Interim Unaudited Consolidated Financial Statements and Other Information

For The Period Ended March 31, 2022

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

Contents

Unaudited Consolidated Balance Sheets

($ in thousands)

	March 31 2022	December 31 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 705,660	$ 667,500
Patient receivables	1,652,803	1,532,362
Investments for current use	55,973	160,786
Other current assets	646,921	619,023
Total current assets	3,061,357	2,979,671
Investments:		
Long-term investments	11,992,853	12,483,568
Funds held by trustees	45,971	69,541
Assets held for self-insurance	162,647	207,114
Donor restricted assets	1,210,888	1,207,707
	13,412,359	13,967,930
Property, plant, and equipment, net	5,870,725	5,894,500
Other assets:		
Pledges receivable, net	173,828	155,593
Trusts and interests in foundations	119,594	120,934
Operating lease right-of-use assets	350,380	355,350
Other noncurrent assets	794,429	792,027
	1,438,231	1,423,904
Total assets	$ 23,782,672	$ 24,266,005

Unaudited Consolidated Balance Sheets (continued)

($ in thousands)

	March 31 2022	December 31 2021
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 547,068	$ 663,259
Compensation and amounts withheld from payroll	628,862	524,664
Current portion of long-term debt	97,028	105,022
Variable rate debt classified as current	449,297	449,297
Other current liabilities	663,944	730,802
Total current liabilities	2,386,199	2,473,044
Long-term debt	4,580,010	4,671,424
Other liabilities:		
Professional and general insurance liability reserves	213,311	207,448
Accrued retirement benefits	292,751	286,149
Operating lease liabilities	310,511	314,867
Other noncurrent liabilities	609,406	650,491
	1,425,979	1,458,955
Total liabilities	8,392,188	8,603,423
Net assets:		
Without donor restrictions	13,820,003	14,107,442
With donor restrictions	1,570,481	1,555,140
Total net assets	15,390,484	15,662,582
Total liabilities and net assets	$ 23,782,672	$ 24,266,005

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	
	2022	2021
Unrestricted revenues		
Net patient service revenue	$ 2,725,174	$ 2,533,962
Other	309,744	273,662
Total unrestricted revenues	3,034,918	2,807,624
Expenses		
Salaries, wages, and benefits	1,841,477	1,579,094
Supplies	320,682	297,519
Pharmaceuticals	364,917	328,104
Purchased services and other fees	233,018	195,149
Administrative services	56,484	42,101
Facilities	107,487	92,204
Insurance	31,072	24,369
	2,955,137	2,558,540
Operating income before interest, depreciation, amortization, and special charges	79,781	249,084
Interest	35,727	37,273
Depreciation and amortization	148,556	150,101
Operating (loss) income	(104,502)	61,710
Nonoperating gains and losses		
Investment return	(212,508)	243,200
Derivative gains	30,096	30,087
Other, net	4,456	15,267
Net nonoperating gains and losses	(177,956)	288,554
(Deficiency) excess of revenues over expenses	(282,458)	350,264

(continued on next page)

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

($ in thousands)

Changes in Net Assets

	Three Months Ended March 31	
	2022	2021
Changes in net assets without donor restrictions:		
(Deficiency) excess of revenues over expenses	$ (282,458)	$ 350,264
Donated capital	-	45
Net assets released from restriction for capital purposes	2,503	2,167
Retirement benefits adjustment	(574)	(715)
Foreign currency translation	(6,391)	1,446
Other	(519)	(2,388)
(Decrease) increase in net assets without donor restrictions	(287,439)	350,819
Changes in net assets with donor restrictions:		
Gifts and bequests	41,089	30,897
Net investment income	(10,566)	4,829
Net assets released from restrictions used for operations included in other unrestricted revenues	(11,852)	(9,795)
Net assets released from restriction for capital purposes	(2,503)	(2,167)
Change in interests in foundations	(399)	342
Change in value of perpetual trusts	(428)	1,812
Other	-	2,385
Increase in net assets with donor restrictions	15,341	28,303
(Decrease) increase in net assets	(272,098)	379,122
Net assets at beginning of year	15,662,582	13,241,855
Net assets at end of period	$ 15,390,484	$ 13,620,977

See notes to unaudited consolidated financial statements.

Unaudited Consolidated Statements of Cash Flows

($ in thousands)

	Three Months Ended March 31	
	2022	2021
Operating activities and net nonoperating gains and losses		
(Decrease) increase in net assets	$ (272,098)	$ 379,122
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities and net nonoperating gains and losses:		
Gain on extinguishment of debt	-	(4,252)
Retirement benefits adjustment	574	715
Net realized and unrealized losses (gains) on investments	236,559	(236,401)
Depreciation and amortization	148,556	150,104
Foreign currency translation loss (gain)	6,391	(1,446)
Donated capital	-	(45)
Restricted gifts, bequests, investment income, and other	(29,696)	(37,880)
Accreted interest and amortization of bond premiums	(1,840)	(1,396)
Net gain in value of derivatives	(35,621)	(35,391)
Changes in operating assets and liabilities:		
Patient receivables	(120,454)	(14,572)
Other current assets	(37,396)	(84,411)
Other noncurrent assets	(3,198)	(30,019)
Accounts payable and other current liabilities	(60,024)	(37,834)
Other liabilities	7,585	20,940
Net cash (used in) provided by operating activities and net nonoperating gains and losses	(160,662)	67,234
Financing activities		
Proceeds from short-term borrowings, net	-	26,500
Principal payments on long-term debt	(77,626)	(100,137)
Change in pledges receivables, trusts and interests in foundations	(9,312)	3,851
Restricted gifts, bequests, investment income, and other	29,696	37,880
Net cash used in financing activities	(57,242)	(31,906)
Investing activities		
Expenditures for property, plant and equipment	(172,568)	(102,698)
Proceeds from sale of property, plant and equipment	10,401	10,267
Net change in cash equivalents reported in long-term investments	200,559	(71,324)
Purchases of investments	(1,050,700)	(1,321,731)
Sales of investments	1,169,680	1,268,085
Payment for business acquisition, less cash assumed	-	(54,197)
Net cash provided by (used in) investing activities	157,372	(271,598)
Effect of exchange rate changes on cash	(5,594)	4,007
Decrease in cash and cash equivalents	(66,126)	(232,263)
Cash, cash equivalents and restricted cash at beginning of year	782,431	1,173,135
Cash, cash equivalents and restricted cash at end of period	$ 716,305	$ 940,872

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, 2021.

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).

The System is the leading provider of healthcare services in northeast Ohio. As of March 31, 2022, the System operates 20 hospitals with approximately 5,300 staffed beds. Fourteen of the hospitals are operated in the northeast Ohio area, anchored by the Clinic. The System operates 21 outpatient Family Health Centers and 11 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 Florida, the System operates five hospitals and a clinic located throughout southeast Florida, outpatient family health centers in West Palm Beach and Port St. Lucie, an outpatient family health and ambulatory surgery center in Coral Springs, and numerous physician offices located throughout southeast Florida. 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 critical and acute care services that is part of Mubadala Development Company's network of healthcare facilities located in Abu Dhabi, United Arab Emirates, with 364 staffed beds.

In March 2022, Cleveland Clinic London Hospital opened for patients. The new hospital is located in central London and has 184 inpatient beds and approximately 1,150 caregivers. In September 2021, Cleveland Clinic London opened an outpatient facility located near the hospital.

All significant intercompany balances and transactions have been eliminated in consolidation.

3. Accounting Policies

Recent Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the presentation and disclosure requirements for not-for-profit entities to increase transparency about contributed nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022, with early adoption permitted. The System is currently assessing the impact that ASU 2020-07 will have on its consolidated financial statements and will adopt the provisions upon the effective date.

4. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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.

5. 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.

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

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 FASB 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.

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, 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 2022 or 2021.

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

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.

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 the first three months of 2022 or 2021.

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.

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

Net patient service revenue by major payor source, for the three months ended March 31, 2022 and 2021 is as follows (in thousands):

	Three Months Ended March 31, 2022		Three Months Ended March 31, 2021	
Medicare	**$ 1,088,140**	**40%**	$ 1,016,216	40%
Medicaid	**289,056**	**11**	269,279	11
Managed care and commercial	**1,304,613**	**48**	1,211,770	48
Self-pay	**43,365**	**1**	36,697	1
Net patient service revenue	**$ 2,725,174**	**100%**	$ 2,533,962	100%

6. 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.

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, 2022 and December 31, 2021 is as follows (in thousands):

	March 31 2022	December 31 2021
Cash and cash equivalents	**$ 705,660**	$ 667,500
Investments for current use	**–**	104,813
Restricted cash in investments	**10,645**	10,118
Total cash, cash equivalents, and restricted cash	**$ 716,305**	$ 782,431

Investments for current use include restricted cash deposits with the trustee to fund current principal and interest payments on debt. Restricted cash in investments includes amounts held by the System's captive insurance subsidiary and restricted cash for various programs.

7. 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.

7. Fair Value Measurements (continued)

The following tables present the financial instruments measured at fair value on a recurring basis as of March 31, 2022 and December 31, 2021, based on the valuation hierarchy (in thousands):

March 31, 2022

	Level 1	Level 2	Level 3	Total
Assets				
Cash and investments:				
Cash and cash equivalents	$ 716,305	$ –	$ –	$ 716,305
Money market funds	348,656	–	–	348,656
Fixed income securities:				
U.S. treasuries	1,418,942	–	–	1,418,942
U.S. government agencies	–	54,896	–	54,896
U.S. corporate	–	503,363	–	503,363
U.S. government agencies asset-backed securities	–	338,527	–	338,527
Corporate asset-backed securities	–	194,755	–	194,755
Foreign	–	264,654	–	264,654
Fixed income mutual funds	32,947	–	–	32,947
Common and preferred stocks:				
U.S.	331,137	45	–	331,182
Foreign	330,625	28,170	–	358,795
Equity mutual funds	96,080	–	–	96,080
Total cash and investments	3,274,692	1,384,410	–	4,659,102
Perpetual and charitable trusts	–	90,688	–	90,688
Total assets at fair value	$ 3,274,692	$ 1,475,098	$ –	$ 4,749,790
Liabilities				
Interest rate swaps	$ –	$ 81,380	$ –	$ 81,380
Total liabilities at fair value	$ –	$ 81,380	$ –	$ 81,380

7. Fair Value Measurements (continued)

December 31, 2021

	Level 1	Level 2	Level 3	Total
Assets				
Cash and investments:				
Cash and cash equivalents	$ 782,431	$ –	$ –	$ 782,431
Money market funds	564,950	–	–	564,950
Fixed income securities:				
U.S. treasuries	1,540,626	–	–	1,540,626
U.S. government agencies	–	65,000	–	65,000
U.S. corporate	–	511,272	–	511,272
U.S. government agencies asset-backed securities	–	319,023	–	319,023
Corporate asset-backed securities	–	194,258	–	194,258
Foreign	–	266,566	–	266,566
Fixed income mutual funds	166,156	–	–	166,156
Common and preferred stocks:				
U.S.	368,019	47	–	368,066
Foreign	342,363	16,292	–	358,655
Equity mutual funds	95,748	–	–	95,748
Total cash and investments	3,860,293	1,372,458	–	5,232,751
Perpetual and charitable trusts	–	91,630	–	91,630
Total assets at fair value	$ 3,860,293	$ 1,464,088	$ –	$ 5,324,381
Liabilities				
Interest rate swaps	$ –	$ 117,001	$ –	$ 117,001
Total liabilities at fair value	$ –	$ 117,001	$ –	$ 117,001

7. Fair Value Measurements (continued)

Financial instruments at March 31, 2022 and December 31, 2021 are reflected in the consolidated balance sheets as follows (in thousands):

	March 31 2022	December 31 2021
Cash, cash equivalents, and investments measured at fair value	**$ 4,659,102**	$ 5,232,751
Commingled funds measured at net asset value	**2,803,558**	2,890,434
Alternative investments measured at net asset value	**6,711,332**	6,673,031
Total cash, cash equivalents, and investments	**$ 14,173,992**	$ 14,796,216
Perpetual and charitable trusts measured at fair value	**$ 90,688**	$ 91,630
Interests in foundations	**28,906**	29,304
Trusts and interests in foundations	**$ 119,594**	$ 120,934

Interest rate swaps (Note 8) are reported 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. Fair value for Level 1 is based upon quoted market prices. Fair value for 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.

7. 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 0.4% 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.

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.

8. 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. During the term of these transactions, the System pays interest at a fixed rate and receives interest at a variable rate based on LIBOR or the Securities Industry and Financial Markets Association Index (SIFMA). The swap agreements are not designated as hedging instruments. Net interest paid or received under the swap agreements is included in derivative gains in the consolidated statements of operations and changes in net assets.

8. Derivative Instruments (continued)

The following table summarizes the System's interest rate swap agreements (in thousands):

Swap Type	Expiration Date	System Pays	System Receives	Notional Amount at March 31 2022	Notional Amount at December 31 2021
Fixed	2024	3.42%	68% of LIBOR	**21,195**	22,750
Fixed	2024	3.45%	67% of LIBOR	**3,850**	3,850
Fixed	2027	3.56%	68% of LIBOR	**101,622**	106,519
Fixed	2028	5.12%	100% of LIBOR	**31,535**	32,900
Fixed	2028	3.51%	68% of LIBOR	**24,125**	25,315
Fixed	2030	5.07%	100% of LIBOR	**52,175**	52,175
Fixed	2030	5.06%	100% of LIBOR	**52,150**	52,150
Fixed	2031	3.04%	68% of LIBOR	**34,400**	37,725
Fixed	2032	4.32%	79% of LIBOR	**1,843**	1,873
Fixed	2032	4.33%	70% of LIBOR	**3,685**	3,745
Fixed	2032	3.78%	70% of LIBOR	**1,843**	1,873
Fixed	2032	3.58%	67% of LIBOR	**8,790**	8,790
Fixed	2036	4.90%	100% of LIBOR	**48,125**	48,125
Fixed	2036	4.90%	100% of LIBOR	**74,950**	74,950
Fixed	2037	4.62%	100% of SIFMA	**52,450**	52,450
Fixed	2039	4.62%	68% of LIBOR	**20,740**	20,740
				$ 533,478	$ 545,930

The System is exposed to fluctuations in various foreign currencies against its functional currency, the U.S. dollar (USD). The System uses foreign currency forward contracts to manage its exposure to fluctuations in the USD – British pound (GBP) exchange rate. Currency forward contracts involve fixing the USD – GBP exchange rate for delivery of a specified amount of foreign currency on a specified date. The currency forward contracts are typically cash settled in USD for their fair value at or close to their settlement date.

The System had foreign currency forward contracts, maturing at various dates through April 2021, with no contracts outstanding at March 31, 2022 or December 31, 2021,

8. Derivative Instruments (continued)

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

	Derivative Assets and Liabilities			
	March 31, 2022		December 31, 2021	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments				
Interest rate swap agreements	Other noncurrent liabilities	**$ 81,380**	Other noncurrent liabilities	$ 117,001

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

	Location of Loss Recognized	Quarter Ended March 31 2022	2021
Derivatives not designated as hedging instruments			
Interest rate swap agreements	Derivative gains	**$ 30,096**	$ 29,587
Foreign currency contracts	Derivative gains	**–**	500

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, 2022 and December 31, 2021, the System posted $39.6 million and $63.2 million, respectively, of collateral with counterparties that is included in funds held by trustees in the consolidated balance sheets. 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.

9. 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 eleven contributory, defined contribution plans covering System employees. The Cleveland Clinic Investment Pension Plan (IPP) is a noncontributory, defined contribution plan, which covers substantially all of the System's employees, except employees covered by the Cleveland Clinic Cash Balance Plan and those employed by Akron General, Mercy Hospital, Union Hospital, Martin Health System or Indian River Hospital. The System's contribution to the IPP for participants is based upon a percentage of employee compensation and years of 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. The System sponsors eleven tax-qualified contributory, defined contribution plans that cover substantially all employees, including two plans for Akron General, three plans for Union Hospital, two plans for Martin Health System, two plans for Indian River Hospital and a plan for Mercy Hospital. The plans generally permit employees to make pretax employee deferrals and to become entitled to certain employer matching contributions that are based on employee contributions.

