The Delegated Premium is allocated to a Clinic-specific medical cost fund. The Delegated Premium amounts have been determined based on a target medical loss ratio of total premium. The Clinic also receives administrative fees from the Contracted Plans to coordinate patient care and other population health management activities with providers. The Clinic is taking on such delegated activities from the Contracted Plans in accordance with their requirements for such population health management activities. In exchange for the Delegated Premium and administrative fees, the Clinic is responsible for both providing or arranging for the provision of medical services to assigned Contracted Plan members with the Quality Alliance and the agreed upon delegated activities. The Delegated Premium is recorded as net patient service revenue, while related medical claims costs and administrative expenses are recorded as operating expenses in the consolidated statements of operations.

The agreements provide that, if designated costs are lower than the Delegated Premium allocated to the Clinic-specific medical cost fund, then such amount constitutes a savings, which is shared between the Clinic (as the risk bearing entity) and the Contracted Plans. In the same manner, the agreements provide that, if designated costs are higher than the Delegated Premium allocated to the Clinic-specific medical cost fund, then such amount constitutes a deficit, which is allocated between the Clinic and the Contracted Plans. Such savings or deficit will be allocated appropriately amongst the provider groups in the Quality Alliance (including the Clinic) and stop-loss insurance with be in place to manage against any significant deficits.

CLEVELAND INNOVATION DISTRICT

The Cleveland Innovation District (District) is designed to leverage talent and research across multiple clinical and academic institutions to drive the next generation of healthcare technology. It includes the Clinic, University Hospitals Health System, The MetroHealth System, Case Western Reserve University and Cleveland State University. The purpose of the District is to be a center of excellence to act as a catalyst for ongoing investment in Northeast Ohio, including the attraction of businesses and talent.

Included in the District is the Clinic's Sheikha Fatima bint Mubarak Global Center for Pathogen and Human Health Research (Global Pathogen Research Center). In January 2021, the Clinic, the State of Ohio, JobsOhio and the Ohio Development Services Agency announced a partnership to support the Clinic's Global Pathogen Research Center. The Global Pathogen Research Center allows the Health System to significantly expand its global commitment to infectious disease research and translational programs and brings together a research team focused on broadening the understanding of viral pathogens, virus-induced cancers, genomics, immunology and immunotherapies. Construction of two new research buildings on the Clinic's main campus is ongoing and will be home to the Global Pathogen Research Center. See "EXPANSION AND IMPROVEMENT PROJECTS" for additional details on this project.

In October 2021, the Clinic and Brooks Automation opened a 22,000 square-foot biorepository facility in the District that increased and centralized the storage capacity for biologic samples at the Clinic, while enhancing researchers' study of human tissue samples to more rapidly translate laboratory discoveries into new treatments for patients.

In November 2023, the Clinic and Canon Inc. announced intentions to form a strategic research partnership to develop innovative imaging and healthcare technologies aimed at improving diagnosis, care and outcomes for patients. Joint research projects will focus on cardiology, neurology and musculoskeletal medicine and will have three major components – pre-clinical imaging, human imaging and image analysis. The comprehensive imaging research center is expected to be located in the District.

In January 2024, the grocery store company Meijer, along with the City of Cleveland, the Clinic, Fairfax Renaissance Development Corporation (FRDC) and Fairmount Properties, opened a mixed-use building in the Fairfax neighborhood of Cleveland near the main campus in the District. The building includes a 40,000 square-foot Meijer grocery store and an apartment complex. The project is designed to help revitalize and transform the neighborhood, which has been identified by the U.S. Department of Agriculture as an urban food desert for its lack of accessible supermarkets, by creating a healthier community and supporting economic development in the area.

CLEVELAND CLINIC INNOVATIONS

Cleveland Clinic Innovations (CCI) encompasses commercial innovation, start-up company investments, licensing and healthcare technology partnership opportunities for the System. CCI moves the System toward its vision of being the best place to receive and partner for care by focusing on novel solutions that seek better and more efficient methods to achieve healthcare goals.

CCI identifies, assesses and commercializes transformative solutions. It focuses on three domain portfolios — therapeutics and diagnostics, medical devices and digital health — and employs a unique approach to assess, protect, build, test and market the most promising ideas of System caregivers. Since its inception in 2000, CCI has transacted over 900 technology licenses, has had over 2,800 patents issued and contributed to several of the System's historical advancements.

A dedicated team within CCI focuses on investing in companies that align with organizational priorities and address healthcare white space opportunities to resolve pressing medical problems. The team transforms strategic licensed and patented solutions developed at the System into investible, stand-alone companies. Since 2000, CCI has formed a total of 108 spin-off companies, 40 of which are currently operational and 28 of which have been monetized.

EXPANSION AND IMPROVEMENT PROJECTS

The System is investing in buildings, equipment and technology to better serve its patients and has the following expansion and improvement projects currently in progress:

Neurological Institute Building – The Clinic is in the midst of a multi-year project to build a new Neurological Institute building on its main campus to accommodate the expansion of patient care, research and education. The new approximately one million square-foot facility for the Neurological Institute will centralize all neurological care on the main campus, bringing together services currently delivered in eight locations. Construction began in 2023, and the new facility is scheduled to open in the first quarter of 2027. Services are expected to include digitized patient evaluations, imaging, neuro-simulation training, infusion therapy, neurodiagnostics and brain-mapping suites. The facility will also include research space dedicated to investigation and discovery of new therapies and will serve as the nucleus for neurology-related distance healthcare and digitized data processing and management. A portion of the construction costs are expected to be raised through fundraising efforts and donations.

Cole Eye Building Expansion – The Clinic is nearing completion of a multi-year project, which began in 2022, to expand and renovate the Cole Eye building on its main campus to accommodate the expansion of patient care, research and education. The project includes a new four-story addition that opened for patients in February 2025. The new addition adds approximately 150,000 square feet to the existing building and features an ophthalmic surgical center with eight operating rooms, 60 new exam rooms, enhanced imaging capabilities and dedicated spaces for patient check-in and discharge. The second phase of the project includes the renovation and redesign of the existing 130,000 square foot building, which is expected to be complete in the fourth quarter of 2025. The renovation will include a dedicated space for pediatric ophthalmology and updated

imaging services. A portion of the project costs have been raised through fundraising efforts and donations.

Cleveland Innovation District –The initial phase of the District project opened in September 2023 and includes approximately 45,000 square feet of remodeled space in existing research facilities to house leading-edge laboratories for many of the Clinic's growing research programs. The Clinic is also constructing two new research buildings totaling approximately 296,000 square feet on the Clinic's main campus. The new buildings, which are expected to be completed in 2026, will be dedicated to scientific investigation and will feature research laboratories, dedicated classroom space and offices. For additional description of the District, associated partnerships and related projects refer to "CLEVELAND INNOVATION DISTRICT."

Palm Beach Hospital – In December 2024, the Clinic announced plans to build a new hospital in West Palm Beach, Florida. The plans for the new hospital include approximately 150 inpatient beds, an emergency department and a broad range of specialties, with the flexibility to adapt and add specialty care to meet the needs of the community. In addition to the new hospital, plans also include leasing space for a new outpatient location that will nearly quadruple the square footage of the existing health center in Palm Beach County. Additional outpatient services include chemotherapy and infusions, imaging, endoscopy and outpatient surgery. Construction of the hospital will begin when initial fundraising goals are achieved.

INTERNATIONAL GROWTH

Cleveland Clinic London Hospital (London Hospital) opened on March 29, 2022. London Hospital has 184 beds, including 29 ICU beds, eight operating theaters and a 42-bed neurological rehabilitation unit. It provides comprehensive medical and surgical services with a special focus on cardiovascular, digestive, neurological and orthopedic care utilizing the latest technology. The hospital is located in central London with two outpatient facilities located near the hospital. The facilities are operated by Cleveland Clinic London Ltd, a private company limited by shares that is incorporated and domiciled in England and Wales. The Clinic through a subsidiary is the sole shareholder of London Hospital.

In addition to the London Hospital, the System's international portfolio includes a health and wellness center and a sports medicine clinic in Toronto, Canada, and management services provided to Cleveland Clinic Abu Dhabi, which operates a multispecialty 364-staffed bed hospital offering critical and acute care services and a ten-story cancer treatment center located adjacent to the hospital tower.

CLEVELAND CLINIC CONNECTED

In 2017, the Clinic launched Cleveland Clinic Connected, a global affiliation program that aims to improve patient care delivery around the world by enabling healthcare providers both in the United States and internationally to access the Clinic's best practices. Facilities affiliated with the Clinic through the program will experience the Clinic model of care through the Clinic's collaboration and guidance in the areas of quality, patient safety and best practices for patient care and engagement. Providers at the facilities have the option of consulting on complex cases for second opinions and guidance from the Clinic where legally permissible, and physicians at the facilities have access to clinical and executive education

opportunities aimed at improving healthcare delivery. The Clinic also supports continuous improvement through the provision of advisory services across a spectrum of clinical and non-clinical areas. Vinmec Healthcare System, owned by Vingroup and located in Vietnam, currently has two hospitals that are members of Cleveland Clinic Connected. In April 2025, the Clinic and Vingroup announced a collaboration to develop a new Vinmec Healthcare System hospital that will meet the requirements to become a Cleveland Clinic Connected member. The new hospital will be planned and constructed based on the Clinic model of care, integrating comprehensive specialties, advanced clinical centers and world-class medical equipment. Cleveland Clinic Connected also has two domestic members, including Parrish Medical Center located on Florida's Space Coast in Brevard County, which became a member in March 2024, and Columbus Regional Health, a health system that serves a ten-county region in southeastern Indiana, which became a member in January 2025.

SUSTAINABILITY

The System's sustainability program is designed to enhance the patient experience while reducing operating expenses. The System met its previous goal of becoming 20% more energy efficient by 2020 from a 2010 baseline on more than 20 million square feet of facilities. The System set a new goal in 2021 to make its facilities 40% more efficient by 2030 and joined the Department of Energy's Better Climate Challenge in 2022.

Areas of focus for the System's sustainability initiatives include:

- Energy Efficiency: Using energy efficiently reduces operational expenses and supports the System's commitment to human and environmental health. With support from its 29 facility-level Green Teams, the System actively engages caregivers in stewardship behaviors across the enterprise.

- Waste reduction: The System strives to identify and embed operational processes that reduce waste and implement programs that divert waste to landfill via reusing, reprocessing, recycling and composting.

- Better Buying: The System is committed to selecting non-hazardous and environmentally-preferable alternatives to conventional products, seeking out ways to stop waste at its source and engaging its suppliers in sustainable practices.

The System is committed to designing and constructing safe, green buildings in which to work and heal and has incorporated green building practices from leading frameworks in its design guidelines, such as the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) criteria. Currently, the System has 20 LEED-certified buildings covering more than six million square feet, including seven projects that are certified LEED-Gold: the Clinic's Global Cardiovascular Innovation Center, Marymount Hospital Surgical Expansion, Twinsburg Family Health and Surgery Center, the Tomsich Pathology Laboratories building, the Sheila and Eric Samson Pavilion at Health Education Campus, Cleveland Clinic Abu Dhabi and the Oncology Centre at Abu Dhabi. In the second quarter of 2025, the System achieved LEED-Silver certification for Mentor Hospital and is currently pursuing LEED certification for the London Hospital.

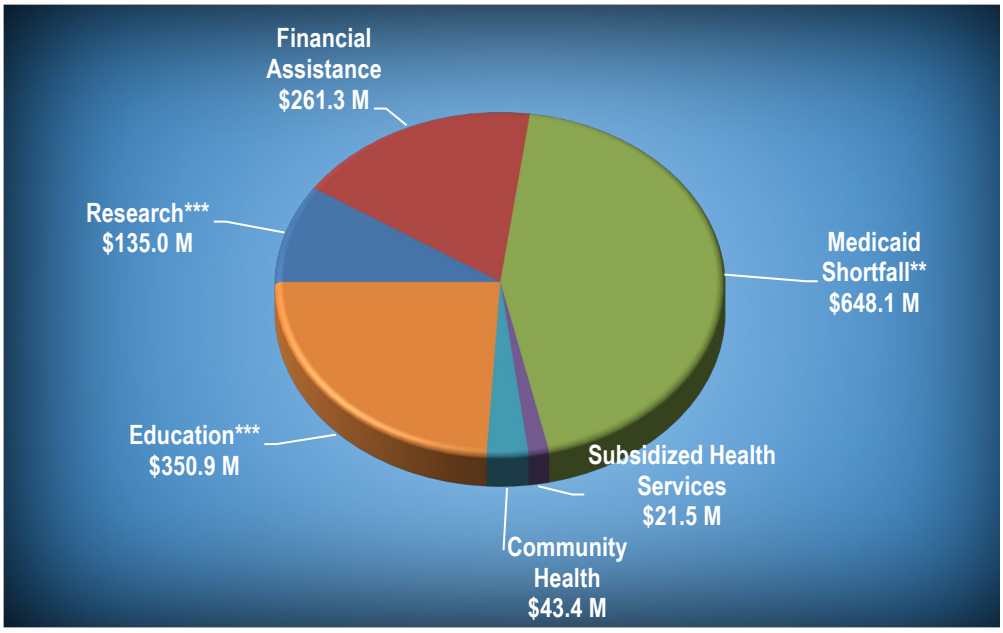
COMMUNITY BENEFIT

The Clinic and its hospital affiliates within the System are comprised of charitable, tax-exempt healthcare organizations. The System's mission includes addressing health service needs and providing benefits to the communities it serves. The tax-exempt members of the System must satisfy a community benefit standard to maintain their tax-exempt status. Community benefit reporting for the System conforms to Internal Revenue Service (IRS) requirements and is reported on the IRS Form 990, the information return required to be filed annually with the IRS by exempt organizations.

Community benefit includes activities or programs that improve access to health services, enhance public health, advance generalizable knowledge and relieve government burden. The primary categories for assessing community benefit include financial assistance, Medicaid shortfall, subsidized health services, community health improvement programs, research and education. The System provided $1.46 billion in community benefits in 2023, which is the most current year that community benefit information is available for the System. The full community benefit report and additional community information are available on the Health System's website (https://my.clevelandclinic.org/about/community/reports/benefit).