9. Pensions and Other Postretirement Benefits (continued)

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

	Quarter Ended March 31	
	2022	**2021**
Amounts related to defined benefit pension plans:		
Service credit	**$ (944)**	$ (1,261)
Interest cost	**13,587**	12,897
Expected return on plan assets	**(21,857)**	(25,278)
Net amortization and deferral	**(494)**	(636)
Total defined benefit pension plans	**(9,708)**	(14,278)
Defined contribution plans	**92,512**	81,216
Total	**$ 82,804**	$ 66,938

The service credit component of net periodic benefit credit and the defined contribution plan expense are included in salaries, wages, and benefits in the consolidated statements of operations and changes in net assets. The components of net periodic benefit credit 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.

As of March 31, 2022, the System has made contributions of $2.5 million to the defined benefit pension plans. Total contributions to the defined benefit pension plans for the full year of 2022 are expected to be $10.2 million.

10. COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) outbreak a global pandemic. The governors of Ohio and Florida declared a state of emergency for their respective states related to the COVID-19 outbreak on March 9, 2020, and a national state of emergency in the U.S. was declared on March 13, 2020. The System has worked with public health partners at all levels to maintain the health and safety of patients, caregivers and visitors to prevent the spread of COVID-19. The System has also provided extensive education to patients on the precautions that have been implemented to keep patients and caregivers safe during their appointments and procedures. Throughout the pandemic, the System has remained focused on creating a safe environment for patients and caregivers to ensure the availability of care for early identification of diseases and helping patients in managing chronic diseases. The System has taken, and continues to take, actions to mitigate the effect of the pandemic on its financial condition and results of operations; however, the outcome and ultimate effect of the pandemic on the System's consolidated financial statements cannot be determined at this time.

The System has received support under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARP). CARES Act support includes Provider Relief Funds (PRF) and the Employee Retention Credit (ERC), and ARP support includes ARP rural payments. The System accounted for the PRF payments, ERC and ARP payments as contributions that are recognized as revenue when any related conditions have been substantially met. The System received $222.6 million and $451.7 million in PRF, ARP and ERC payments in 2021 and 2020, respectively. No amounts were received in the first quarter of 2022.

10. COVID-19 (continued)

The CARES Act also permits employers to defer the payment of the employer's portion of social security taxes incurred between March 27, 2020 and December 31, 2020, with half the deferred payments required to be paid by the end of 2021 and the other half to be paid by the end of 2022. The System has deferred payroll tax payments recorded in other current liabilities of $88.7 million at March 31, 2022 and December 31, 2021.

Additionally, the System submitted claims to the Federal Emergency Management Agency (FEMA) to reimburse costs related to the System's response to the COVID-19 pandemic. The System records FEMA grants as contributions when the expenses have been incurred and any related conditions have been substantially met. The System recognized $6.7 million and $67.2 million of FEMA grant revenue in other unrestricted revenues in 2021 and 2020, respectively. There have been no amounts recognized as revenue in the first quarter of 2022.

11. Subsequent Events

The System evaluated events and transactions occurring subsequent to March 31, 2022 through May 25, 2022, 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, 2022				December 31, 2021			
	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	$ 303,190	$ 402,470	$ -	$ 705,660	$ 303,834	$ 363,666	$ -	$ 667,500
Patient receivables, net	1,449,905	304,112	(101,214)	1,652,803	1,274,240	288,999	(30,877)	1,532,362
Due from affiliates	27,109	85,895	(113,004)	-	47,900	242	(48,142)	-
Investments for current use	-	55,973	-	55,973	104,813	55,973	-	160,786
Other current assets	694,684	123,275	(171,038)	646,921	622,670	108,801	(112,448)	619,023
Total current assets	2,474,888	971,725	(385,256)	3,061,357	2,353,457	817,681	(191,467)	2,979,671
Investments:								
Long-term investments	10,802,948	1,189,905	-	11,992,853	11,100,040	1,383,528	-	12,483,568
Funds held by trustees	45,971	-	-	45,971	69,541	-	-	69,541
Assets held for self-insurance	-	162,647	-	162,647	-	207,114	-	207,114
Donor restricted assets	1,124,642	86,246	-	1,210,888	1,124,486	83,221	-	1,207,707
	11,973,561	1,438,798	-	13,412,359	12,294,067	1,673,863	-	13,967,930
Property, plant, and equipment, net	4,245,033	1,625,692	-	5,870,725	4,275,212	1,619,288	-	5,894,500
Other assets:								
Pledges receivable, net	163,009	10,819	-	173,828	151,457	4,136	-	155,593
Trusts and beneficial interests in foundations	70,179	49,415	-	119,594	70,913	50,021	-	120,934
Operating lease right-of-use assets	115,521	234,859	-	350,380	112,486	242,864	-	355,350
Other noncurrent assets	955,160	131,549	(292,280)	794,429	952,127	132,140	(292,240)	792,027
	1,303,869	426,642	(292,280)	1,438,231	1,286,983	429,161	(292,240)	1,423,904
Total assets	$ 19,997,351	$ 4,462,857	$ (677,536)	$ 23,782,672	$ 20,209,719	$ 4,539,993	$ (483,707)	$ 24,266,005

	March 31, 2022				December 31, 2021			
	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	$ 412,818	$ 134,260	$ (10)	$ 547,068	$ 506,864	$ 156,405	$ (10)	$ 663,259
Compensation and amounts withheld from payroll	535,661	93,201	-	628,862	457,264	67,400	-	524,664
Short-term borrowings	-	-	-	-	-	-	-	-
Current portion of long-term debt	89,983	7,045	-	97,028	98,055	6,967	-	105,022
Variable rate debt classified as current	399,438	49,859	-	449,297	399,438	49,859	-	449,297
Due to affiliates	19,863	27,787	(47,650)	-	5	48,418	(48,423)	-
Other current liabilities	680,369	247,352	(263,777)	663,944	620,671	247,970	(137,839)	730,802
Total current liabilities	2,138,132	559,504	(311,437)	2,386,199	2,082,297	577,019	(186,272)	2,473,044
Long-term debt	3,722,118	1,147,492	(289,600)	4,580,010	3,788,616	1,172,368	(289,560)	4,671,424
Other liabilities:								
Professional and general insurance liability reserves	74,026	139,285	-	213,311	73,102	134,346	-	207,448
Accrued retirement benefits	291,368	1,383	-	292,751	284,735	1,414	-	286,149
Operating lease liabilities	81,053	229,458	-	310,511	78,388	236,479	-	314,867
Other noncurrent liabilities	562,916	120,309	(73,819)	609,406	603,973	51,713	(5,195)	650,491
	1,009,363	490,435	(73,819)	1,425,979	1,040,198	423,952	(5,195)	1,458,955
Total liabilities	6,869,613	2,197,431	(674,856)	8,392,188	6,911,111	2,173,339	(481,027)	8,603,423
Net assets:								
Without donor restrictions	11,705,320	2,117,363	(2,680)	13,820,003	11,880,683	2,229,439	(2,680)	14,107,442
With donor restrictions	1,422,418	148,063	-	1,570,481	1,417,925	137,215	-	1,555,140
Total net assets	13,127,738	2,265,426	(2,680)	15,390,484	13,298,608	2,366,654	(2,680)	15,662,582
Total liabilities and net assets	$ 19,997,351	$ 4,462,857	$ (677,536)	$ 23,782,672	$ 20,209,719	$ 4,539,993	$ (483,707)	$ 24,266,005

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, 2022				Three Months Ended March 31, 2021			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Unrestricted revenues								
Net patient service revenue	$ 2,295,409	$ 508,613	$ (78,848)	$ 2,725,174	$ 2,150,548	$ 456,423	$ (73,009)	$ 2,533,962
Other	276,482	91,347	(58,085)	309,744	240,113	78,854	(45,305)	273,662
Total unrestricted revenues	2,571,891	599,960	(136,933)	3,034,918	2,390,661	535,277	(118,314)	2,807,624
Expenses								
Salaries, wages, and benefits	1,530,477	405,568	(94,568)	1,841,477	1,350,661	314,164	(85,731)	1,579,094
Supplies	261,652	59,045	(15)	320,682	246,129	51,693	(303)	297,519
Pharmaceuticals	322,254	42,663	-	364,917	289,872	38,232	-	328,104
Purchased services and other fees	186,218	56,818	(10,018)	233,018	159,865	41,715	(6,431)	195,149
Administrative services	25,676	36,910	(6,102)	56,484	11,486	36,713	(6,098)	42,101
Facilities	76,926	31,031	(470)	107,487	68,705	23,980	(481)	92,204
Insurance	24,648	32,167	(25,743)	31,072	20,054	23,560	(19,245)	24,369
	2,427,851	664,202	(136,916)	2,955,137	2,146,772	530,057	(118,289)	2,558,540
Operating income (loss) before interest, depreciation, and amortization expenses	144,040	(64,242)	(17)	79,781	243,889	5,220	(25)	249,084
Interest	27,672	8,055	-	35,727	29,255	8,018	-	37,273
Depreciation and amortization	126,540	22,033	(17)	148,556	128,266	21,860	(25)	150,101
Operating income (loss)	(10,172)	(94,330)	-	(104,502)	86,368	(24,658)	-	61,710
Nonoperating gains and losses								
Investment return	(187,231)	(25,277)	-	(212,508)	212,357	30,843	-	243,200
Derivative gains (losses)	30,678	(582)	-	30,096	30,713	(626)	-	30,087
Other, net	3,166	1,290	-	4,456	13,857	1,410	-	15,267
Net nonoperating gains and losses	(153,387)	(24,569)	-	(177,956)	256,927	31,627	-	288,554
(Deficiency) excess of revenues over expenses	(163,559)	(118,899)	-	(282,458)	343,295	6,969	-	350,264

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 (continued)

($ in thousands)

Changes in Net Assets

	Three Months Ended March 31, 2022				Three Months Ended March 31, 2021			
	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:								
(Deficiency) excess of revenues over expenses	$ (163,559)	$ (118,899)	$ -	$ (282,458)	$ 343,295	$ 6,969	$ -	$ 350,264
Donated capital	-	-	-	-	45	-	-	45
Net assets released from restriction for capital purposes	2,160	343	-	2,503	1,667	500	-	2,167
Retirement benefits adjustment	(517)	(57)	-	(574)	(658)	(57)	-	(715)
Foreign currency translation	-	(6,391)	-	(6,391)	-	1,446	-	1,446
Other	(13,447)	12,928	-	(519)	(92,067)	89,679	-	(2,388)
(Decrease) increase in net assets without donor restrictions	(175,363)	(112,076)	-	(287,439)	252,282	98,537	-	350,819
Changes in net assets with donor restrictions:								
Gifts and bequests	27,908	13,181	-	41,089	27,099	3,798	-	30,897
Net investment (loss) income	(10,157)	(409)	-	(10,566)	2,585	2,244	-	4,829
Net assets released from restrictions used for operations included in other unrestricted revenues	(11,017)	(835)	-	(11,852)	(9,192)	(603)	-	(9,795)
Net assets released from restriction for capital purposes	(2,160)	(343)	-	(2,503)	(1,667)	(500)	-	(2,167)
Change in interests in foundations	(399)	-	-	(399)	342	-	-	342
Change in value of perpetual trusts	193	(621)	-	(428)	1,018	794	-	1,812
Other	125	(125)	-	-	793	1,592	-	2,385
Increase in net assets with donor restrictions	4,493	10,848	-	15,341	20,978	7,325	-	28,303
(Decrease) increase in net assets	(170,870)	(101,228)	-	(272,098)	273,260	105,862	-	379,122
Net assets at beginning of year	13,298,608	2,366,654	(2,680)	15,662,582	11,393,437	1,850,538	(2,120)	13,241,855
Net assets at end of period	$ 13,127,738	$ 2,265,426	$ (2,680)	$ 15,390,484	$ 11,666,697	$ 1,956,400	$ (2,120)	$ 13,620,977

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

Unaudited Consolidating Statements of Cash Flows

($ in thousands)

	Three Months Ended March 31, 2022				Three Months Ended March 31, 2021			
	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								
(Decrease) increase in total net assets	$ (170,870)	$ (101,228)	$ -	$ (272,098)	$ 273,260	$ 105,862	$ -	$ 379,122
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities and net nonoperating gains and losses:								
Gain on extinguishment of debt	-	-	-	-	(4,252)	-	-	(4,252)
Retirement benefits adjustment	517	57	-	574	658	57	-	715
Net realized and unrealized (gains) losses on investments	209,758	26,801	-	236,559	(206,542)	(29,859)	-	(236,401)
Depreciation and amortization	126,540	22,033	(17)	148,556	128,266	21,863	(25)	150,104
Foreign currency translation loss (gain)	-	6,391	-	6,391	-	(1,446)	-	(1,446)
Donated capital	-	-	-	-	(45)	-	-	(45)
Restricted gifts, bequests, investment income, and other	(17,545)	(12,151)	-	(29,696)	(31,044)	(6,836)	-	(37,880)
Transfers to (from) affiliates	13,448	(13,448)	-	-	86,871	(86,871)	-	-
Accreted interest and amortization of bond premiums	(1,886)	46	-	(1,840)	(1,444)	48	-	(1,396)
Net gain in value of derivatives	(35,621)	-	-	(35,621)	(35,391)	-	-	(35,391)
Changes in operating assets and liabilities:								
Patient receivables	(175,665)	(15,126)	70,337	(120,454)	(381)	(9,296)	(4,895)	(14,572)
Other current assets	(58,408)	(102,440)	123,452	(37,396)	(41,497)	(115,524)	72,610	(84,411)
Other noncurrent assets	(6,151)	2,896	57	(3,198)	(50,201)	(6,430)	26,612	(30,019)
Accounts payable and other current liabilities	78,146	(13,005)	(125,165)	(60,024)	(57,347)	26,494	(6,981)	(37,834)
Other liabilities	4,269	71,940	(68,624)	7,585	12,906	68,876	(60,842)	20,940
Net cash (used in) provided by operating activities and net nonoperating gains and losses	(33,468)	(127,234)	40	(160,662)	73,817	(33,062)	26,479	67,234
Financing activities								
Proceeds from short-term borrowings, net	-	-	-	-	26,500	-	-	26,500
Proceeds from long-term borrowings	-	40	(40)	-	-	26,479	(26,479)	-
Principal payments on long-term debt	(76,339)	(1,287)	-	(77,626)	(72,658)	(27,479)	-	(100,137)
Change in pledges receivable, trusts and interests in foundations	(3,633)	(5,679)	-	(9,312)	3,412	439	-	3,851
Restricted gifts, bequests, investment income, and other	17,545	12,151	-	29,696	31,044	6,836	-	37,880
Net cash (used in) provided by financing activities	(62,427)	5,225	(40)	(57,242)	(11,702)	6,275	(26,479)	(31,906)
Investing activities								
Expenditures for property, plant and equipment	(117,263)	(55,305)	-	(172,568)	(41,604)	(61,094)	-	(102,698)
Proceeds from sale of property, plant and equipment	10,401	-		10,401	10,267	-		10,267
Payment for business acquisition, less cash assumed	-	-	-	-	-	(54,197)	-	(54,197)
Net change in cash equivalents reported in long-term investments	22,171	178,388	-	200,559	(203,845)	132,521	-	(71,324)
Purchases of investments	(944,931)	(105,769)	-	(1,050,700)	(1,194,162)	(127,569)	-	(1,321,731)
Sales of investments	1,033,509	136,171	-	1,169,680	1,117,394	150,691	-	1,268,085
Transfers (to) from affiliates	(13,448)	13,448	-	-	(86,871)	86,871	-	-
Net cash (used in) provided by investing activities	(9,561)	166,933	-	157,372	(398,821)	127,223	-	(271,598)
Effect of exchange rate changes on cash	-	(5,594)		(5,594)	-	4,007		4,007
(Decrease) increase in cash and cash equivalents	(105,456)	39,330	-	(66,126)	(336,706)	104,443	-	(232,263)
Cash, cash equivalents and restricted cash at beginning of year	409,507	372,924	-	782,431	917,591	255,544	-	1,173,135
Cash, cash equivalents and restricted cash at end of period	$ 304,051	$ 412,254	$ -	$ 716,305	$ 580,885	$ 359,987	$ -	$ 940,872

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

Utilization

The following table provides selected utilization statistics for the Cleveland Clinic Health System:

	Year Ended December 31			YTD March 31	
	2019	2020	2021	2021	2022
Total Staffed Beds[(1)]	4,900	4,859	5,128	5,202	5,095
Percent Occupancy[(1)]	68.1%	69.9%	75.1%	74.2%	74.1%
Inpatient Admissions[(1)]					
Acute	226,558	211,770	236,318	56,489	55,441
Post-acute	11,327	10,739	10,983	2,707	2,423
Total	237,885	222,509	247,301	59,196	57,864
Patient Days[(1)]					
Acute	1,098,807	1,044,240	1,223,781	291,665	298,763
Post-acute	84,522	82,334	86,872	20,540	19,265
Total	1,183,329	1,126,574	1,310,653	312,205	318,028
Average Length of Stay					
Acute	4.86	4.92	5.19	5.21	5.41
Post-acute	7.44	7.66	7.88	7.73	7.97
Surgical Facility Cases					
Inpatient	74,607	64,318	68,152	16,937	16,726
Outpatient	181,721	152,625	191,137	45,372	44,377
Total	256,328	216,943	259,289	62,309	61,103
Emergency Department Visits	889,489	757,055	892,394	198,871	202,492
Outpatient Observations	82,143	61,460	67,369	15,608	15,840
Outpatient Evaluation and Management Visits	6,161,693	5,683,571	6,753,960	1,604,584	1,658,099
Acute Medicare Case Mix Index - Health System	1.91	2.00	2.01	2.06	2.06
Acute Medicare Case Mix Index - Cleveland Clinic	2.74	2.87	2.89	2.92	3.00
Total Acute Patient Case Mix Index - Health System	1.83	1.91	1.94	1.97	1.97
Total Acute Patient Case Mix Index - Cleveland Clinic	2.65	2.76	2.79	2.81	2.87

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

Utilization statistics for Mercy Hospital are included beginning February 1, 2021, which is the date Mercy Hospital joined the System.