The following chart summarizes community benefits for the System:

Cleveland Clinic Health System*
Breakdown of Community Benefit (2023)
$1.46 Billion



* Includes all System operations in Ohio, Nevada and Florida
** Includes net Hospital Care Assurance Program receipts of $7.2 million
*** Research and Education are reported net of externally sponsored funding of $325.4 million.

Community Health Needs Assessment

The System completes comprehensive community health needs assessments (CHNA) and implementation strategy reports once every three years for each hospital facility in adherence with Internal Revenue Code Section 501(r). To gain an in-depth understanding of the community risk indicators, data from a number of sources is analyzed, and input from persons representing broad interest of the community, including those with special knowledge or expertise in public health, is solicited.

Key CHNA needs identified throughout the System include:

- access to affordable healthcare (available services, internet access);
- behavioral health (substance use disorder and mental health);
- chronic disease prevention and management (heart disease, cancer, diabetes, asthma and obesity);
- maternal and infant mortality;
- socioeconomic issues (food insecurity, affordable and safe housing); and
- additional overarching community themes of health equity and medical research and professional health education.

The current CHNA reports and implementation strategies for the System hospitals are available on the Clinic's website (www.clevelandclinic.org/CHNAReports).

Addressing Hunger in Greater Cleveland

In December 2023, in collaboration with the City of Cleveland, Greater Cleveland Food Bank, University Hospitals Health System and The MetroHealth System, the Clinic announced a commitment to donate $10.4 million over the next five years toward new programs that will help address food insecurity in Greater Cleveland communities. The Clinic's commitment will also be used to support local food partners, including donations to Greater Cleveland Food Bank and Children's Hunger Alliance and a grant to the Nourishing Power Network.

CONFLICT OF INTEREST

The System maintains policies that require internal reporting of outside financial and fiduciary interests to ensure that potential conflicts of interests do not inappropriately influence research, patient care, education, business or professional decision making. In connection with these policies, the System developed the Innovation Management and Conflict of Interest Program, which is designed to promote innovation while at the same time reducing, eliminating or managing real or perceived bias either due to System personnel consulting with pharmaceutical, medical device and diagnostic companies (industry) or the commercialization efforts undertaken by the System to develop discoveries and make them accessible to patients. The program works with physicians, managers and other employees who interact with industry to manage any conflicts. Provisions related to whether or not "compelling circumstances" are required to justify conducting research in the presence of related financial interests have been modified in policies that went into effect in 2013, consistent with the value the System places on beneficial relationships with industry. The System is committed to a process that maintains integrity in

innovation and places the interests of its patients first. The Innovation Management and Conflict of Interest Program reviews situations in which a physician or other clinician prescribes or uses products of a company in their practice and has a financial relationship with that company. When appropriate, the program will put management plans in place to address any conflict (for example, by disclosure). The goal of this policy is not to interfere with the practice of medicine.

An initiative to bring transparency to the System's relationships with industry has been in place since 2008 in which the specific types of interactions that individual physicians and scientists have with industry were disclosed on publicly-accessible web pages on the System's internet site. Information can be accessed by patients that describes the training, type of practice and accomplishments of a specific doctor or scientist, as well as the names of companies with which the doctor has financial or fiduciary relations as an inventor, consultant, speaker or board member. These disclosures are updated regularly. The System was the first academic medical center in the country to have made these interactions public. Many other academic medical centers have followed the System's lead by providing similar disclosures. The System maintains a Conflict of Interest in Education Policy to reflect its values and represent its and its employees' best interests. This policy is responsive to guidelines from the Association of American Medical Colleges, the Institute of Medicine and other organizations. It places restrictions on outside speaking activities that are not Accreditation Council for Continuing Medical Education approved and are generally considered marketing. Speakers must present content that is data-driven and balanced; speakers must create their own slides or use only unbranded slides created by industry. This policy puts the System in step with other top academic medical centers that have already banned speaker's bureaus. In addition, the policy requires instructors to disclose relevant financial interests with companies to trainees.

Cleveland Clinic Glickman Tower
Cleveland, Ohio

The Innovation Management and Conflict of Interest Committee of the System has also established processes with cross-membership and seamless interactions and communications with the Board of Directors' Audit and Conflict of Interest Committee.

Board members of the Clinic and the regional hospitals in the System are required to complete annual disclosure questionnaires. These questionnaires are designed to identify possible conflicts of interest that may exist and ensure that any such conflicts do not inappropriately influence the operations of the System. The information obtained from these questionnaires is used to respond to the related-party transactions and other disclosures required by the IRS on Form 990. The Forms 990 for the Clinic and for the System are available on the Clinic's website, as well as additional information regarding the Clinic's Board of Directors and any business relationships the Directors may have with the System.

ENTERPRISE RISK MANAGEMENT

The System's Enterprise Risk Management (ERM) process is a formalized and systemic approach to the identification, assessment, prioritization and mitigation of risks. The process is closely aligned with the System's strategic objectives and long-range planning. The ERM process includes participation by executive risk owners, risk owners and risk contributors who report on the System's top risks to an Enterprise Risk Steering Committee on a monthly basis. Additionally, ERM reports to the Executive Team and the Audit and Conflict of Interest Committee of the Board of Directors at least two times per year. Risk identification is continuously conducted through annual senior leader risk interviews, ERM Steering Committee input and the observations arising out of the business operations and activities of risk owners.

The ERM process results in eight broad top risk categories, which are separated into hierarchical risk categories and risks for evaluation, analysis and development of mitigation actions. This work is performed by the various risk owners and risk contributors. Risks have traditionally been scored for likelihood and impact. To enhance the risk rating, management is implementing a comprehensive quant-model application to overlay estimated values of top risks from the enterprise risk register onto the long-range (five-year) financial projections of the System. This activity includes risk simulation of the velocity, probability and scale of the unmitigated risks of the System into a risk-adjusted set of financial projections and key results to be used as part of enterprise-wide strategic and financial planning, as well as informing the System of the most impactful risks in order to prioritize risk mitigation efforts.

INTERNAL CONTROL OVER FINANCIAL REPORTING

System management regularly evaluates its internal control environment over the System's financial reporting processes through an initiative based upon concepts established in the Sarbanes-Oxley Act of 2002. The goals of the initiative are to ensure the integrity and reliability of financial information, strengthen internal control in the reporting process, reduce the risk of fraud and improve efficiencies in the financial reporting process. The initiative reviews all aspects of the financial reporting process, identifies potential risks and ensures that they have been mitigated utilizing a management self-assessment process. As a result of this initiative, management of the System issued a report on the effectiveness of its internal control over financial reporting as part of the issuance of its consolidated financial results for 2024, which is the 16th year the management report was completed. As part of the internal control evaluation process for 2024, certifications were completed by 130 members of System management, including top leadership. The System is one of the first nonprofit hospitals to issue a management report on the effectiveness of internal control over financial reporting, a step that further increases the transparency of the organization. There were no changes in internal controls over financial reporting during the three months ended March 31, 2025 that have materially affected, or are likely to materially affect, the internal controls over financial reporting for the System.

PATIENTS SERVED

The following table summarizes patient utilization statistics for the System:

	For the quarter ended March 31			
	2025	2024	Variance	%
Inpatient admissions[1]				
Acute admissions	67,032	67,945	-913	-1.3%
Post-acute admissions	2,500	2,402	98	4.1%
	69,532	70,347	-815	-1.2%
Patient days[1]				
Acute patient days	338,109	338,187	-78	0.0%
Post-acute patient days	19,784	19,683	101	0.5%
	357,893	357,870	23	0.0%
Surgical cases				
Inpatient	20,817	21,392	-575	-2.7%
Outpatient	60,259	60,058	201	0.3%
	81,076	81,450	-374	-0.5%
Emergency department visits	251,460	245,633	5,827	2.4%
Observations	18,965	17,123	1,842	10.8%
Clinic outpatient evaluation and management visits	2,078,481	2,003,814	74,667	3.7%
Total Encounters	3,635,386	3,612,250	23,136	0.6%

[1] Excludes newborns

Utilization statistics for London Hospital are included in the above table. In the first quarter of 2025, London Hospital reported more than 36,000 patient encounters, a 17% increase compared to the same period in 2024.

Inpatient acute admissions for the System decreased 1.3% in the first quarter of 2025 compared to the same period in 2024. In 2025, acute admissions for the System in Ohio increased 0.7%, while the Florida facilities decreased 8.3% compared to 2024.

Total surgical cases for the System decreased 0.5% in the first quarter of 2025 compared to the same period in 2024. In 2025, total surgical cases for the System in Ohio decreased 1.9%, while the Florida facilities increased 2.1% compared to 2024.

Evaluation and management visits for the System increased 3.7% in the first quarter of 2025 compared to the same period in 2024. In 2025, evaluations and management visits for the System in Ohio increased 3.1%, while the Florida facilities increased 6.3% compared to 2024.

LIQUIDITY

Cash and Investments

The majority of the System's cash and cash equivalents are held in operating bank accounts for general expenditures. The System is continually monitoring its forecasted operating performance and cash position using various scenarios and assumptions to ensure that there is sufficient liquidity to meet the cash needs of the organization.

The System's objectives for its long-term investment portfolio are to achieve a market return to enhance the purchasing power of the enterprise in excess of inflation, and to provide capital capacity to support ongoing reinvestment in its tripartite mission and related capital needs of the enterprise, including cost-effective access to the debt capital markets. The asset allocation of the portfolio is broadly diversified across global equity and global fixed income asset classes and alternative investment strategies and is designed to maximize the probability of achieving the long-term investment objectives at an appropriate level of risk while maintaining a level of liquidity to meet the needs of ongoing portfolio management. This allocation is formalized into a strategic policy benchmark that guides the management of the portfolio and provides a standard to use in evaluating the portfolio's performance.

Investments are primarily maintained in a master trust fund administered using a bank as custodian. The Cleveland Clinic Investment Office is charged with the day-to-day management of the System's investments and their strategic direction. These portfolios include the System's general short-term and long-term investment portfolios, its defined benefit pension fund and the captive insurance fund. The System has established formal investment policies that support the System's investment objectives and provide an appropriate balance between return and risk.

Cleveland Clinic Lutheran Hospital
Cleveland, OH

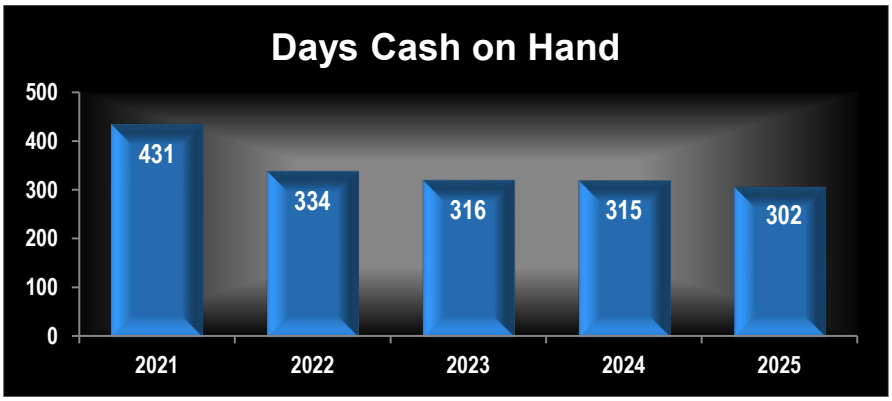
The following table sets forth the allocation of the System's cash and investments in its general investment portfolios and captive insurance fund at March 31, 2025 and December 31, 2024:

Cash and Investments
(Dollars in thousands)

	March 31, 2025		December 31, 2024	
Cash and cash equivalents	$ 1,139,745	8%	$ 1,523,028	10%
Fixed income securities*	3,008,356	21%	2,829,198	19%
Marketable equity securities*	2,978,070	20%	3,131,218	21%
Alternative investments	7,344,736	51%	7,316,565	50%
Total cash and investments	$ 14,470,907	100%	$ 14,800,009	100%
Less restricted investments**	(1,774,934)		(1,833,154)	
Unrestricted cash and investments	$ 12,695,973		$ 12,966,855	
Days cash on hand	302		315	

* Fixed income securities and marketable equity securities include mutual funds and commingled investment funds within each investment allocation category.
** Restricted investments include funds held by trustees, assets held for self-insurance and donor-restricted assets.

The following chart summarizes days cash on hand for the System at December 31 for the last four years and March 31, 2025:



At March 31, 2025, total cash and investments for the System (including restricted investments) were $14.5 billion, a decrease of approximately $329 million from $14.8 billion at December 31, 2024. Since 2018, unrestricted cash and investments have increased from $8 billion at December 31, 2018 to $13 billion at December 31, 2024.

Included in the System's cash and investments are investments held for self-insurance. These investments totaled $229.3 million at March 31, 2025, with an asset mix of 4% cash and short-term investments, 35% fixed income securities, 24% equity investments and 37% alternative investments. The asset mix reflects the need for liquidity and the objective to maintain stable returns utilizing a lower tolerance for risk and volatility consistent with insurance regulatory requirements.

The System invests in alternative investments to increase the portfolio's diversification. Alternative investments are primarily limited partnerships that invest in marketable securities, privately held securities, real estate and derivative products and are reported based on the net asset value of the investment.

Alternative investments at March 31, 2025 and December 31, 2024 consist of the following:

Alternative Investments
(Dollars in thousands)

	March 31, 2025		December 31, 2024	
Hedge funds	$ 3,686,868	50%	$ 3,677,767	50%
Private equity/venture capital	3,657,868	50%	3,638,798	50%
Total alternative investments	$ 7,344,736	100%	$ 7,316,565	100%

Alternative investments have varying degrees of liquidity and are generally less liquid than the traditional equity and fixed income classes of investments. Over time, investors may earn a premium return in exchange for this lack of liquidity. Hedge funds typically contain redeemable interests and offer the most liquidity of the alternative investment classes. These investment funds permit holders periodic opportunities to redeem interests at frequencies that can range from daily to annually, subject to lock-up provisions that are generally imposed upon initial investment in the fund. It is common, however, that a small portion (5-10%) of withdrawal proceeds are held back from distribution pending the fund's annual audit, which can be up to a year away. Private equity/venture capital funds typically have non-redeemable partnership interests. Due to the inherent illiquidity of the underlying investments, the funds generally contain lock-up provisions that prohibit redemptions during the fund's life. Distributions from the funds are received as the underlying investments in the fund are liquidated. These investments have an initial subscription period, under which commitments are made to contribute a specified amount of capital as called for by the general partner of the fund. The System periodically reviews unfunded commitments to ensure adequate liquidity exists to fulfill anticipated contributions to alternative investments.