Utilization statistics for Cleveland Clinic London are excluded from the above table.

Utilization (continued)

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

	Year Ended December 31			YTD March 31	
	2019	2020	2021	2021	2022
Total Staffed Beds[1]	3,987	4,018	3,931	4,016	3,917
Percent Occupancy[1]	70.0%	70.3%	76.7%	75.4%	74.5%
Inpatient Admissions[1]					
Acute	186,133	173,614	183,512	44,653	42,895
Post-acute	7,122	6,601	6,489	1,561	1,395
Total	193,255	180,215	190,001	46,214	44,290
Patient Days[1]					
Acute	928,486	875,432	966,957	235,916	232,517
Post-acute	54,515	53,504	52,751	12,145	11,131
Total	983,001	928,936	1,019,708	248,061	243,648
Surgical Facility Cases					
Inpatient	63,677	54,735	56,011	14,105	13,672
Outpatient	153,886	127,810	156,009	37,210	36,895
Total	217,563	182,545	212,020	51,315	50,567
Emergency Department Visits	666,313	574,683	649,380	145,173	147,246
Outpatient Observations	64,359	47,974	51,333	12,012	11,935
Outpatient Evaluation and Management Visits	5,315,503	4,857,870	5,565,953	1,323,991	1,370,575
Acute Medicare Case Mix Index	1.94	2.04	2.06	2.10	2.11
Total Acute Patient Case Mix Index	1.88	1.95	1.99	2.02	2.03

[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 Health System and Obligated Group as a whole:

	Year Ended December 31			YTD March 31	
	2019	2020	2021	2021	2022
Payor					
Managed Care and Commercial	34%	34%	34%	34%	34%
Medicare	50%	51%	50%	51%	51%
Medicaid	13%	13%	14%	13%	13%
Self-Pay & Other	3%	2%	2%	2%	2%
Total	100%	100%	100%	100%	100%

OBLIGATED GROUP
Based on Gross Patient Service Revenue

	Year Ended December 31			YTD March 31	
	2019	2020	2021	2021	2022
Payor					
Managed Care and Commercial	36%	36%	35%	36%	35%
Medicare	49%	49%	49%	49%	50%
Medicaid	13%	13%	14%	13%	13%
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.

Payor mix for Mercy Hospital is included beginning February 1, 2021, which is the date Mercy Hospital joined the System.

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	
	2019	2020	2021	2021	2022
External Grants Earned					
Federal Sources	$120,858	$117,931	$116,049	$32,158	$35,313
Non-Federal Sources	104,760	94,173	129,010	24,649	36,831
Total	225,618	212,104	245,059	56,807	72,144
Internal Support	72,637	92,305	70,384	20,835	12,759
Total Sources of Support	$298,255	$304,409	$315,443	$77,642	$84,903

Key Ratios

The following table provides selected key ratios:

	Year Ended December 31			YTD March 31	
	2019	2020	2021	2021	2022
Liquidity ratios					
Days of cash on hand	373	424	431	415	403
Days of revenue in accounts receivable	49	45	48	46	55
Coverage ratios					
Cash to debt (%)	183.7	216.1	251.7	221.6	247.7
Maximum annual debt service coverage (x)	6.2	5.7	7.0	6.1	6.4
Interest expense coverage (x)	10.5	8.5	11.9	9.2	10.3
Debt to cash flow (x)	3.5	4.5	3.2	4.2	3.8
Leverage ratio					
Debt to capitalization (%)	33.6	30.7	27.0	30.0	27.1
Profitability ratios					
Operating margin (%)	3.7	2.2	6.0	2.2	(3.4)
Operating cash flow margin (%)	10.9	9.2	11.9	8.9	2.6
Excess margin (%)	16.6	11.3	15.9	11.3	(9.9)
Return on assets (%)	10.1	6.1	9.1	6.3	(4.8)

NOTES:

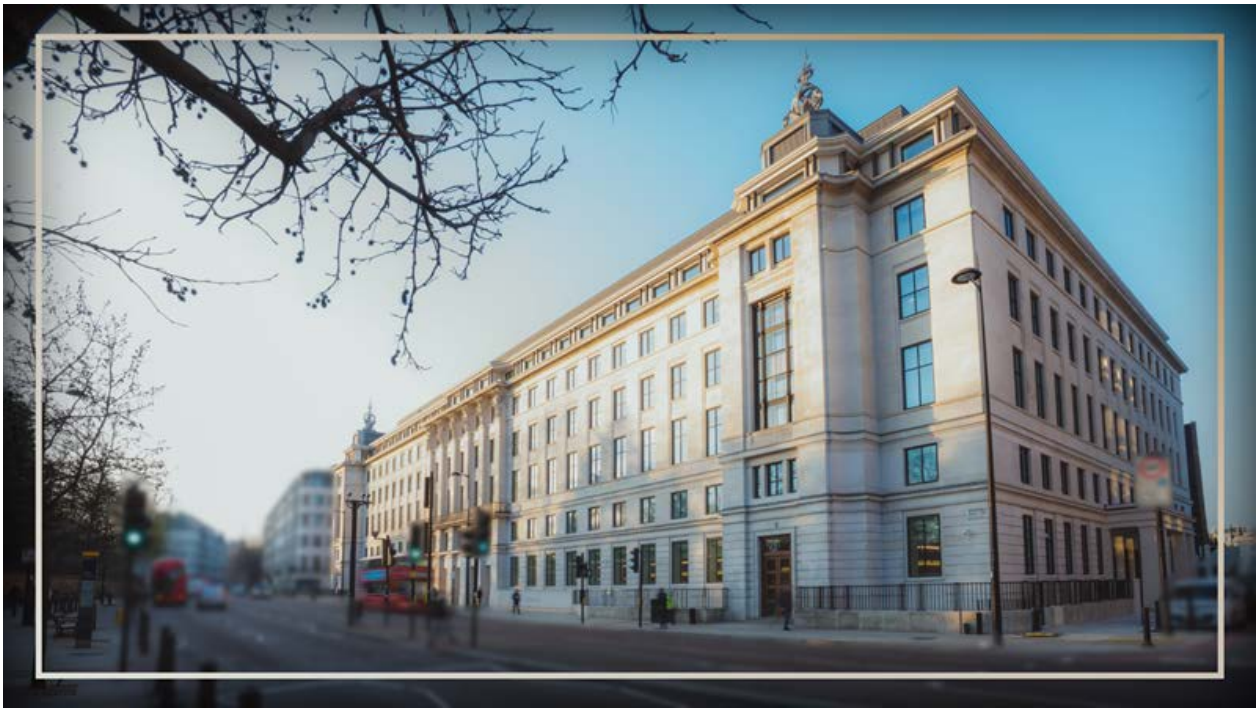
Coverage and liquidity ratios are calculated using a 12-month rolling income statement.

Maximum annual debt service coverage is based on the Obligated Group in accordance with the master trust indenture.

OVERVIEW

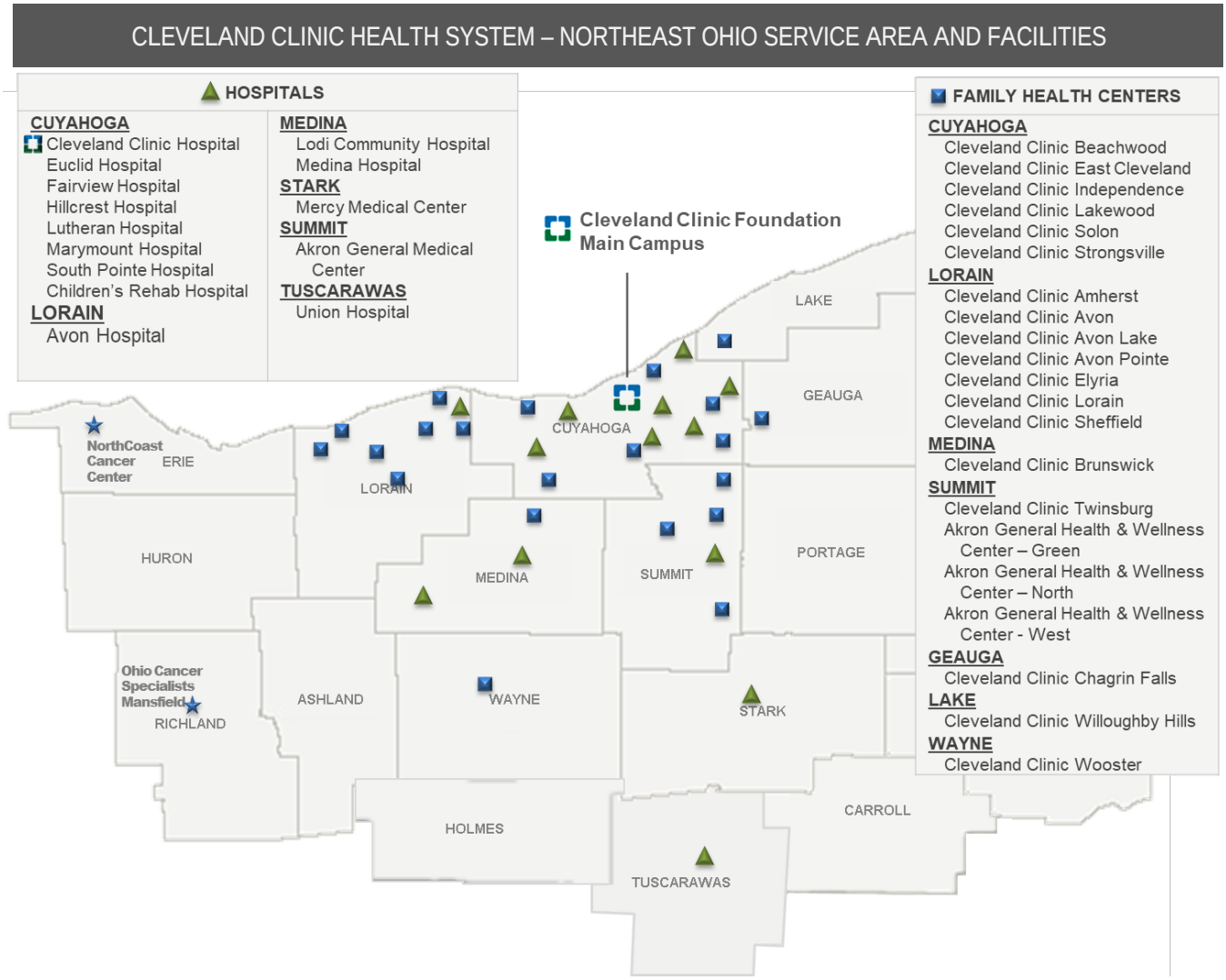
The Cleveland Clinic Health System (System) is a world-renowned provider of healthcare services that attracted patients from across the United States and from 131 other countries in 2021. As of March 31, 2022, the System operates 20 hospitals with approximately 5,300 staffed beds and is the leading provider of healthcare services in Northeast Ohio. Fourteen of the hospitals are operated in the Northeast Ohio area, anchored by The Cleveland Clinic Foundation (Clinic). The System operates 21 outpatient family health centers, 11 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 Florida, the System operates five hospitals and a clinic located throughout Southeast Florida, 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 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 critical and acute care services that is part of Mubadala Development Company's network of healthcare facilities located in Abu Dhabi, United Arab Emirates with approximately 364 staffed beds.

In March 2022, Cleveland Clinic London Hospital opened for patients. The new hospital is located in central London and has 184 inpatient beds and approximately 1,150 caregivers. In September 2021, Cleveland Clinic London opened an outpatient facility located near the hospital. For a description of the London Hospital, refer to "EXPANSION AND IMPROVEMENT PROJECTS."



Cleveland Clinic London

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:

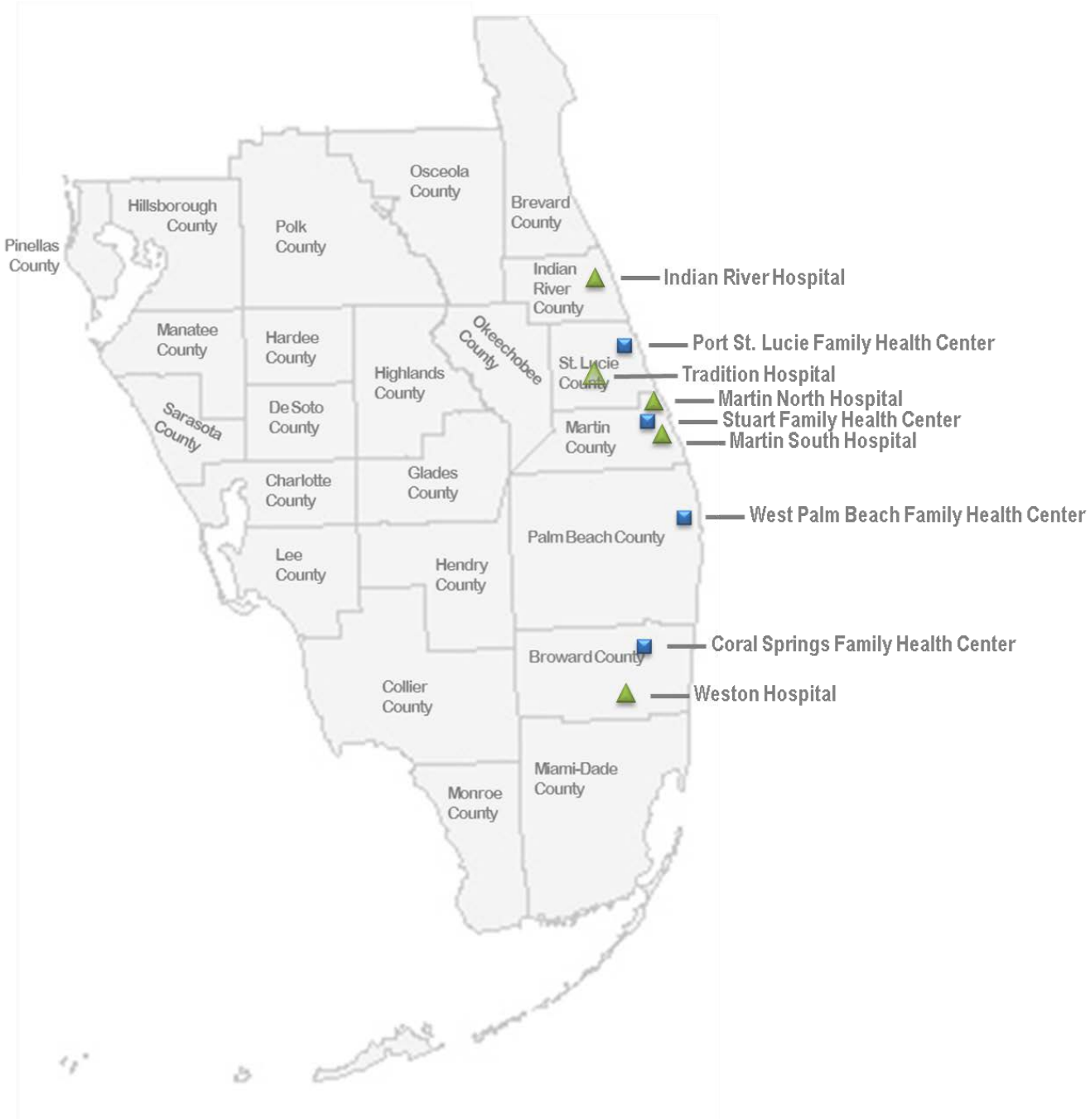


Cleveland Clinic

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, 2022:

	Staffed Beds
OBLIGATED	
Cleveland Clinic	1,298
Avon Hospital	126
Euclid Hospital	126
Fairview Hospital	486
Hillcrest Hospital	433
Lutheran Hospital	192
Martin North Hospital	244
Martin South Hospital	100
Marymount Hospital	205
Medina Hospital	148
South Pointe Hospital	133
Tradition Hospital	177
Weston Hospital	249
	3,917
NON-OBLIGATED	
Akron General Medical Center	469
Children's Rehabilitation Hospital	25
Indian River Hospital	250
Lodi Hospital	20
London Hospital	184
Mercy Hospital	337
Union Hospital	77
	1,362
HEALTH SYSTEM	5,279

CORONAVIRUS DISEASE (COVID-19)

On March 11, 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) outbreak a global pandemic. The governors of Ohio and Florida declared a state of emergency for their respective states related to the COVID-19 outbreak on March 9, 2020, and a national state of emergency in the U.S. was declared on March 13, 2020. The System has experienced surges of COVID-19 patients in its hospitals throughout the pandemic. In addition to providing care to COVID-19 patients, the System has remained focused on creating a safe environment for patients and caregivers to ensure the availability of care for early identification of diseases and helping patients in managing chronic diseases.