Investment Return

Investment return, including income on alternative investments, is reported as nonoperating gains and losses except for interest and dividends earned on assets held for self-insurance and amounts designated for current operations from board-designated endowment funds, which are included in other unrestricted revenues. Investment return greater or less than amounts designated for current operations from board-designated funds is recorded in nonoperating gains and losses. Donor-restricted investment return on restricted investments is included in net assets with donor restrictions.

The System maintains a board-designated endowment fund that was established effective July 2023 with a contribution of net assets without donor restrictions of $3.5 billion, and the fund was increased to $5.0 billion during the third quarter of 2024. Appropriations from the board-designated endowment fund are used to support research and education activities of the System.

The System's long-term investment portfolio, which excludes assets held for self-insurance, reported preliminary investment gains of 0.4% in the first three months of 2025 compared to gains of 3.4% during the same period in 2024. The preliminary investment returns do not include all of the valuation adjustments of private equity investments that have not yet issued their final earnings reports.

Total investment return for the System is comprised of the following:

Investment Return
(Dollars in thousands)

	For the quarter ended March 31	
	2025	2024
Other unrestricted revenue:		
Interest income and dividends	$ 1,193	$ 1,295
Investment return designated for current operations	62,500	43,750
	63,693	45,045
Nonoperating gains and losses, net:		
Interest income and dividends	35,209	35,382
Net realized gains on sales of investments	77,164	48,547
Net change in unrealized gains on investments	6,185	73,834
Equity method (loss) income on alternative investments	(11,727)	169,413
Investment management fees	(7,782)	(8,232)
Investment return designated for current operations	(62,500)	(43,750)
	36,549	275,194
Other changes in net assets:		
Investment income on restricted investments	8,820	31,555
Total investment return	$ 109,062	$ 351,794

Operating Lines of Credit

As of March 31, 2025, the System had three operating lines of credit totaling $600 million with $40 million drawn and $560 million in available capacity. In April 2025, one of the operating lines of credit totaling $150 million expired and was not renewed. After the expiration of the operating line of credit, the System had $40 million drawn and $410 million in available capacity. The remaining lines are structured with $250 million expiring on April 22, 2026 and $200 million expiring on May 29, 2026.

Long-term Debt

At March 31, 2025, outstanding current and long-term debt for the System totaled $5.3 billion, comprised of $5,029 million in bonds and notes, $131.5 million in finance leases and $202.1 million in unamortized net premium, offset by $30.8 million of unamortized debt issuance costs. Bonds and notes are structured with approximately 80% fixed-rate debt and 20% variable-rate debt. The System utilizes various interest rate swap derivative contracts to manage the risk of increased debt service resulting from rising market interest rates on variable-rate bonds. The total notional amount on the System's interest rate swap contracts at March 31, 2025 was $277.3 million. Using an interest rate benchmark based on the Secured Overnight Financing Rate, the swap contracts convert variable-rate debt to a fixed-rate, which further reduces the System's exposure to variable interest rates. The interest rate swap contracts can be unwound by the System at any time, whereas the counterparty has the option to unwind the contracts only upon an event of default as defined in the contracts.

As of March 31, 2025, approximately $595 million of variable-rate debt are bonds secured by irrevocable direct pay letters of credit or standby bond purchase agreements. Debt supported by letters of credit or standby bond purchase agreements that expire within one year, require repayment of a remarketing draw within one year, or contain a subjective clause that would allow the lender to declare an event of default and cause immediate repayment of such bonds are classified as current liabilities.

As of March 31, 2025, the System maintains $401 million of variable-rate bonds supported by the System's self-liquidity program. Debt supported by self-liquidity includes the Series 2014A CP Notes (described below) and certain variable-rate bonds that are remarketed in commercial paper or weekly mode. Bonds and notes supported by self-liquidity are classified as current liabilities. The System has sufficient liquidity within its investment portfolio to support the self-liquidity program.

The System maintains the Cleveland Clinic Health System Obligated Group Commercial Paper Program (CP Program), which provides for the issuance of the Series 2014A CP Notes. The CP Program was established in November 2014 and will terminate no later than January 2044. The Series 2014A CP Notes may be issued from time to time in a maximum outstanding face amount of $100 million and are supported by the System's self-liquidity program. At March 31, 2025, the System did not have any outstanding Series 2014A CP Notes.

The System is subject to certain restricted covenants associated with its debt, including provisions related to certain debt ratios, days cash on hand and other matters. The System was in compliance with these covenants at March 31, 2025.

The System through a United Kingdom subsidiary issued £665 million of sterling notes (2018 Sterling Notes) in 2018 pursuant to a private placement agreement. The proceeds of the 2018 Sterling notes were used to support expansion in London. The outstanding 2018 Sterling Notes have been converted to U.S. dollars in the consolidated balance sheet using exchange rates of $1.29 and $1.26 at March 31, 2025 and December 31, 2024, respectively.

Outstanding long-term debt (including current portion) for the System as of March 31, 2025 and December 31, 2024 consist of the following:

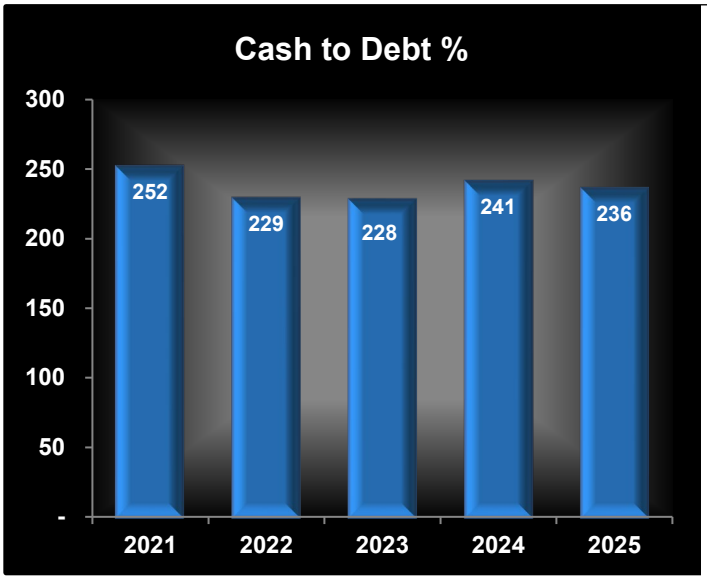
Hospital Revenue Bonds and Notes

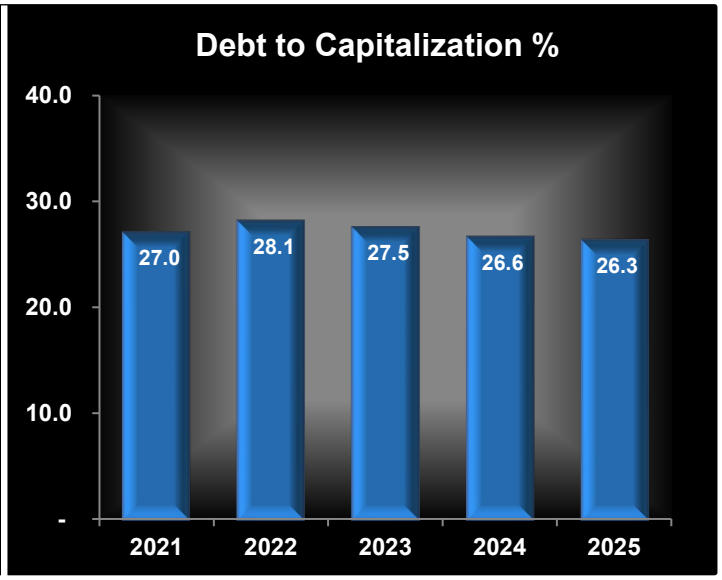
(Dollars in thousands)

Series	Type	Final Maturity	March 31 2025	December 31 2024
2024A Bonds	Fixed	2035	$ 440,420	$ 440,420
2021A Bonds	Fixed	2049	83,810	83,810
2021B Bonds	Fixed	2039	169,385	179,595
2021 Term Loan	Fixed	2025	–	16,460
2020 Term Loan	Fixed	2025	1,160	1,160
2019A Bonds	Fixed	2046	247,045	247,045
2019B Bonds	Fixed	2046	250,320	250,320
2019C Bonds	Fixed	2052	89,000	89,000
2019D Bonds	Variable	2052	119,340	119,340
2019E Bonds	Variable	2052	130,405	130,405
2019F Bonds	Variable	2052	130,405	130,405
2019G Bonds	Fixed	2042	241,835	241,835
2018 Sterling Notes[1]	Fixed	2068	860,481	835,648
2017A Bonds	Fixed	2043	667,075	696,160
2017B Bonds	Fixed	2043	158,150	160,030
2017C Bonds	Fixed	2032	5,455	6,080
2016 Private Placement	Fixed	2046	325,000	325,000
2014 Taxable Bonds	Fixed	2114	400,000	400,000
2013A Bonds	Fixed	2042	34,955	34,955
2013B Bonds	Variable	2039	201,160	201,160
2013 Keep Memory Alive Bonds	Variable	2037	44,960	44,960
2011B Bonds	Fixed	2031	14,300	16,295
2011C Bonds	Fixed	2032	44,255	61,345
2008B Bonds	Variable	2042	327,575	327,575
2003C Bonds	Variable	2035	41,905	41,905
Notes Payable	Varies	Varies	822	896
Finance Leases	Varies	Varies	131,505	133,825
			$ 5,160,723	$ 5,215,629

[1]Converted to U.S. dollars using foreign exchange rates at the period end date

The following charts summarize cash-to-debt and debt-to-capitalization ratios for the System at December 31 for the last four years and at March 31, 2025:





BOND RATINGS

The obligated group's outstanding bonds have been assigned ratings of Aa2 (stable outlook) and AA (stable outlook) by Moody's and S&P, respectively.

In May 2024, S&P affirmed its AA rating on the obligated group's outstanding debt and maintained its stable outlook. S&P cited various reasons to support the rating, including a very strong and increasingly diverse enterprise profile, growing and diversifying operations in three states and internationally, trend of improving margins, healthy unrestricted reserves and a growing capacity with continued high demand for services. S&P also noted that the System has strong research and philanthropy capabilities as well as a national and international reputation for quality, innovation and integrated services. Challenges to the current rating include weak financial results in the last two fiscal years, Northeast Ohio's unfavorable demographic trends, the System's robust capital spending program and a highly competitive service area in Ohio and Florida.

In May 2024, Moody's affirmed its Aa2 rating on the obligated group's outstanding debt and maintained its stable outlook. Moody's cited various factors to support this rating and outlook, including a national and international reputation in highly complex care and research, a centralized governance model, strong liquidity, strong patient demand and exceptional fundraising abilities. In its report, Moody's indicated that these strengths compensate for challenges such as high labor costs, moderately high debt levels, the ongoing integration and improvement strategies in Florida, weak demographic trends in Northeast Ohio and heavy competition in the Florida market.

CONSOLIDATED RESULTS OF OPERATIONS

For the Quarters Ended March 31, 2025 and 2024

The following narrative describes the consolidated results of operations for the System for the quarters ended March 31, 2025 and 2024.

Operating income for the System in the first quarter of 2025 was $52.8 million, resulting in an operating margin of 1.3%, as compared to operating income of $50.2 million and an operating margin of 1.3% in the first quarter of 2024. Operating revenues and operating expenses increased 8.9% in the first quarter of 2025 compared to the same period in 2024. The System experienced nonoperating gains of $31.8 million in the first quarter of 2025 compared to gains of $282.6 million in the first quarter of 2024. The decrease from the prior year was primarily due to lower investment returns in the first quarter of 2025 compared to the same period in 2024. Overall, the System reported an excess of revenues over expenses of $84.6 million in the first quarter of 2025 compared to $332.8 million in the first quarter of 2024.

The System's net patient service revenue increased $242.1 million (7.2%) in the first quarter of 2025 compared to the same period in 2024. Total patient encounters increased 0.6% in the first quarter of 2025 compared to the same period in 2024, driven by a 3.7% increase in outpatient evaluation and management visits. Net patient revenue for inpatient activity was favorably impacted by a strong case mix, which increased the amount of revenue per patient. Net patient revenue also benefited from new value-based delegated premium and risk agreements that were effective January 1, 2025. See "VALUE-BASED CARE RISK AGREEMENTS" for additional details. The System also implemented annual rate increases on the System's managed care contracts that became effective in 2025.

Other unrestricted revenues increased $101.2 million (20.5%) in the first quarter of 2025 compared to the same period in 2024. The increase in other unrestricted revenues was primarily due to an $81.4 million increase in outpatient pharmacy revenue primarily due to higher utilization of outpatient and specialty drugs, an $18.8 million increase in investment return designated for current operations and an $11.6 million increase in gifts and assets released from restriction primarily driven by the timing of an annual philanthropy event that was held in the first quarter of 2025 but did not occur until the second quarter of 2024. Partially offsetting the increase was a $17.4 million decrease in grants earned primarily related to Federal Emergency Management Agency funds received in the first quarter of 2024 to reimburse the System for pandemic-related costs.

Total operating expenses increased $340.7 million (8.9%) in the first quarter of 2025 compared to the same period in 2024. The growth in expenses was primarily due to inflationary trends that increased personnel costs and pharmaceutical expenses as well as costs related to the new delegated risk premium contracts in 2025. The System continues to develop and implement cost reduction and containment initiatives designed to make a more affordable care model for patients and to enable investments in key strategic initiatives.

Salaries, wages and benefits increased $106.0 million (4.7%) in the first quarter of 2025 compared to the same period in 2024. Salaries, excluding benefits, increased $92.7 million (4.9%) due primarily to annual salary adjustments averaging 3% across the System that were awarded in the second quarter of 2024 and a 1.2% increase in full-time equivalent employees in the first quarter of 2025 compared to the same period in 2024. The System continues to implement various initiatives to recruit and retain caregivers. Benefit costs increased $13.4 million (3.8%) during the same period primarily due to the growth in the full-time equivalent employees and salaries. The System experienced an $8.9 million increase in defined contribution plan expenses and a $7.2 million increase in FICA expenses.

Supplies expense increased $3.0 million (0.8%) in the first quarter of 2025 compared to the same period in 2024. The increase in supplies is primarily due to increases in total patient encounters and recent inflationary trends for many supplies.