In December 2021, Ohio hospitals experienced an increase in patients hospitalized with COVID-19 due to the Omicron surge. This surge prompted the System to postpone non-essential surgeries requiring a hospital bed at Ohio hospitals beginning in early December to preserve hospital beds for COVID-19 patients and allow for the temporary reassignment of caregiver resources. COVID-19 cases continued to rise, and staffing challenges persisted throughout December 2021, prompting the System to postpone outpatient surgeries at Ohio hospitals from January 3, 2022 through January 30, 2022. The System resumed all non-essential surgeries that had been previously postponed on January 31, 2022. The surge in Florida was not as severe as Ohio, although increasing COVID-19 admissions at the end of December and early January prompted the System to postpone non-essential surgeries at Florida facilities for portions of the month of January 2022. The recovery of patient activity in February and March 2022 has been slow as patients served have remained below expected levels. The System will continue to monitor bed capacity and caregiver support and will take proactive steps to ensure the safety of patients and caregivers.

The System has received support under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARP). CARES Act support includes Provider Relief Funds (PRF) and the Employee Retention Credit (ERC), and ARP support includes ARP rural payments. The System accounted for the PRF payments, ERC and ARP payments as contributions that are recognized as revenue when any related conditions have been substantially met. The System received $451.7 million and $222.6 million in PRF, ARP and ERC payments in 2020 and 2021, respectively. No amounts were received in the first quarter of 2022.

Additionally, the System submitted claims to the Federal Emergency Management Agency (FEMA) to reimburse costs related to the System's response to the COVID-19 pandemic. The System has recognized $6.7 million and $67.2 million of FEMA grant revenue in other unrestricted revenues in 2021 and 2020, respectively. There have been no amounts recognized as revenue in the first quarter of 2022. The System will continue to pursue grants and other financial assistance from FEMA that are made available to support hospitals throughout the pandemic.

In response to CMS vaccine mandates for healthcare workers in the U.S., the System established a policy describing its vaccine mandate for all employed caregivers, students, volunteers, contractors, vendors and independent licensed practitioners (collectively referred to as caregivers). The System implemented a process by which to consider exemptions and reasonable accommodations for those caregivers who

are unable to receive the COVID-19 vaccine due to medical contraindications or firmly held religious beliefs, observances or practices. The System also established a recordkeeping process to track the vaccine status of all caregivers and any approved exemptions and accommodations. Deadlines for unvaccinated caregivers were established in which caregivers needed to receive the one-dose J&J COVID-19 vaccine or first dose of the Pfizer or Moderna vaccines by January 27, 2022, and complete the second dose of the multi-dose vaccine series by February 28, 2022. The System had more than 99% of its caregivers in compliance with the new policy by the established deadlines.

The COVID-19 pandemic has presented financial challenges for the System. The System continues to incur incremental supply costs and other expenditures for COVID-19 preparedness in an effort to provide safe and effective patient care. Nationwide labor shortages have created staffing challenges that have resulted in increased overtime costs and premium pay for employed caregivers as well as an increase in the utilization of agency nurses and other temporary personnel to meet the demand of patient activity. The System is continually monitoring its forecasted operating performance and liquidity position and is assessing the financial impact of COVID-19 on its operations using various scenarios and assumptions to ensure that there is sufficient liquidity. The System has taken, and continues to take, actions to mitigate the effect of the pandemic on its financial condition and results of operations; however, predicting the course of this pandemic and its effect on future operations cannot be determined at this time. System management continues to implement initiatives to improve access to care, recruit and retain employees, and review discretionary spending in an effort to improve the financial performance of the organization. The System is focused on providing clinical services in a manner that maintains high quality care and ensures the safety of patients, caregivers and visitors.

Union Hospital
Dover, Ohio

AWARDS & RECOGNITION

The Clinic was ranked as the second best hospital in the United States by *U.S. News and World Report* in its 2021-2022 edition of "America's Best Hospitals." For the past 23 years, the Clinic has been ranked among the top five hospitals in the United States. The Clinic's Heart and Vascular 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 27 consecutive years. The Clinic was nationally ranked in 13 specialties, including 11 in the top ten nationwide, and is one of just 20 hospitals to earn a place on the *U.S. News'* 2021-2022 Honor Roll. The following table summarizes the Clinic's national rankings by medical specialty:

Other System hospitals also received national recognition from *U.S. News and World Report*. Hospitals that received national rankings included the following: Fairview Hospital ranked 31st (tie) in orthopedics and 40th in neurology and neurosurgery; Hillcrest Hospital ranked 41st in cardiology and heart surgery, 43rd in gastroenterology and GI surgery and 43rd (tie) in neurology and neurosurgery; and Weston Hospital ranked 33rd in gastroenterology and GI surgery.

Cleveland Clinic Children's Hospital located on the Clinic's main campus ranked as one of the top pediatric hospitals in the country. The Children's Hospital earned national recognition in ten out of ten medical specialties ranked by *U.S. News and World Report* in its 2021-2022 edition of "Best Children's Hospitals." The following table summarizes the Clinic's national rankings by pediatric 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 two 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 (tie) in Ohio; and Fairview Hospital ranked fourth in the Cleveland metropolitan area and sixth in Ohio. Akron General Medical Center, located in Summit County, was ranked first in the Akron metropolitan area and seventh in the State of Ohio. In Florida, Weston Hospital was ranked first in the Miami-Fort Lauderdale metro area and fifth in the State of Florida; Martin Health ranked 25th (tie) in the State of Florida; and Indian River Hospital ranked 31st (tie) in the State of Florida.

In March 2022, the Clinic was again named the second best hospital in the world by *Newsweek* as part of its "World's Best Hospitals 2022" list. *Newsweek* partnered with global research data company Statista to rank the leading hospitals in 27 countries. According to *Newsweek,* its rankings are based on three broad categories including recommendations from more than 80,000 medical experts, doctors, hospital managers, and healthcare professionals; key hospital performance indicators, such as patient safety, infection prevention measures and doctor to patient ratios, and patient experience surveys, including

general satisfaction with a hospital, recommendation of a hospital and satisfaction with medical care. Fairview and Weston Hospitals were also ranked in the top 250 hospitals internationally, and the System had three other hospitals listed among the best hospitals nationwide.

The Clinic was recognized as the number two hospital in the world for specialized care and the number one hospital in the world for cardiac surgery in *Newsweek's* "World's Best Specialized Hospitals of 2022." Since 2019 *Newsweek* has partnered with Statista to rank the world's best hospitals. The Clinic ranked among the world's best in all ten categories including cardiac surgery, cardiology, endocrinology, gastroenterology, neurology, neurosurgery, oncology, orthopedics, pediatrics and pulmonology. In addition to the Clinic's main campus, Cleveland Clinic Florida and Cleveland Clinic Fairview Hospital also were recognized among the world's best specialized hospitals. *Newsweek* and Statista invited more than 40,000 medical experts to participate in surveys to recommend and assess various hospitals within their respective specializations. Survey results were validated by a global board of medical experts.

The Clinic has been recognized as one of the World's Most Ethical Companies for the twelfth time. The Clinic is one of just seven healthcare providers worldwide on the 2022 list by the Ethisphere Institute, which describes itself as "advancing the standards of ethical business practices that fuel corporate character, marketplace trust and business success." The 2022 list of the World's Most Ethical Companies includes 136 organizations from 22 countries and 45 industries. The Clinic, which earned its first Ethisphere ranking in 2009, has established itself as an industry leader through its strong ethics and compliance program and a variety of innovative initiatives that demonstrate its commitment to patients, caregivers and the community. Ethisphere develops its list of most ethical companies based on five core categories: governance; leadership and reputation; ethics and compliance activities; culture of ethics; and environmental and social impact.

In March 2022, the Clinic announced that it successfully implanted a dual-chamber leadless pacemaker system in the first patient in the United States. The novel device provides pacing support to both the right atrium and right ventricle of the heart and aims to offer heart rhythm patients a more targeted approach through a less invasive procedure with fewer complications. Unlike traditional pacemakers, the dual-chamber leadless pacemaker system does not require an incision to implant a power generator and does not require wires to be threaded through the blood vessels, which are vulnerable to complications such as infection, dislodgement, fracture or blood clots.

In February 2022, Euclid Hospital received Magnet recognition from the American Nurses Credentialing Center (ANCC), which is the highest honor an organization can receive for professional nursing practice. Avon Hospital also received Magnet recognition in March 2022. With these achievements, Euclid and Avon Hospitals join a select group of more than 500 healthcare institutions worldwide that have been recognized with this credential, with approximately 40 located in Ohio. To achieve Magnet recognition, organizations go through an extensive review and systematic evaluation of their nursing practices by the ANCC against numerous quantitative and qualitative standards that represent excellence in nursing services, clinical outcomes and patient care delivery. With the recognition of Euclid and Avon Hospitals, the System now has nine hospitals that have earned Magnet designation.

The Clinic has been honored as the first recipient of the Kathleen Singleton Award from the Academy of Medical-Surgical Nurses and Medtronic, Inc. This award recognizes the Clinic for providing exemplary

support to medical-surgical nursing units. The award recognizes healthcare facilities that have an outstanding record of promoting a healthy workplace environment that fosters a "patient first" philosophy. The Clinic was chosen for its robust support of nursing education and clinical competency, and for fostering respectful nurse-nurse, nurse-physician, and inter-professional collaborations.

In February 2022, it was announced that the System was recognized by *Forbes* and market researcher Statista as one of "America's Best Large Employers of 2022." The System was ranked 94 in a list of top 500 employers. The selection was based on an independent survey of 60,000 employees working for companies with at least 1,000 people employed in their U.S. locations.

Energage, a technology company that empowers workplace excellence, has named the System to its 2022 TopWorkplaces USA list. The program celebrates nationally recognized companies that prioritize a people-centered culture and give employees a strong voice. Nominated companies were evaluated based on results from an anonymous employee engagement survey, powered by findings from 15 years of research and data from more than 23 million employees across 70,000 organizations.

In March 2022, the Clinic's CEO and President Tomislav Mihaljevic, M.D. was recognized for The Transformative CEO Healthcare Award for 2022 by the CEO Forum. The CEO Forum is a CEO-focused company that has been recognized for its efforts sharing best practices throughout the community of CEOs and aspiring CEOs. Dr. Mihaljevic earned the award in the category of Vision.

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 five 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 30 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 73 active Trustees, nine Professional Staff Trustees and 12 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 (such as the Audit Committee) meet five or six times per year. 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 and has met on a regular basis during the COVID-19 pandemic. The Clinic is engaging 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 provides for regional hospital representation on the Clinic's Board of Directors while also maintaining separate boards of trustees for each hospital. The Ohio regional hospital boards meet quarterly and, among other topics, provide local input on quality and patient safety and community health needs. Each Ohio regional hospital has a president, all of whom report to the President of the Ohio Hospitals and Family Health Centers.

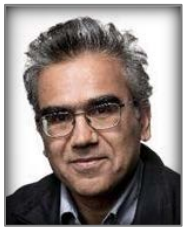
Concurrently with Martin Health and Indian River Hospital joining the System in 2019, the System established a separate Board of Directors to oversee the Florida hospitals. This Board of Directors has representatives from the Clinic Board of Directors and each of the Florida hospitals. Boards have also been maintained at Martin Health and Indian River Hospital to provide local input on quality and patient safety and community health needs. A board of trustees has been created for Weston Hospital to provide local input on quality and patient safety and community health needs.

In May 2022, the System's Chief Financial Officer (CFO), Steven Glass, announced that he will be leaving the organization. Mr. Glass joined the System in 2002 and has been the CFO since 2005. Anthony Helton, Executive Director of Revenue Cycle Management and Continuous Improvement in Finance, will serve as interim CFO during the transition while the System conducts a national search for Mr. Glass' successor.

APPOINTMENTS

Rishi Singh, MD was appointed President of Cleveland Clinic Martin North and South Hospitals effective January 1, 2022. Dr. Singh most recently served as a staff physician at the Cole Eye Institute and Professor of Ophthalmology at the Cleveland Clinic Lerner College of Medicine. He currently serves on the Board of Governors for Cleveland Clinic and is the executive physician champion for documentation excellence for Ohio.

Col. Thomas Rogers, MD was named President of Cleveland Clinic Union Hospital effective in the summer of 2022 after he retires from active military service. Dr. Rogers joins the Clinic from the DiLorenzo Pentagon Health Clinic and Fort Belvoir Community Hospital Branch Clinics in Washington, D.C., where he has served as Director since 2017. In this role, Dr. Rogers oversaw a team of more than 700 employees who care for the nation's wounded, active-duty service members, retirees and family members. Dr. Rogers has served in leadership positions at military hospitals and outposts in several states and was a taskforce surgeon at a U.S. Special Operation Command in Iraq.



Rohit Chandra, PhD was appointed Chief Digital Officer effective February 14, 2022. Dr. Chandra leads digital innovation within the organization to help transform the use of digital technologies such as artificial intelligence, machine learning and big data to improve access to care and enhance the patient and caregiver experience. Dr. Chandra brings more than 25 years of experience in digital technology and engineering in both consumer and enterprise settings.

Jacqui Robertson was appointed Chief of Diversity & Inclusion effective March 1, 2022. Jacqui leads efforts for the System that will further embrace and leverage diversity in support of the System's diverse patient and caregiver population, both nationally and internationally. Ms. Robertson brings nearly 20 years of national and international experience in leading diversity and inclusion strategies in the financial services and industrial supply industries.

EXPANSION AND IMPROVEMENT PROJECTS

Due to the anticipated long-term growth in the demand for services and the desire to continually upgrade medical facilities, the System is investing in buildings, equipment and technology to better serve its patients.

Cleveland Clinic London Hospital opened on March 29, 2022. The facility is the newest location in the System's expanding global footprint and the second in London, following the opening of an outpatient facility in September 2021 that is located near the hospital. The Clinic through a subsidiary holds a long-term leasehold interest in the hospital building located at 33 Grosvenor Place in central London. The project, which began in 2017, converted the building from office space into an eight-story, 325,000 square-foot advanced healthcare facility that brings the Clinic's model of care to the United Kingdom. The new hospital has 184 inpatient beds, including 29 ICU beds, eight operating theaters, a 41-bed neurological rehabilitation ward and a staff of approximately 1,150 caregivers. The hospital provides comprehensive medical and surgical services with a special focus on cardiovascular, digestive, neurological and orthopedic care utilizing the latest technology to care for a complex patient population. Alongside its core focus areas, the hospital also offers a full range of medical sub-specialties and comprehensive services for imaging, labs and interventional radiology. The hospital is using the latest medical and surgical technology including pharmacy barcoding and robot-powered medicine administration tracking, laser and robotic surgery capabilities and advanced electronic medical records.