Pharmaceutical costs increased $132.2 million (25.4%) in the first quarter of 2025 compared to the same period in 2024. The increase in pharmaceuticals was primarily due to recent inflationary trends and increased utilization in outpatient areas including retail and specialty pharmacy. The System also experienced a corresponding increase in outpatient pharmacy revenues related to the increased utilization.

Purchased services and other fees increased $80.0 million (29.0%) in the first quarter of 2025 compared to the same period in 2024. The increase in purchased services was comprised of a $75.2 million increase in purchased medical services and a $4.8 million increase in purchased nonmedical services. The increase in purchased medical services was primarily related to claim costs associated with the new value-based delegated premium and risk agreements that went into effect January 1, 2025. See "VALUE-BASED CARE RISK AGREEMENTS" for additional details. The increase in purchased nonmedical services was primarily due to state franchise fee expenses. The increases were partially offset by decreases in software and hardware technology costs and decreases in various strategic expenses.

Administrative services expenses decreased $3.1 million (5.5%) in the first quarter of 2025 compared to the same period in 2024. The decrease in administrative services was related to decreases in research expenses, professional services and consulting fees.

Facilities expense increased $4.3 million (3.7%) in the first quarter of 2025 compared to the same period in 2024. The increase in facilities expense was primarily due to an increase in lease costs and utilities expenses that were partially offset by a decrease in maintenance and repair costs.

Insurance expense increased $0.5 million (1.2%) in the first quarter of 2025 compared to the same period in 2024. The increase in insurance expense was due to an increase in malpractice claim payments and related settlements the System has experienced over the last few years. The System's medical professional insurance program has been influenced by the impact of both regular and social inflation that has created an upward national trend of jury verdicts and settlement amounts.

Interest expense decreased $3.8 million (8.4%) in the first quarter of 2025 compared to the same period in 2024. The decrease in interest expense was primarily due to the reduction in debt from regularly scheduled principal payments in 2025 and a lease modification in the third quarter of 2024 that reclassified certain finance leases to operating leases. The decrease was partially offset by interest expense from bonds issued in June 2024.

Depreciation and amortization expenses increased $21.5 million (14.6%) in the first quarter of 2025 compared to the same period in 2024. Changes in depreciation included property, plant and equipment that was fully depreciated in 2024, offset by depreciation for property, plant and equipment that was acquired and placed into service in 2024 and 2025.

Gains and losses from nonoperating activities resulted in net gains to the System of $31.8 million in the first quarter of 2025 compared to gains of $282.6 million in the first quarter of 2024. Investment returns, net of appropriations from the board-designated endowment fund, were $36.5 million in the first quarter of 2025 compared to $275.2 million in the same period in 2024 driven by financial markets. Derivative losses were $2.0 million in the first quarter of 2025 compared to gains of $10.0 million in the first quarter of 2024. Derivative gains and losses result from changes in interest rate benchmarks associated with the System's interest rate swap agreements, including net interest paid or received under the swap agreements. Other nonoperating gains and losses were flat in the first quarter of 2025 compared to the same period in 2024.

BALANCE SHEET – MARCH 31, 2025 COMPARED TO DECEMBER 31, 2024

The following narrative describes the consolidated balance sheets for the System as of March 31, 2025 and December 31, 2024.

Cash and cash equivalents decreased $255.2 million (25.0%) from December 31, 2024 to March 31, 2025. The majority of the System's cash and cash equivalents are held in operating bank accounts for general expenditures. The decrease in cash equivalents related to the timing of operating and financing cash flows and transfers to or from the investment portfolio to manage the liquidity needs of the System.

Patient accounts receivable increased $87.2 million (4.7%) from December 31, 2024 to March 31, 2025. The increase in patient receivables was primarily attributable to the increase in net patient revenue in 2025 compared to 2024 and rate increases on the System's managed care contracts that became effective in January 2025. Patient accounts receivable also tend to be seasonally higher in the first quarter as many insurance plans have annual deductible requirements. These balances are generally more difficult to collect than traditional insurance payors. The System has various initiatives to enhance cash collection efforts and create efficiencies in the revenue cycle process.

Investments for current use were unchanged from December 31, 2024 to March 31, 2025. Investments for current use include assets held for self-insurance that will be used to pay the current portion of estimated claim liabilities.

Other current assets increased $115.6 million (13.4%) from December 31, 2024 to March 31, 2025. The increase in other current assets was primarily due to an $80.0 million increase in prepaid expenses due primarily to information technology contracts and a $57.6 million increase in receivables related to government programs that provide assistance to hospitals due to the timing of payments for the program. The increase in other current assets was partially offset by a $13.6 million decrease in in third party receivables and an $11.4 million decrease in receivables related to management service agreements.

Unrestricted long-term investments decreased $15.6 million (0.1%) from December 31, 2024 to March 31, 2025. The decrease in long-term investments was primarily due to $99.0 million of unrestricted investment gains experienced in the System's investment portfolio in the first quarter of 2025 that was offset by net transfers to operating cash to support the liquidity needs of the System.

Funds held by trustees were flat from December 31, 2024 to March 31, 2025. Funds held by trustees include collateral posted with the counterparties on various initiatives and programs of the System and unexpended bond proceeds from the Series 2024A Bonds issued in June 2024 that will be used for future capital expenditures.

Assets held for self-insurance decreased $26.1 million (15.7%) from December 31, 2024 to March 31, 2025. The decrease in self-insurance assets was primarily due to claims paid in excess of insurance premiums received by the System's captive insurance companies and investment returns on their investments.

Donor-restricted assets decreased $32.1 million (2%) from December 31, 2024 to March 31, 2025. The decrease in restricted assets was primarily from expenditures from restricted funds in excess of the receipt of donor-restricted gifts and investment gains on restricted investments.

Net property, plant and equipment increased $70.3 million (1.0%) from December 31, 2024 to March 31, 2025. The System had expenditures for property, plant and equipment of $251.3 million, offset by depreciation expense of $169.1 million. Other increases in property, plant and equipment resulted from $24.0 million foreign currency translation gains offset by $10.0 million of proceeds from the sale of property. Capital expenditures in 2025 include amounts paid on retainage liabilities recorded at December 31, 2024 and exclude assets acquired through finance leases and other financing arrangements. Retainage liabilities decreased $31.2 million, and new finance leases totaled $5.2 million in 2025. Expenditures for property, plant and equipment were incurred at numerous facilities across the System and included expenditures for strategic construction, expansion and technological investment as well as replacement of existing facilities and equipment. For a description of a few of the System's current projects, refer to "EXPANSION AND IMPROVEMENT PROJECTS."

Pledges receivable increased $17.8 million (12.9%) from December 31, 2024 to March 31, 2025. The increase in pledges receivable was due to new pledges received in 2025 offset by the reclassification of pledges receivable, due within one year, from long-term to current.

Operating lease right-of-use assets increased $5.8 million (1.5%) from December 31, 2024 to March 31, 2025. The increase in operating lease right-of-use assets was primarily due to the addition of new operating leases recorded during 2025 offset by the reduction in value of future lease payments through the recognition of operating lease expenses and changes in foreign currency exchange rates related to leases at London Hospital.

Other noncurrent assets decreased $3.4 million (0.3%) from December 31, 2024 to March 31, 2025. The decrease in other noncurrent assets was due to a $4.7 million decrease in deferred compensation plan assets driven by changes in investment markets (corresponding decrease in noncurrent liabilities) and a $3.8 million decrease in cloud computing assets primarily due to amortization. The decreases were partially offset by a $5.3 million increase in investments in affiliates including investments in joint venture rehabilitation and long-term acute care hospitals and other affiliates.

Accounts payable decreased $142.3 million (17.4%) from December 31, 2024 to March 31, 2025. The increase in accounts payable was primarily attributable to the timing of payment processing for trade payables and a $31.2 million decrease in retainage liabilities for current construction projects.

Compensation and amounts withheld from payroll decreased $60.3 million (8.5%) from December 31, 2024 to March 31, 2025. The decrease in compensation and amounts withheld from payroll was primarily attributable to the timing of payroll and changes in employee benefit accruals.

Short-term borrowing increased $40 million (100.0%) from December 31, 2024 to March 31, 2025. The increase in short-term borrowings was due to the System drawing $40 million from one of its lines of credit in the first quarter of 2025.

Current portion of long-term debt decreased $11.6 million (10.8%) from December 31, 2024 to March 31, 2025. Changes in the current portion of long-term debt include the reclassification of regularly scheduled

principal payments from long-term to current that are due within one year, offset by principal payments made in 2025.

Variable-rate debt classified as current was unchanged from December 31, 2024 to March 31, 2025. Variable-rate debt classified as current consists of long-term variable-rate bonds supported by the System's self-liquidity program and bonds with letters of credit or standby bond purchase agreements that expire within one year, require repayment of a remarketing draw within one year or contain a subjective clause that would allow the lender to declare an event of default and cause immediate repayment of such bonds. The System does not expect to make principal payments on these bonds in the next year but classifies them as current for accounting purposes.

Other current liabilities increased $11.8 million (1.5%) from December 31, 2024 to March 31, 2025. The increase in other current liabilities was primarily due to increases in state franchise fee liabilities and deferred revenue related to research and international management contracts due to timing of payments and recognition in the statement of operations. These increases were offset by decreases in accrued interest payable related to debt that pays interest semi-annually in January and July of each year.

Long-term debt decreased $46.9 million (1.0%) from December 31, 2024 to March 31, 2025. The decrease in long-term debt was due to the reclassification of regularly scheduled principal payments from long-term to current for debt payments due within one year, which was partially offset by $24.8 million of foreign currency translation losses on the 2018 Sterling Notes.

Professional and general insurance liability reserves increased $11.6 million (4.4%) from December 31, 2024 to March 31, 2025. The increase in insurance liability reserves was due to expenses recorded for the accrual of current year claims estimates in excess of claim liability payments.

Accrued retirement benefits increased $1.0 million (0.5%) from December 31, 2024 to March 31, 2025. The increase in accrued retirement benefits was comprised of a $2.3 million increase in other postretirement benefit liabilities and a $1.3 million decrease in certain defined benefit pension plan liabilities.

Operating lease liabilities increased $6.4 million (1.9%) from December 31, 2024 to March 31, 2025. The increase in operating lease liabilities was primarily due to the addition of new operating leases recorded in 2025 offset by the reclassification of operating lease payments from long-term to short-term and changes in foreign currency exchange rates related to leases at London Hospital.

Other noncurrent liabilities increased $31.1 million (3.9%) from December 31, 2024 to March 31, 2025. The increase in other noncurrent liabilities was primarily due to a $20.0 million increase related to deferred grants and a $10.5 million increase in noncurrent amounts due to third-party payors.

Total net assets increased $123.3 million (0.7%) from December 31, 2024 to March 31, 2025. Net assets without donor restrictions increased $131.3 million (0.9%) primarily due to an excess of revenues over expenses of $84.6 million, net assets released from restriction for capital purposes of $47.3 million and foreign currency translation gains of $2.0 million. The increases were partially offset by retirement benefit adjustments of $1.0 million. Net assets with donor restrictions decreased $8.0 million (0.4%), primarily due to assets released from restrictions of $83.2 million, which exceeded restricted gifts of $65.9 million and investment gains of $8.8 million.

FORWARD-LOOKING STATEMENTS

Forward-looking statements contained in this report and other written reports and oral statements are made based on known events and circumstances at the time of release, and as such, are subject in the future to unforeseen uncertainties and risks. All statements regarding future performance, events or developments are forward-looking statements. It is possible that the System's future performance may differ materially from current expectations depending on economic conditions within the healthcare industry and other factors. Among other factors that might affect future performance are:

- The impact of executive orders from the President of the U.S. and regulatory, litigation or other actions from federal agencies that might affect the operations of the System, including reductions in federal funding for research, education or other programs or the ability of the System to provide adequate staffing of caregivers;
- The impact of a pandemic, epidemic or outbreak of an infectious disease such as COVID-19, including but not limited to (1) a quarantine, temporary shutdown, overburdening of facilities or diversion of patients, (2) bed, staffing or supply shortages, (3) reduced patient volumes and operating revenues, (4) the loss of employment and health insurance for a significant portion of the population, or (5) staffing reductions resulting from vaccination mandates of employees;
- Changes to the Medicare and Medicaid reimbursement systems resulting in reductions in payments and/or changes in eligibility of patients to qualify for Medicare and Medicaid;
- Legislative reforms or actions that reduce the payment for, and/or utilization of, and/or cost of providing, healthcare services, such as the Patient Protection and Affordable Care Act and/or 340B drug discount program;
- Possible repeal and/or replacement of the Patient Protection and Affordable Care Act, and repeal of the individual mandate;
- Adjustments resulting from Medicare and Medicaid reimbursement audits, including audits initiated by the Medicare Recovery Audit Contractor program;
- Future contract negotiations between public and private insurers, employers and participating hospitals, including the System's hospitals, and other efforts by these insurers and employers to limit hospitalization costs and coverage;
- Increased competition in the areas served by the System and limited options to respond to the same in part due to uncertainty in the enforcement of antitrust laws;
- The ability of the System to integrate the hospitals in Florida into a regional health system;
- The ability of the System to access capital for the funding of capital projects;
- Availability of malpractice, cyber or other insurance at reasonable rates, if at all;
- The System's ability to recruit and retain professionals;
- The ability of the Clinic to continue developing the London Hospital and operate in that market;

- General economic and business conditions, internationally, nationally and regionally, including the impact of interest rates, inflation, foreign currencies, financial market conditions and volatility and increases in the number of self-pay patients;
- The increasing number and severity of cyber threats and the costs of preventing them and protecting patient and other data, including the risks pertaining to third parties who have access to the data;
- The declining population in the Greater Cleveland area;
- Impact of federal and state laws on tax-exempt organizations relating to exemption from income taxes, sales taxes, real estate taxes, excise taxes and bond financing;
- Changes in federal and state employment laws and regulations, as well as interpretations of those laws and regulations by courts and governmental agencies;
- Management, utilization and increases in the cost of medical drugs and devices as technological advancement progresses without concurrent increases in federal reimbursement;
- Ability of the System to adjust its cost structure and reduce operating expenses; and
- Changes in accounting standards or practices.

The System undertakes no obligation to update or publicly revise these forward-looking statements to reflect events or circumstances that arise after the date of this report.