The System has the following expansion and improvement projects currently in progress:

Neurological Institute Building – In July 2019, the Clinic announced plans to build a new Neurological Institute building on its main campus to accommodate the expansion of patient care, research and education. The new 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 is expected to begin in 2022 and take about four years to complete. 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 investigating 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 Institute Expansion – In July 2019, the Clinic announced plans to expand the Cole Eye Institute on its main campus to accommodate the expansion of patient care, research and education. The expansion of the Cole Eye Institute, which has grown significantly over the last ten years, is expected to begin in 2022 and take about three years to complete. The new addition will add more than 100,000 square feet to the existing building and will feature an ophthalmic surgical center with operating rooms and new exam rooms, a new Center of Excellence in Ophthalmic Imaging, an expanded simulation center for education and training of residents and fellows and an ophthalmic research center to promote eye research, as well as consolidation of multiple

ophthalmology research labs currently housed at different locations. A portion of the construction costs are expected to be raised through fundraising efforts and donations.

Mentor Hospital – In February 2019, the Clinic announced plans to build a small hospital on 47 acres of vacant land in Lake County, Ohio. The hospital is expected to offer both inpatient and outpatient services including 34 inpatient beds, an emergency department, outpatient exam and procedure rooms, lab and imaging services. The hospital will have a flexible modular design that will allow it to adapt to changing community needs. In 2020, the Mentor Hospital project was paused due to the COVID-19 pandemic and the need to preserve resources for patients, caregivers and the community. However, the project has resumed with construction beginning in September 2021, and the hospital expected to open in late 2023.

Hillcrest Hospital Cancer Center Expansion – In August 2021, construction began on a new 10,600 square-foot addition to the hospital's existing cancer center that will be called the Lozick Cancer Pavilion in recognition of a significant donation form the Lozick Family Foundation. The new pavilion will incorporate a home-like healing environment centered on the patient experience, similar to the Taussig Cancer Center on the Clinic's main campus. Design features include abundant natural light, views of green space, natural elements and specially selected artwork. Construction is expected to be completed in the summer of 2023, and all hospital and cancer center services will continue to be provided during construction.

CLEVELAND CLINIC INNOVATIONS

Cleveland Clinic Innovations (CCI) encompasses all commercial innovation, start-up company investments, licensing and medical technology partnership opportunities for the System. CCI moves the System toward its vision of being the best place to receive and partner for care through its focus on novel solutions. As one of the System's six core values, innovation allows the System to seek better and more efficient ways to achieve healthcare goals.

CCI identifies, assesses and commercializes transformative solutions via an innovative operating model. 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 more than 780 technology licenses, issued nearly 2,400 patents and has contributed to a number of the System's historical advancements.

A dedicated team in CCI invests in companies that address organizational priorities and healthcare white space opportunities to resolve pressing medical problems. The team grows strategic licensed and patented solutions out of the System into investible, standalone companies. During 2021, the team guided the formation of two new spin-off companies, while overseeing over $23.2 million in investments across ten portfolio companies. In the first quarter of 2022, the System has invested $10 million into the portfolio, with multiple pipeline investments

under review. Since 2000, CCI has formed a total of 100 spin-off companies, 42 of which are currently operational, with 24 spin-offs monetized.

CCI's business development and partnerships team combines the strength of the Clinic's brand recognition with the expertise of internal and external stakeholders to accelerate technology deployment. Partnerships are formed through opportunities in co-development, co-investment and shared risk and returns while creating diversification in the System's revenue stream.

CCI operates the 50,000-square-foot Cleveland Clinic Incubator on the Clinic's main campus, which is home to the department and approximately 26 health technology companies.

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 January 2021, the Clinic, the State of Ohio, JobsOhio and the Ohio Development Services Agency announced a partnership to support the Clinic's Global Center for Pathogen Research and Human Health (Center). The Center allows the Clinic 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. The State of Ohio and JobsOhio will invest $200 million to help launch the Center, and the Clinic plans an additional $300 million as a co-investment to fuel discoveries in its research facilities. The Center will be designed to create new start-up technology companies, attract world-leading corporations to Ohio and generate an estimated 1,000 new jobs at the Clinic by 2029. The Clinic has already filled over 300 new jobs as part of this initiative.

The Center is part of the Cleveland Innovation District (District), which will include 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. In December 2021, the grocery store company Meijer, along with the City of Cleveland, the Clinic, Fairfax Renaissance Development Corporation and Fairmount Properties broke ground on a mixed-use building in the Fairfax neighborhood of Cleveland near the main campus. The building, part of the District, will include a 40,000 square-foot Meijer grocery store and 196 apartment units. The building could open as early as 2023. The project is designed to help revitalize and transform the neighborhood by creating a healthier community and supporting economic development in the area.

In March 2021, the Clinic and 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 the use of high performance computing on the hybrid cloud, artificial intelligence and quantum computing technologies. The collaboration is anticipated to build a robust research and clinical infrastructure to empower big data medical research in ethical, privacy preserving ways, discoveries for patient care and novel approaches to public health threats such as the COVID-19 pandemic. Through the Discovery Accelerator, the Clinic and IBM researchers will use advanced computational technology to create and analyze data that supports the System's Global Center for Pathogen Research and Human Health in areas such as genomics, single cell transcriptomics, population health, clinical applications and chemical and drug discovery. As part of the collaboration, IBM plans to install its first private sector, on-premises IBM Quantum System One in the United States, to be located on the Clinic's main campus. IBM also plans to install the first of its next-generation 1,000+ qubit quantum systems at a client facility, also to be located on the Clinic's main campus, in the coming years. This quantum program will be designed to actively engage with universities, government, industry, startups and other relevant organizations. It will leverage the Clinic's global enterprise to serve as the foundation of a new quantum ecosystem for life sciences, focused on advancing quantum skills and the mission of the center. A significant pillar of the program plans to focus on educating the workforce of the future and creating jobs to grow the economy. The ten year collaboration plans to include education and workforce development opportunities related to quantum computing.

In August 2021, the Clinic and the Alice L. Walton Foundation announced a joint initiative to identify ways of providing access to the Clinic's specialty care services to residents in Northwest Arkansas. The organizations will assess specialty care needs in the region and develop recommendations for healthcare solutions to best meet those needs. In April 2022, the Alice L. Walton Foundation and Washington Regional Medical System announced their intention to create a regional health system to improve health outcomes across northwest Arkansas. Through these two initiatives, the Alice L. Walton Foundation and Washington Regional Medical System intend to work with the Clinic to support the growth of health care services in the region.

In March 2022, the Clinic announced that Lee Health, based in Fort Myers, Florida, is now an alliance member in heart care. The alliance unites the Clinic's top-ranked cardiac program in the United States with Southwest Florida's leading healthcare provider and expands on the strategic alliance formed with Lee Health in November 2020 to explore opportunities for service line affiliations and strategic initiatives to improve quality and efficiency of care. Lee Health is now the Clinic's exclusive heart alliance member in Southwest Florida. The alliance will share best practices, enhance opportunities to provide new treatments to patients and explore cutting-edge technologies and techniques in cardiovascular care.

In March 2022, the Clinic and PathAI, a global leader in artificial intelligence–powered technology for pathology, announced a five-year strategic collaboration that will focus on leveraging PathAI's quantitative pathology algorithms to conduct new translational research and for use as clinical diagnostics in multiple disease areas. The collaborative effort combines PathAI's artificial intelligence-based platforms with the Clinic's clinical expertise and multi-modal data to unlock a broad implementation of next-generation pathology diagnostics. The collaboration will enable the digitization of pathology specimens that can be linked with clinical and molecular data to improve research and provide educational opportunities for Clinic faculty and trainees to develop artificial intelligence-powered pathology diagnostics to improve patient care.

INTERNATIONAL GROWTH

Cleveland Clinic London Hospital opened in March 2022. The facility is the newest location in the System's expanding global footprint and the second in London, following the opening of an outpatient facility near the hospital in September 2021. For a description of the London Hospital, refer to "EXPANSION AND IMPROVEMENT PROJECTS."

In addition to the London Hospital, the System operates a health and wellness center and a sports medicine clinic in Toronto, Canada, and provides management services to Cleveland Clinic Abu Dhabi, a multispecialty 364-staffed bed hospital offering critical and acute care services that opened in March 2015.

In April 2019, Cleveland Clinic Abu Dhabi broke ground on a new ten-story cancer treatment center that will be constructed adjacent to the existing hospital tower. The center will be modeled after the Clinic's Taussig Cancer Center and will expand the range of cancer treatments available with centralized oncology services providing dedicated clinical practice areas for advanced imaging, infusion, radiation, and chemotherapy, as well as a connection to the hospital's surgical areas. The facility is expected to open in November 2022.

In 2017, the Clinic established Cleveland Clinic Connected, a global affiliation program that aims to improve patient care delivery around the world by enabling international healthcare providers to access the Clinic's best practices. The Clinic entered into its first Cleveland Clinic Connected relationship with Luye Medical Group to collaborate on the development of Shanghai Luye Lilan Hospital in the Shanghai New Hong Qiao International Medical Center currently under construction in Shanghai, China. The hospital, which will be owned and operated by Luye Medical Group, is expected to open in 2026. In 2022, the Clinic entered into two additional Cleveland Clinic Connected agreements with facilities in Ireland and Vietnam. Facilities affiliated with the Clinic through the Cleveland Clinic Connected 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. Patients at the facilities have the option of receiving distance health and second opinions from the Clinic, and physicians at the facilities have access to clinical and executive education opportunities aimed at improving healthcare delivery. The Clinic will also support continuous improvement through the provision of advisory services across a spectrum of clinical and non-clinical areas.

These international activities have increased the diversity of the System's healthcare operations while promoting the Clinic's clinical expertise in new markets.

STRATEGY

In January 2021, as the Clinic celebrated its centennial year, a new mission statements was unveiled:

Caring for life
Researching for health
Educating those who serve

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

The healthcare industry sits at the intersection of economic pressure, insurance reform, technological breakthroughs and demographic shifts. COVID-19 has caused further industry disruption by affecting the economy, payor environment, care delivery, health policy and the workforce. The following are anticipated changes as a result of COVID-19:

- There will be significant cost pressure in the payor environment due to decreased commercial insurance and increased reliance on government programs. Payors will rely on narrow or high-performance networks and/or cost-shifting to consumers.
- In many cases, patient volumes will be suppressed. More services may be delivered through lower cost settings, such as virtual or in-home care.
- Health systems will see greater competition for physicians from payors wanting to build their own networks and from private equity. Stronger health systems will expand regionally in an effort to serve more patients and spread costs.
- Workforce attrition will arise at some health systems as a result of low patient volumes. Remote work rates will remain high.

Cleveland Clinic Medina Hospital
Medina, Ohio

Despite these changes, the System's strategy enables the organization to focus, innovate and lead during an uncertain and transitioning healthcare environment.

In 2019, the organization announced a five-year strategy to respond to emerging industry trends. In 2020, the strategy was reassessed through the lens of industry disruption from COVID-19. The events of the past two years revealed the resilience of the System's model of care. Teamwork and preparedness enabled the System to meet the needs of its patients while keeping its communities safe. The System launched new research programs in infectious disease and increased the pace of medical innovation. Consequently, it was determined that the organization's ambition is unchanged and the strategy remains directionally correct. COVID-19 prompted the organization to re-evaluate priorities, timelines and metrics.

The System's vision is to be the best place to receive care anywhere and the best place to work in healthcare. The five-year strategy charts the course to achieve the mission and vision of the organization, while navigating an industry undergoing dramatic change. The COVID-19 pandemic has accelerated shifts in the healthcare landscape and underscored the role of health systems in caring for patients and communities. The organization's inclusive and transparent strategic planning process prioritizes work, focuses resources appropriately, and monitors performance that positions the organization to fulfill this vision.

The System has set forth a strategy that embraces these fundamental shifts and positions the organization for continued leadership and success in advancing its mission and meeting its goals in an uncertain and vastly changing healthcare environment. 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.

The strategic framework provides the System with the ability to prioritize activities and to focus on advancing the System's mission, vision, and values. In addition, the strategic framework addresses structural questions, including the formation of teams, governance of the System, allocation of resources and metrics to measure performance. All of the work conducted under the strategic framework must meet at least one of the following five strategic goals:

- **Transform Care:** be a lifelong partner to patients, delivering great health and exceptional experiences
- **Engage Caregivers:** make the System the best place to work and grow in healthcare
- **Expand Reach:** drive sustainable, transformative growth by doubling the number of patients served from 2019 to 2024
- **Embrace Digital:** improve access to care and enhance patient and caregiver experience
- **Optimize Resources:** drive value that enables the System to sustain margin, grow and invest in the mission

There are 12 cross-functional teams, each detailed below, to align and integrate efforts. Each team's workplans, governance, funding and metrics enable implementation of the strategy. The strategy consists of the following interrelated workstreams:

- **Care Model:** provide the highest quality individualized care over a lifetime
- **Care Resource Optimization:** drive value that enables the System to sustain margin, growth, and invest in the mission
- **Caregiver Experience:** make the System the best place to work and grow in healthcare
- **Community Health:** partner in communities to attain the highest levels of health, well-being and health equity
- **Differentiated Lifetime Care:** build and maintain lifelong relationships powered by collaboration, data, technology and innovation
- **Research & Education:** enhance Research and Education as core foundations to deliver on the clinical mission, drive innovation, foster collaboration and coordination of programs across the System
- **Growth:** drive sustainable, transformative growth by serving double the number of unique patients from 2019 to 2024
- **Patient Experience:** provide empathic care through a seamless and individualized approach in which the System is a trusted lifelong partner in the health and wellness patients
- **Payor and Risk Strategy:** create payor agreements and capabilities to enhance the System's ability to sustainably adopt and deliver on value-based care
- **Physician Growth & Alignment:** become the best place for physicians to practice medicine under any model
- **Technology:** enable modern platforms to serve patients and caregivers while integrating technology pursuant to growth, transforming electronic health records and modernizing infrastructure
- **Virtual Health:** leverage digital health technology to expand access to care thereby improving patient experience, caregiver experience and operational efficiency

As a major element of delivering value, an important thread through all of the priority initiatives of the clinical enterprise is Care Resource Optimization – developing a sustainable cost position given factors such as economic pressure and insurance reform impacting the healthcare industry. In 2013, the System performed an enterprise-wide cost structure analysis and proposed recommendations for transformational cost and efficiency opportunities. The System is structured to continually monitor its use of resources in all clinical, operational and administrative areas. Since the inception of the program in 2014, management estimates that Care Resource Optimization initiatives and other localized efforts enabled more than $1 billion of improvements in the cost structure. The System continues to develop and implement cost management and containment plans for a more affordable care model and to enable investments in key strategic initiatives. This work is expected to be an ongoing effort.

In parallel with efforts to transform the care model, the System is redefining its relationships with payors and the payment system to match the broader industry trend toward value-based contracting. The System continues to explore increased forms of risk-taking in payor contracts including pay-for-performance, bundled payments, global risk contracts and narrow network arrangements with payor partners. The System has implemented various risk contracting initiatives, including the co-branded insurance products with payor partners launched in 2017 that focus on specific product and consumer segments.

Leadership also is executing a focused growth strategy, domestically and internationally. A major emphasis of the domestic agenda is focused on developing and maintaining relationships with selected physician groups and hospitals throughout Northeast Ohio and partnering with community physicians in aligned, yet different, models. In Florida, the System has begun implementation of a multi-year growth plan that includes expansion of services at current facilities, new ambulatory facilities in surrounding communities and acquisition of healthcare facilities in Southeast Florida. The System will focus and prioritize initiatives to integrate the current hospitals into a regional health system and better prepare the Florida facilities for value-based care. Internationally, the System is focusing on building strong relationships with physicians and medical centers around the world through outreach offices, research/education efforts and an expanded global footprint.

Over the past several years, the System has pursued digitalization of care through virtual visit and telemedicine programs. Telehealth medicine has become increasingly important during the COVID-19 pandemic to ensure the safety of patients that do not need to travel to System facilities. COVID-19 has accelerated the shift in patient appointments from in-person to telehealth visits. These programs are being used to deploy distance health capabilities to more systematically connect physicians, patients and health systems to extend patient access, improve experience, increase efficiency and explore new care delivery models. Patient access initiatives are focused on providing lower cost, efficient care alternatives for lower acuity medical conditions to System patients. The System has improved patient access and convenience through digital technology by expanding and improving the tools offered to patients. Virtual visits for the System were over 1.2 million in 2020 and over 841,000 in 2021.

The System continues to identify and pursue ways to improve on every dimension of the organization's performance: relentless pursuit of quality and safety; organization and delivery of care; effectuation of research and education; and the clearly conveyed message of the System's value to the patient and community. Through these uncertain times, the System is committed to a path to respond to changes in the environment, to lead the field with novel approaches that preserve excellence in care and to offer sustainable models.

COMMUNITY BENEFIT AND ECONOMIC IMPACT

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.

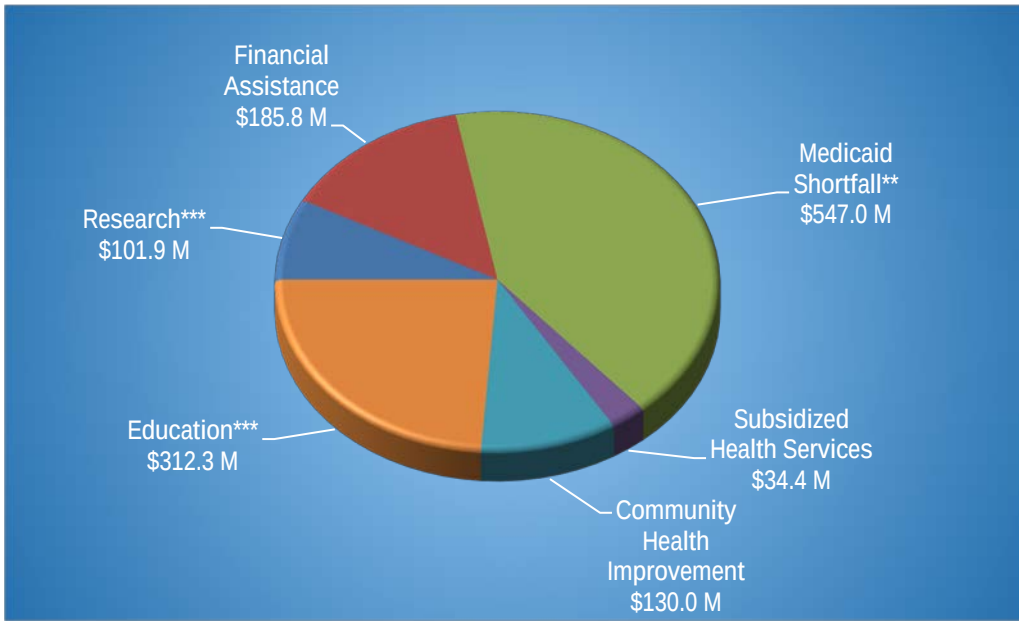
In 2020, the System provided $1.31 billion in benefits to the communities it serves. Community benefit information for 2021 was not available at the time of issuance of this Management Discussion and Analysis.

Community Benefit in 2020 includes certain COVID-19 expenses incurred by the System in support of its initial and on-going response to the COVID-19 pandemic. Specifically, community-based clinical services were provided consisting of: COVID-19 clinics and screenings; public education related to COVID-19; and various COVID-19 public assistance programs. Additionally, the System invested in capital and equipment to prepare for the anticipated surge of patients requiring treatment and hospitalization. The System submitted claims to FEMA to reimburse costs related to the System's response to the COVID-19 pandemic. To the extent the COVID-19 costs reported as community benefit expense were reimbursed by FEMA, the reimbursement is reflected as direct offsetting revenue.

Cleveland Clinic Stephanie Tubbs Jones Health Center
East Cleveland, Ohio

The following chart summarizes community benefits for the System:

Cleveland Clinic Health System*
Breakdown of Community Benefit (2020)
$1.31 Billion



* Includes all System operations in Ohio, Nevada and Florida

** Includes net Hospital Care Assurance Program benefit of $14.3 million

*** Research and Education are reported net of externally sponsored funding of $161.8 million.

Financial Assistance: Financial Assistance represents the cost of providing free or discounted medically necessary care to patients unable to pay some or all of their medical bills. The System's financial assistance policy provides free or discounted care to uninsured patients with incomes up to 400 percent of the federal poverty level and who meet certain other eligibility criteria by state. This policy covers both hospital care and services provided by the System's employed physicians.

Medicaid Shortfall: The System is a leading provider of Medicaid services in Ohio. The Medicaid program provides healthcare coverage for low-income families and individuals and is funded by both state and federal governments. Medicaid shortfall represents the difference between the costs of providing care to Medicaid beneficiaries and the reimbursement received by the System.

Subsidized Health Services: Subsidized health services yield low or negative margins, but these programs are needed in the community. Subsidized health services provided in the System include pediatric programs, psychiatric/behavioral health programs, obstetrical services, chronic disease management and outpatient clinics.

Community Health Improvement: The System is actively engaged in numerous community health improvement programs, including initiatives designed to address issues of health equity and social determinants of health, as well as serve vulnerable and at-risk populations in the community. Community

health improvement programs typically fall into three categories: community health services; cash and in-kind donations; and community building. The System's community health improvement initiatives for 2020 include costs associated with the System's response to the COVID-19 pandemic as well as traditional community programs in chronic disease prevention and management, clinical services, workforce development and enrollment assistance for government funded health programs.

A few of the System's community health improvement initiatives are highlighted below:

- COVID-19 community health improvement services:
    - The System provided community health education and clinical services for community residents regarding virus impact, testing and vaccine distribution in local neighborhoods.
    - Faith based forums for key community leaders on COVID-19 education and access.
    - Wellness initiatives to residents, schools and community based organizations in the areas of disease prevention, including COVID-19 protocol, personal safety, behavioral health, stress management, nutrition improvement and exercise.
    - The System provided high-speed internet access to local community in efforts to increase residents' ability to attend virtual visits, schools and community forums.
    - Donations of personal protective equipment to community based organizations supported safety issues.
    - To help address health disparities, the System partnered with Federally Qualified Health Centers to administer testing in underserved areas and hosted testing events for communities with minority populations and large numbers of residents aged 60 years or older.

- Traditional on-going community health improvement initiatives:
    - Community farmers markets, urban gardens, food donations and a mobile food pantry provided access to fresh local products and supplemental food programs to address food insecurity issues.
    - The System provided no-cost clinical care to under- and uninsured families at community sites. For example, the Langston Hughes Health and Education Center, a Fairfax neighborhood site, provided community education, cancer screening and chronic disease management services. Langston Hughes also served as a community-based vaccination clinic, open to all Ohio residents who meet the Ohio Department of Health criteria.
    - Collaborative initiatives with community nonprofit organizations and local governments addressed critical population issues. Taskforce strategies focused on decreasing opioid prescription use and overdose deaths. Hospitals and counties provided methods to decrease infant mortality including proactive centering programs.
    - Workforce development programs were provided to middle school and high school students to enhance graduation rates, pursue secondary education and obtain employment.

Research: From a community benefit perspective, medical research includes basic, clinical and community health research, as well as studies on healthcare delivery. Community benefits include research activities supported by government and foundation sources; corporate and other grants are excluded from community benefits. The System uses internal funding to cover shortfalls in outside resources for research.

Education: The System provides a wide range of high-quality medical education, including accredited training programs for residents, physicians, nurses and other allied health professionals. The System maintains one of the largest graduate medical education programs in the nation. At the postgraduate level, the System's Center of Continuing Education has developed one of the largest and most diverse continuing medical education programs in the world. The System also operates the tuition-free Cleveland Clinic Lerner College of Medicine of Case Western Reserve University, dedicated to the teaching of physician-scientists.

Supply Chain

The System invests in the community by developing partnerships to buy local. It also has increased procurement and construction purchasing from minority-owned and women-owned businesses. In 2021, the System joined 11 other U.S health systems in signing the Healthcare Anchor Network's "Impact Purchasing Commitment" to build, healthy, equitable and climate-resilient local economies. Designed in partnership with Health Care Without Harm and Practice Greenhealth, the network's commitments include:

- Increasing spending with Minority and Women Owned Business Enterprises, as well as local and employee-owned, cooperatively owned and/or nonprofit owned enterprises, by at least $1 billion over five years;
- Agreeing to work with at least two large existing vendors to create hiring pipelines in disinvested communities; and
- Adopting procurement goals, which helps purchase goods and services that minimize damage to health and the environment.

Lead Safe Cleveland Coalition

In September 2021, the Clinic announced it would be providing $2.5 million to the Lead Safe Cleveland Coalition and, in January 2022, pledged an additional $50 million. Terms of the pledge agreement are still being finalized. The funds will be used to identify and remove harmful sources of lead exposure from homes in the City of Cleveland. The Lead Safe Cleveland Coalition is a public-private partnership with more than 500 members representing over 120 organizations with the same common goal of ensuring that no child is lead poisoned. Through their Lead Safe Home Fund, the Coalition provides landlords and owner occupants with loans, grants, and incentives to make properties lead safe. They also train residents and others to inspect and remediate lead in homes. The Lead Safe Home Fund assists, educates and engages families, homeowners and landlords through the Lead Safe Resource Center. On behalf of the Coalition, United Way of Greater Cleveland will serve as the steward for Clinic's investment in the Lead Safe Home Fund.

Community Health Needs Assessment

The System completes comprehensive community health needs assessments (CHNA) once every three years for each hospital. Internal Revenue Code Section 501(r)(3) requires nonprofit hospital organizations to conduct a CHNA every three years and adopt an implementation strategy to identify the community health needs that each hospital will address.

To obtain an in-depth understanding of the community risk indicators, population trends and healthcare needs, the System has gathered and will gather various data, including:

- demographic and health statistical data;
- information on socio-economic barriers to care, including income, culture, language, education, insurance, housing and health equity;
- national, state and local disease prevalence;
- health behavior; and
- medical research and health professional education.

Information is also gathered from persons representing the broad interests of the community, including those with special knowledge or expertise in public health.

Key CHNA needs identified throughout the System include:

- COVID-19 and pandemic implications;
- access to affordable healthcare;
- addiction and mental health;
- chronic disease prevention and management (heart disease, cancer, diabetes, asthma, obesity);
- infant mortality;
- medical research;
- education (physician shortage); and
- socioeconomic and health equity concerns

Hospital implementation strategies that address the health needs identified in the assessments have been developed by individual hospital leadership teams and have been added to the Clinic's website in compliance with the regulatory requirements. The current CHNA reports and implementation strategies for the System hospitals are available on the Clinic's website (www.clevelandclinic.org/CHNAReports).

Economic Impact

The System is the largest private employer in the State of Ohio. The System's most recent Economic and Fiscal Impact Report was released in 2021 and was based on 2019 data. In 2019 the System generated $21.6 billion of the total economic activity in Ohio and has directly and indirectly supported more than 133,000 jobs generating approximately $8.8 billion in wages and earnings. The System's economic activity was accountable for $2.3 billion in federal income taxes and $1.3 billion in total state and local taxes paid by employees and vendors. System-supported households spent $7.8 billion on goods and services, and the System purchased $2.3 billion of goods and services from Ohio businesses. In addition

to Ohio, the System contributed $4.1 billion in total economic output and supported more than 25,000 jobs in the State of Florida.

The System's Economic and Fiscal Impact Report is the result of an economic analysis completed by the Silverlode Consulting Corp. The report was completed in part using the IMPLAN® economic impact model, which is used by more than 1,000 universities and government agencies to estimate economic and fiscal impacts. Additional information regarding the System's economic impact is available on the Clinic's website.

SUSTAINABILITY

The System supports healthy environments for healthy communities, recognizes the link between environmental and human health and strives to responsibly address and mitigate its environmental impacts. The System has sustainability goals related to energy efficiency, climate resilience, diverting waste to landfill, water stewardship, local and sustainable purchasing, toxicity reduction, green building, tree planting and education. As a national leader in healthcare, the System is in a position to lead by example in the adoption of environmental best practices.

The System acknowledges its obligation and opportunity to reduce its carbon footprint, make its facilities climate resilient and minimize the health impacts of climate change. The System is also embedding climate change into the curriculum at Cleveland Clinic Lerner College of Medicine and integrating sustainability in its healthcare delivery model to equip the next generation of physicians to care for communities impacted by climate change.

As a leader in the healthcare industry, the System has publicly committed to compiling an annual sustainability report for its patients, caregivers, communities and global stakeholders through two leading international frameworks: The United Nations Global Compact and the Global Reporting Initiative. The compilation, titled "Serving Our Present, Caring for Our Future," includes performance metrics and stories, highlights accomplishments and communicates challenges as the System strives to reach its goals. The complete report is available on the Clinic's website (www.clevelandclinic.org/ungc).

The Clinic is a member of Practice Greenhealth, the nation's leading healthcare community that empowers its members to increase their efficiencies and environmental stewardship while improving patient safety and care through tools, best practices and knowledge. In 2021, the Clinic and nine regional hospitals received the Practice Greenhealth Environmental Excellence Award. The Environmental Excellence Awards are the nation's premier recognition program for environmental performance in the health care sector. Launched in 2002, the awards program recognizes health care facilities and health systems for their commitment to environmental stewardship and their sustainability achievements.

The System's energy program is designed to enhance patient outcomes and the patient experience while reducing operating expenses. As the model of healthcare evolves, the System is committed to reducing environmental, economic and human impact by reducing energy intensity. The System's commitments to both affordable care and external partnerships with ENERGY STAR and the Better Buildings Challenge

have created goals of becoming 20% more energy efficient by 2020 from a 2010 baseline on more than 20 million square feet of facilities. From the December 2010 baseline, the System has realized a 25% reduction in weather normalized source energy use intensity for in-scope and reportable facilities. The System is the third healthcare system to achieve this level of energy reduction. 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. As a partner in the challenge, the System has committed to reducing enterprise-wide scope 1 and 2 greenhouse gas emissions by at least 50% by 2030 without the use of offsets.

A central component of the Systems' ongoing commitment to responsible energy management is to construct buildings that conform to the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED). LEED is a third-party certification program and the nationally accepted benchmark for design, construction and operation of environmentally responsible and energy-efficient buildings. The System currently has 18 LEED-certified buildings that encompass more than six million square feet. The System has five buildings that are certified LEED-Gold, including the Cleveland Clinic Incubator, Marymount Hospital Surgical Expansion, Twinsburg Family Health and Surgery Center, the Tomsich Pathology Laboratories building and the Sheila and Eric Samson Pavilion at Health Education Campus. The System prioritized energy efficiency in the construction of the London Hospital and is currently pursuing LEED certification.

The Clinic supports sustainable transportation initiatives that improve air quality for healthier communities. To improve Ohioans' access to electric vehicle (EV) charging infrastructure, the Ohio EPA awarded $3.25 million in grants to support the installation of EV charging stations in April 2021. Through the competitive grant application process, the Clinic received 15% of the available grant funds to support the installation of 124 charging spaces—20% of the total supported through the grant—at 22 Clinic locations. Upon installation in 2022, the System will be a leading provider of public accessible EV charging stations in Northeast Ohio and in the healthcare industry.

The System's tree planting programs are designed to promote equity and resilience in surrounding communities. Since 2016, the Clinic has planted more than 4,000 trees at its facilities and in local neighborhoods and has created 12 parks. In addition to community plantings, the System provides hundreds of free trees to caregivers each year to plant at their residences through its Caregiver Tree Giveaway Program. The Arbor Day Foundation recognized the System with its Tree Campus Healthcare designation the past two years for its impact on community wellness through tree education, investment and community engagement.

DIVERSITY & INCLUSION

The System provides healthcare services to patients and families from a global community. The Office of Diversity and Inclusion (ODI), created in 2006, makes diversity, equity, inclusion and cultural competence a critical part of the System's mission with a goal of creating a culture where caregivers integrate diversity, equity and inclusion throughout the enterprise.

In 2020, the convergence of a global pandemic, civil and social unrest and a call for social justice resulted in the publication of the Cleveland Clinic's statement of support for the City of Cleveland's resolution declaring racism a public health crisis and acknowledging the need to address structural racism. ODI developed initiatives to meet the needs of the System and community, while maintaining a strategic direction to hear and respond to caregivers, patients and the community. "Lift Every Voice" listening sessions and "Becoming an Anti-racist Ally: the Journey to End Racism" learning sessions were initiated in 2020 with the objective of increasing awareness, cultural competence, cultivating conversation across differences and learning from each other. These sessions were conducted virtually and continued the goals of building an inclusive organization; promoting safety, quality, innovation, and health equity; developing and identifying overlooked talent; and supporting a diverse population of caregivers and patients.

In December 2020, the Clinic announced that it has partnered with OneTen, a coalition of 37 large U.S. employers, to train, hire and promote one million Black Americans into family-sustaining jobs with opportunities for advancement. The coalition will achieve this goal over the next 10 years. OneTen is working with the Clinic and other partner employers to improve workplace inclusivity practices and connect talent providers to partner employers. OneTen's focus will be on reducing exclusionary hiring practices, identifying robust and new talent sources and ensuring that adequate and equitable career pathways for advancement exist.

In January 2021, the Cleveland Clinic established the Diversity, Inclusion and Racial Equity Executive Council, which is a diverse Cleveland Clinic leadership advisory team from across the enterprise that will help drive transformational change central to achieving the Clinic's aspiration of building a culture of diversity, equity and inclusion that is free from racism, bias and health disparities that adversely impact caregivers, patients and communities. This council will be in alignment with the Clinic's pledge to be part of the solution in supporting of the City of Cleveland's resolution declaring racism as a public health crisis.

Forbes named the Clinic among America's Best Employers for Diversity for the fourth year in a row in 2021. In order to determine the rankings, *Forbes* partnered with market research company Statista to survey 50,000 Americans working for businesses with at least 1,000 employees. Participants were asked to share their opinions and rate their organizations on age, gender, ethnicity, disability, sexual orientation, equality, general diversity and other criteria. The results ranked 500 employers based on the employers that received the most recommendations while also considering employers that have diverse boards and executive teams as well as proactive diversity and inclusion initiatives.

For the 12th consecutive year, DiversityInc named the Clinic to its 2021 list of Top Hospitals and Health Systems in the country for diversity, equity and inclusion. The Clinic ranked fifth on the list. The Clinic has made the rankings each year since the list for healthcare organization began in 2010. The ranking are empirically driven and assess performance based on a number of factors including leadership accountability, human capital diversity metrics, talent programs, workforce practices, supplier diversity and philanthropy.

In March 2022, the System was recognized by the Human Rights Campaign Healthcare Equality Index for its dedication and commitment to LGBTQ+ inclusion. Ten System hospitals achieved Leader status, the highest overall designation, and were noted for their active participation in embracing and adopting

LGBTQ+-inclusive practices. Hospital systems are ranked based on their LGBTQ+-centered policies and practices.

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 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.

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' Conflict of Interest and Managing Innovations 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 maintains a multi-phase enterprise risk management (ERM) process to develop a formal and systematic approach to the identification, assessment, prioritization and reporting of risks. The process is closely linked with the System's strategic and annual planning. The ultimate objective is to create an enterprise-wide risk management model that contains sustainable reporting and monitoring processes and embeds risk management into the System's culture to more effectively mitigate risks. The System established an ERM Steering Committee and engaged a consulting firm to support this process.

In the ERM process, risk identification is conducted resulting in a System risk profile that categorizes individual risks based on their impact upon the System's ability to meet its strategic objectives. During this process, certain risks are identified as top risks and then further separated into sub-risks and individual risk components. Extensive risk assessments and mitigation analyses have been prepared during this process whereby risk components are evaluated according to their likelihood of occurring and potential impact should they occur. Risk mitigation activities, including risk response effectiveness, are examined, reviewed and updated as part of this evaluation. The most recent comprehensive evaluation of top risks was concluded in the second quarter of 2021. ERM is an on-going program, with regular reporting to senior management, including the Audit Committee of the Board of Directors, the body with oversight responsibility for ERM.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The System 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 2021, which is the thirteenth year the management report was completed. As part of the internal control evaluation process for 2021, certifications were completed by 142 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, 2022 that have materially affected, or are likely to materially affect, the internal controls over financial reporting for the System.

INDUSTRY OUTLOOK

In January 2022, Moody's Investors Service (Moody's) announced their negative outlook for the U.S. not-for-profit healthcare sector. Moody's expects that expense growth, driven by nursing shortages and increased labor costs, will outpace revenue gains.

In January 2022, Standard and Poor's (S&P) announced their stable outlook for the U.S. not-for-profit healthcare sector. S&P stated that, while the U.S. not-for-profit healthcare sector remains stable, healthcare facilities will likely continue to face operating expense and revenue pressures throughout 2022. The top operating risks noted by S&P were labor expenses and shortages, as well as supply inflation. S&P had previously changed its outlook for the U.S not-for-profit healthcare sector from stable to negative in March 2020 due to the increasing threat of the COVID-19 pandemic and subsequently revised the outlook to stable in June 2021.

Cleveland Clinic Beachwood Family Health and Surgery Center
Beachwood, Ohio

PATIENTS SERVED

The following table summarizes patient utilization statistics for the System:

Utilization Statistics

	For the quarter ended March 31			
	2022	2021	Variance	%
Inpatient admissions[1]				
Acute admissions	55,441	57,604	-2,163	-3.8%
Post-acute admissions	2,423	2,734	-311	-11.4%
	57,864	60,338	-2,474	-4.1%
Patient days[1]				
Acute patient days	298,763	297,346	1,417	0.5%
Post-acute patient days	19,265	20,723	-1,458	-7.0%
	318,028	318,069	-41	0.0%
Surgical cases				
Inpatient	16,726	17,147	-421	-2.5%
Outpatient	44,377	45,904	-1,527	-3.3%
	61,103	63,051	-1,948	-3.1%
Emergency department visits	202,492	202,803	-311	-0.2%
Observations	15,840	15,797	43	0.3%
Clinic outpatient evaluation and management visits	1,658,099	1,625,308	32,791	2.0%

[1] Excludes newborns

Utilization statistics for Mercy Hospital are included in the above table beginning January 1, 2021 for comparative purposes.

The System has experienced surges of COVID-19 patient in its hospitals throughout the pandemic. As a result, patients served in both 2022 and 2021 were negatively impacted by the suspension of non-essential procedures at various times. In December 2021 and January 2022, the System experienced the Omicron surge in its Ohio and Florida hospitals. In early December, the System began postponing non-essential surgeries requiring a hospital bed at its Ohio hospitals to preserve hospital beds for COVID-19 patients. At the end of December, the System also made the decision to postpone non-essential outpatient/ambulatory surgeries at its Ohio hospitals through the end of January 2022 in response to

critical staffing challenges. The surge in Florida was not as severe as Ohio, although increasing COVID-19 admissions at the end of December and early January prompted the System to postpone non-essential surgeries at Florida facilities for portions of the month of January 2022. While the Omicron surge subsided and the System resumed services, patient activity in February 2022 and March 2022 remained below expected levels The System will continue to monitor bed capacity and caregiver support and will take proactive steps to ensure the safety of patients and caregivers.

Inpatient acute admissions for the System decreased 3.8% in the first quarter of 2022 compared to the same period in 2021, including a 5.9% decrease in Ohio and a 3.0% increase in Florida.

Total surgical cases for the System decreased 3.1% in the first quarter of 2022 compared to the same period in 2021, including a 5.3% decrease in Ohio and a 5.2% increase in Florida.

Evaluation and management visits for the System increased 2.0% in the first quarter of 2022 compared to the same period in 2021, including a 2.5% increase in Ohio and a 0.2% increase in Florida.

LIQUIDITY

Cash and Investments

The System's objectives for its investment portfolio are to target returns over the long-term that exceed the System's capital costs so as to optimize its asset/liability mix and preserve and enhance its strong financial structure. 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 (CCIO) 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.

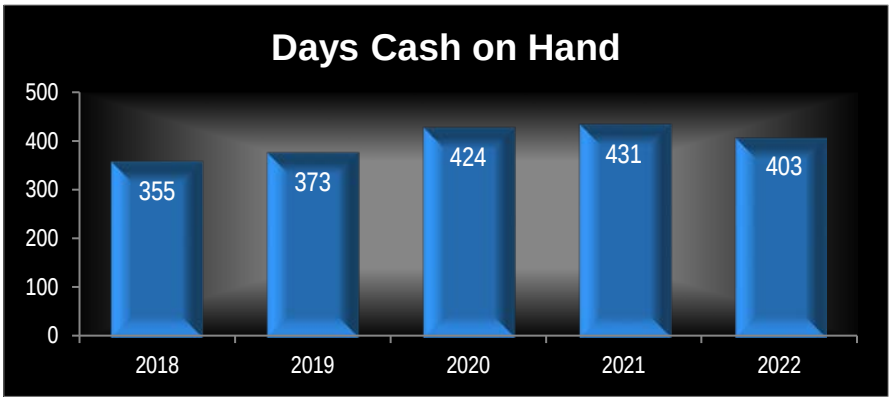
The following table sets forth the allocation of the System's cash and investments in its general investment portfolios and captive insurance fund at March 31, 2022 and December 31, 2021:

Cash and Investments
(Dollars in thousands)

	March 31, 2022		December 31, 2021	
Cash and cash equivalents	$ 1,064,961	8%	$ 1,347,381	9%
Fixed income securities*	2,808,696	20%	3,096,795	21%
Marketable equity securities*	3,589,003	25%	3,679,009	25%
Alternative investments	6,711,332	47%	6,673,031	45%
Total cash and investments	$ 14,173,992	100%	$ 14,796,216	100%
Less restricted investments**	(1,475,479)		(1,645,148)	
Unrestricted cash and investments	$ 12,698,513		$ 13,151,068	
Days cash on hand	403		431	

* 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, 2022:



At March 31, 2022, total cash and investments for the System (including restricted investments) were $14.2 billion, a decrease of approximately $622 million from $14.8 billion at December 31, 2021. Cash inflows consist of net increases in restricted gifts and income of $20.4 million. Cash inflows were offset by cash used in operating activities and unrestricted investment losses of $397.2 million, net capital expenditures for property, plant and equipment of $162.2 million and principal payments on debt of $77.6 million. Days cash on hand for the System for the first quarter of 2022 was negatively impacted by investment losses.

Included in the System's cash and investments are investments held for self-insurance. These investments totaled $218.6 million at March 31, 2022, with an asset mix of 5% cash and short-term investments, 33% fixed-income securities, 31% equity investments and 31% 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.

Also included in the System's cash and investments at March 31, 2022 are $46.0 million of funds held by trustees as posted collateral. Collateral is primarily comprised of $5.5 million related to a futures and options program within the System's investment portfolio and $39.6 million related to the System's interest rate swap contracts. The swap contracts require that collateral be posted when the market value of a contract in a liability position exceeds a certain threshold. The collateral is returned as the liability is reduced. Investment objectives of funds held by the trustees are designed to preserve principal by investing in highly liquid cash or fixed-income investments. At March 31, 2022, the asset mix of funds held by trustees was 11% cash and short-term investments and 89% fixed-income securities.

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, 2022 and December 31, 2021 consist of the following:

Alternative Investments
(Dollars in thousands)

	March 31, 2022		December 31, 2021	
Hedge funds	$ 3,770,790	56%	$ 3,886,307	58%
Private equity/venture capital	2,940,542	44%	2,786,724	42%
Total alternative investments	$ 6,711,332	100%	$ 6,673,031	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

Return on investments, including income on alternative investments, is reported as nonoperating gains and losses except for interest and dividends earned on assets held by the captive insurance subsidiary, which are included in other unrestricted revenues. Donor restricted investment return on restricted investments is included in net assets with donor restrictions.

The System's long term investment portfolio, which excludes assets held for self-insurance, reported preliminary investment losses of 1.9% for the first quarter of 2022 compared to gains of 3.0% in the first quarter of 2021. These investment returns are preliminary as they 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	
	2022	2021
Other unrestricted revenue:		
Interest income and dividends	$ 475	$ 338
Nonoperating gains and losses, net:		
Interest income and dividends	20,634	16,715
Net realized gains on sales of investments	18,405	105,345
Net change in unrealized gains on investments	(174,984)	(11,900)
Equity method income on alternative investments	(67,530)	139,696
Investment management fees	(9,033)	(6,656)
	(212,508)	243,200
Other changes in net assets:		
Investment income on restricted investments	(10,566)	4,829
Total investment return	$(222,599)	$248,367

Operating Lines of Credit

As of March 31, 2022, the System has two operating lines of credit totaling $300 million with no amounts drawn and $300 million in available capacity.

Long-term Debt

At March 31, 2022, outstanding current and long-term debt for the System totaled $5.1 billion, comprised of $4.9 billion in bonds and notes, $118.8 million in finance leases and $170.7 million in unamortized net premium, offset by $31.4 million of unamortized debt issuance costs. Bonds and notes are structured with approximately 77% fixed-rate debt and 23% variable-rate. 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, 2022 was $533.5 million. Using an interest rate benchmark, these 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, 2022, approximately $602 million of variable-rate debt are bonds secured by irrevocable direct pay letters of credit or standby bond purchase agreements, and another $28 million are bonds directly placed with a financial institution. 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.

The remaining $490 million of variable-rate debt includes $89 million of floating rate notes and $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 and certain variable-rate bonds that are remarketed in commercial paper or weekly mode. Debt 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, 2022, 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, 2022.

The System through a UK 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 the UK. The outstanding 2018 Sterling Notes have been converted to U.S. dollars in the consolidated balance sheet using exchange rates of $1.31 and $1.35 at March 31, 2022 and December 31, 2021, respectively.

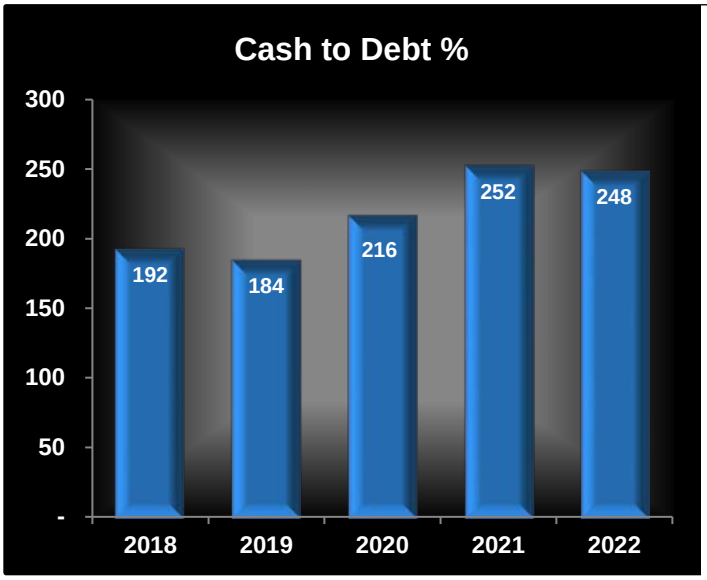
Outstanding long-term debt (including current portion) for the System as of March 31, 2022 and December 31, 2021 consist of the following:

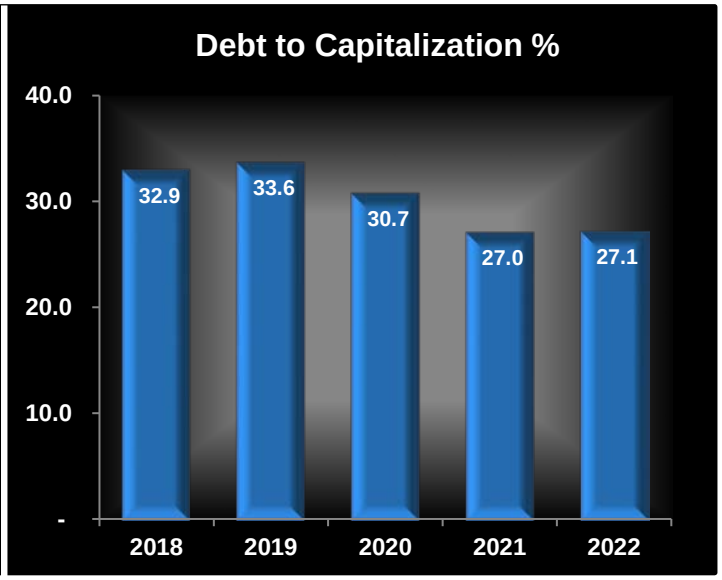
Hospital Revenue Bonds and Notes
(Dollars in thousands)

Series	Type	Final Maturity	March 31 2022	December 31 2021
2021A Revenue Bonds	Fixed	2049	$ 83,810	$ 83,810
2021B Revenue Bonds	Fixed	2039	198,270	198,280
2021 Term Loan	Fixed	2025	49,350	64,650
2020 Term Loan	Fixed	2025	9,375	9,375
2019A Revenue Bonds	Fixed	2046	247,045	247,045
2019B Revenue Bonds	Fixed	2046	250,320	250,320
2019C Revenue Bonds	Floating	2052	89,000	89,000
2019D Revenue Bonds	Variable	2052	119,340	119,340
2019E Revenue Bonds	Variable	2052	130,405	130,405
2019F Revenue Bonds	Variable	2052	130,405	130,405
2019G Revenue Bonds	Fixed	2042	241,835	241,835
2018 Sterling Notes[1]	Fixed	2068	873,276	897,114
2017A Revenue Bonds	Fixed	2043	746,695	770,025
2017B Revenue Bonds	Fixed	2043	163,235	164,775
2017C Revenue Bonds	Fixed	2032	7,190	7,680
2016 Private Placement	Fixed	2046	325,000	325,000
2016 Term Loan	Variable	2026	15,170	15,170
2014 Taxable Bonds	Fixed	2114	400,000	400,000
2013A Revenue Bonds	Fixed	2042	34,955	34,955
2013B Revenue Bonds	Variable	2039	201,160	201,160
2013 Keep Memory Alive Bonds	Variable	2037	52,450	52,450
2013 Bonds, Martin	Variable	2032	12,640	12,640
2012A Revenue Bonds	Fixed	2022	-	10,800
2011B Revenue Bonds	Fixed	2031	19,995	21,710
2011C Revenue Bonds	Fixed	2032	95,750	112,025
2008B Revenue Bonds	Variable	2042	327,575	327,575
2003C Revenue Bonds	Variable	2035	41,905	41,905
Notes Payable	Varies	Varies	2,112	2,274
Finance Leases	Varies	Varies	118,844	123,119
			$ 4,987,107	$ 5,084,842

[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, 2022.





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 July 2021, 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 unique and very strong enterprise profile, growing and diversifying operations in three states and internationally, healthy unrestricted reserves, a commitment and focus on leveraging technology for clinical and operating improvement and an effective leadership team that has consistently executed its strategic plans. S&P also noted that the System has strong research and philanthropy capabilities as well as a national and international reputation for quality and innovative services. Challenges to the current rating include Northeast Ohio's unfavorable demographic trends, the System's robust capital spending program and a highly competitive service area in Ohio and Florida.

In July 2021, 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 an international brand, a centralized and integrated governance structure, strong liquidity with sustained good operating cashflow margins and exceptional fundraising abilities. In its report, Moody's indicated that these strengths compensate for challenges such as the impact of the pandemic on patient volumes, moderately high debt levels, execution risks of multiple strategies related to the London expansion and ongoing integration of Florida acquisitions and competition in the constrained northeast Ohio market and in Florida.

The following table lists the various bond rating categories for Moody's and S&P:

Bond Ratings

	Rating category		
	Moody's	S&P	Definition
Strongest	Aaa	AAA	Prime
↑	Aa	AA	High grade/high quality
↕	A	A	Upper medium grade
↕	Baa	BBB	Lower medium grade
↕	Ba	BB	Non-investment grade/speculative
↕	B	B	Highly speculative
↕	Caa/Ca	CCC	Extremely speculative
Weakest	C	D	Default or bankruptcy
Cleveland Clinic	Aa2	AA	

Within each rating category are the following modifiers
Moody's ratings: 1 indicates higher end, 2 indicates mid-range, 3 indicates lower end
S&P ratings: + indicates higher end, - indicates lower end

Based on recent ratings summary reports obtained from Moody's and S&P, no healthcare organizations were rated in the prime category.

CONSOLIDATED RESULTS OF OPERATIONS

For the Quarters Ended March 31, 2022 and 2021

The following narrative describes the consolidated results of operations for the System for the quarters ended March 31, 2022 and 2021. The consolidated results of operations include the financial operations of Mercy, which became a consolidated entity of the System on February 1, 2021. Mercy Hospital comprised approximately 2.9% of total consolidated operating revenues and 3.1% of total consolidated operating expenses in 2021. No adjustments have been made in the following narrative to exclude Mercy Hospital operations.

Operating losses for the System in the first quarter of 2022 were $104.5 million, resulting in an operating margin of -3.4%, as compared to operating income of $61.7 million and an operating margin of 2.2% in the first quarter of 2021. The lower operating income resulted from a 14.3% increase in operating expenses driven by primarily by increases in salaries, wages and benefits due to higher overtime, premium and agency costs. The increase in operating expenses outpaced an 8.1% increase in operating revenues in the first quarter of 2022 compared to the same period in 2021. Operating revenues in the first quarter of 2022 were impacted by lower patients served, partially due to the postponement of nonessential surgeries and procedures during the month of January. Nonoperating losses for the System were $178.0 million in the first quarter of 2022 compared to nonoperating gains of $288.6 million in the first quarter of 2021. The decrease from the prior year was primarily due to lower investment returns in the first quarter of 2022 compared to the same period in 2021. Overall, the System reported a deficiency of revenues over expenses of $282.5 million in the first quarter of 2022 compared to an excess of revenues over expenses of $350.3 million in the first quarter of 2021.

The System's net patient service revenue increased $191.2 million (7.5%) in the first quarter of 2022 compared to the same period in 2021. Patients served in the first quarter of 2022 and 2021 were negatively impacted by the pandemic, including the postponement of nonessential surgeries in January 2022 during the Omicron surge. Acute admissions decreased 3.8%, total surgical cases decreased 3.1% and outpatient evaluation and management visits increased 2.0% in the first quarter of 2022 compared to the same period in 2021. Net patient revenue has benefited from rate increases on the System's managed care contracts that became effective in 2022. Over the last few years, the System has initiated national, regional and local revenue management projects designed to improve patient access throughout the System while striving to ensure the safety of patients, visitors and caregivers.

Other unrestricted revenues increased $36.1 million (13.2%) in the first quarter of 2022 compared to the same period in 2021. The increase in other unrestricted revenues was primarily due to a $19.4 million increase in outpatient pharmacy revenue primarily due to higher utilization of outpatient and specialty drugs, a $14.2 million increase in research grants earned and a $7.7 million increase in revenue associated with royalties and management service agreements. Partially offsetting the increase was a $3.1 million decrease in earnings from joint ventures recorded under the equity method of accounting.

Total operating expenses increased $393.5 million (14.3%) in the first quarter of 2022 compared to the same period in 2021. The growth in expenses is primarily due to higher personnel costs. Nationwide labor

shortages have created staffing challenges that have resulted in increased overtime costs and premium pay for employed caregivers as well as an increase in the utilization of agency nurses and other temporary personnel to meet the demand of patient activity. Supplies, pharmaceuticals and other non-labor expenses have also increased due to recent inflationary trends and supply chain challenges. Over the last several years, the System has implemented Care Resource Optimization initiatives to address the growth in expenses caused by inflationary pressures in many expense categories such as salaries, benefits and specialized pharmaceuticals. Care Resource Optimization initiatives are designed to transform patient care and business models in an effort to provide high-quality, affordable patient care. The System identifies, quantifies and implements these initiatives through an extensive analysis of the cost structure. The System continues to develop and implement cost management and containment plans designed to make a more affordable care model for patients and to enable investments in key strategic initiatives.

Salaries, wages and benefits increased $262.4 million (16.6%) in the first quarter of 2022 compared to the same period in 2021. Salaries, excluding benefits, increased $236.9 million (17.8%) due primarily to an increase in overtime, premium pay and agency costs to provide adequate staffing at System hospitals, a 3.2% increase in average full-time equivalent employees in the first quarter of 2022 compared to the same period in 2021 and annual salary adjustments averaging 2% across the System that were awarded in the second quarter of 2021. A portion of the increase in full-time equivalent employees relates to staffing at the London Hospital that opened in the first quarter of 2022. Benefit costs increased $25.5 million (10.1%) during the same period primarily due to the growth in the full-time equivalent employees and salaries. The System experienced an $11.4 million increase in FICA expenses, a $11.3 million increase in defined contribution plan expenses and a $2.0 million increase in employee healthcare costs.

Supplies expense increased $23.2 million (7.8%) in the second quarter of 2022 compared to the same period in 2021. The increase in supplies was comprised of a $23.9 million increase in medical supplies and a $13.1 million increase in non-medical supplies offset by a $13.8 million decrease in impantables. The decrease in implantables is due to lower surgical activity in the first quarter of 2022 compared to the same period in 2021. The increase is medical supplies is primarily due to recent inflationary trends for many supplies and the cost of treating COVID-19 patients during the Omicron surge. The increase in non-medical supplies was driven primarily by an increase in minor equipment and support for caregivers quarantined with COVID-19.

Pharmaceutical costs increased $36.8 million (11.2%) in the first quarter of 2022 compared to the same period in 2021. The increase in pharmaceuticals is primarily due to recent inflationary trends.

Purchased services and other fees increased $37.9 million (19.4%) in the first quarter of 2022 compared to the same period in 2021. The increase in purchased services and other fees was primarily related to a $12.1 million increase in software and hardware technology costs related to maintenance agreements and software subscriptions, a $10.4 million increase in purchased nonmedical services primarily related to information technology costs and a $4.6 million increase in state franchise fee expenses.

Administrative services increased by $14.4 million (34.2%) in the first quarter of 2022 compared to the same period in 2021. The increase in administrative services was primarily due to a $9.5 million increase in professional and consulting fees related to various System initiatives and a $4.2 million increase in

travel and meeting costs that were significantly restricted in the first quarter of 2021 as part of the System's initiatives to reduce expenses during the pandemic.

Facilities expense increased $15.3 million (16.6%) in the first quarter of 2022 compared to the same period in 2021. The increase in facility expenses was primarily due to a $6.3 million increase in utilities expense, a $3.7 million increase in maintenance and supplies and a $3.3 million increase in lease expense.

Insurance expense increased $6.7 million (27.5%) in the first quarter of 2022 compared to the same period in 2021. The increase in insurance expense is primarily due to added coverages written by the System's captive insurance subsidiary.

Interest expense decreased $1.5 million (4.1%) in the first quarter of 2022 compared to the same period in 2021. The decrease in interest expense is primarily due to the reduction in debt from regularly scheduled principal payments in 2022. The System also refunded $245.0 million of fixed-rate debt in October 2021 at lower interest rates.

Depreciation and amortization expenses decreased $1.5 million (1.0%) in the first quarter of 2022 compared to the same period in 2021. Changes in depreciation include property, plant and equipment that was fully depreciated in 2021, offset by depreciation for property, plant and equipment that was acquired and placed into service after the first quarter of 2021.

Gains and losses from nonoperating activities are recorded below operating income in the statement of operations. These items resulted in net losses to the System of $178.0 million in the first quarter of 2022 compared to net gains of $288.6 million in the first quarter of 2021, resulting in an unfavorable variance of $466.5 million. Investment returns were lower by $455.7 million in the first quarter of 2022 compared to the same period in 2021. Derivative gains and losses were flat in the first quarter of 2022 compared to the same period in 2021. 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 unfavorable by $10.8 million in the first quarter of 2022 compared to the same period in 2021.

BALANCE SHEET – MARCH 31, 2022 COMPARED TO DECEMBER 31, 2021

The following narrative describes the consolidated balance sheets for the System as of March 31, 2022 and December 31, 2021. The consolidated balance sheets at March 31, 2022 and December 31, 2021 include Mercy, which became a consolidated entity of the System February 1, 2021.

Cash and cash equivalents increased $38.2 million (5.7%) from December 31, 2021 to March 31, 2022. The majority of the System's cash and cash equivalents are held in operating bank accounts and money market accounts for general expenditures. The increase in cash equivalents relates to the timing of operating cash flows and transfers to or from the investment portfolio.

Patient accounts receivable increased $120.4 million (7.9%) from December 31, 2021 to March 31, 2022. The increase in patient receivables is primarily attributable to rate increases on the System's managed care contracts that became effective in January 2022. 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. Days revenue outstanding for the System, which is calculated based on average daily revenue for the most recent quarter, increased from 48 days at December 31, 2021 to 55 days at March 31, 2022.

Investments for current use decreased $104.8 million (65.2%) from December 31, 2021 to March 31, 2022. Investments for current use includes funds held by the bond trustee that are used to pay current debt service payments. The System paid $104.8 million to the bond trustee in 2021 to fund debt service payments that occurred in the first quarter of 2022. There were no funds held by the bond trustee reported in investments for current use as of March 31, 2022. Investments for current use also includes assets held for self-insurance that will be used to pay the current portion of estimated claim liabilities. There were no changes in these investments from December 31, 2021 to March 31, 2022.

Other current assets increased $27.9 million (4.5%) from December 31, 2021 to March 31, 2022. The increase in other current assets was primarily due to a $50.2 million increase in prepaid expenses driven by information technology contracts and a $16.0 million increase in international management fees receivable. The increase was partially offset by a $19.1 million decrease in receivables related to collections from government programs that provide assistance to hospitals, a $12.2 million decrease receivables related to various value-based care contracts and a $7.6 million decrease in the current portion of pledges receivable.

Unrestricted long-term investments decreased by $490.7 million (3.9%) from December 31, 2021 to March 31, 2022. The decrease in long-term investments was primarily due to $212.5 million of unrestricted investment losses experienced in the System's investment portfolio that reported preliminary investment losses of 1.9% in the first quarter of 2022. Other changes in the unrestricted investments include transfers to or from operating cash based on the liquidity needs of the System.

Funds held by trustees decreased $23.6 million (33.9%) from December 31, 2021 to March 31, 2022. The decrease in funds held by trustees is primarily due to a $23.6 million decrease in collateral posted with the counterparties on the System's derivative contracts.

Assets held for self-insurance decreased by $44.5 million (21.5%) from December 31, 2021 to March 31, 2022. The decrease in self-insurance assets is primarily due to a $40.0 million dividend declared by the System's captive insurance subsidiary in 2021 that was paid to the System in the first quarter of 2022. The system's captive insurance subsidiary also experienced negative investment returns in the first quarter of 2022.

Donor restricted assets increased $3.2 million (0.3%) from December 31, 2021 to March 31, 2022. The increase in donor restricted assets was primarily from the receipt of donor restricted gifts in excess of investment losses on restricted investments and expenditures from restricted funds.

Net property, plant and equipment decreased $23.8 million (0.4%) from December 31, 2021 to March 31, 2022. The System had net expenditures for property, plant and equipment of $172.6 million, offset by depreciation expense of $148.6 million. The System also had proceeds from the sale of property, plant and equipment of $10.4 million and foreign currency translation losses of $24.8 million. Capital expenditures in 2022 include amounts paid on retainage liabilities recorded at December 31, 2021 and exclude assets acquired through finance leases and other financing arrangements. Retainage liabilities decreased $16.5 million, and new finance leases totaled $3.7 million in the first quarter of 2022. Expenditures for property, plant and equipment were incurred at numerous facilities across the System and include 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 $18.2 million (11.7%) from March 31, 2021 to December 31, 2022. The increase in pledges receivable was due to new pledges received in the first quarter of 2022 offset by the reclassification of regularly scheduled principal payments from long-term to current that are due within one year.

Trusts and interests in foundations decreased $1.3 million (1.1%) from December 31, 2021 to March 31, 2022. The decrease in trusts and interests in foundations is comprised of a $0.9 million decrease in perpetual and charitable trusts primarily due to a decrease in the market value of the trusts and a $0.4 million decrease in interest in community foundations.

Operating lease right-of-use assets decreased $5.0 million (1.4%) from December 31, 2021 to March 31, 2022. The decrease in operating lease right-of-use assets was due to the reduction in the value of future lease payments through the recognition of operating lease expenses offset by the addition of new operating leases recorded during the first quarter of 2022.

Other noncurrent assets increased $2.4 million (0.3%) from December 31, 2021 to March 31, 2022. The increase in other noncurrent assets was due to a $12.6 million increase in investments in affiliates including receivables related to the Ohio BioValidation Fund and other affiliate investments and a $9.3 million increase in prepaid pension costs. These increases were partially offset by a $15.5 million decrease in deferred compensation plan assets (corresponding decrease in noncurrent liabilities) and a $2.2 million decrease in cloud computing implementation costs.

Accounts payable decreased $116.2 million (17.5%) from December 31, 2021 to March 31, 2022. The decrease in accounts payable was primarily attributable to the timing of payment processing for trade payables and a $16.5 million decrease in retainage liabilities for current construction projects.

Compensation and amounts withheld from payroll increased $104.2 million (19.9%) from December 31, 2021 to March 31, 2022. The increase in compensation and amounts withheld from payroll was primarily attributable to the timing of payroll and the growth in employee benefit accruals.

Current portion of long-term debt decreased $8.0 million (7.6%) from December 31, 2021 to March 31, 2022. 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 2022.

Variable rate debt classified as current was unchanged from December 31, 2021 to March 31, 2022. Long-term debt classified as current consists of 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.

Other current liabilities decreased $66.9 million (9.1%) from December 31, 2021 to March 31, 2022. The decrease in other current liabilities is primarily due to a $31.7 million decrease in accrued interest payable related to debt that pays interest semi-annually in January and July of each year, a $31.2 million decrease in the current portion of professional and general liability insurance reserves and a $24.2 million decrease in third party payables.

Long-term debt decreased $91.4 million (2.0%) from December 31, 2021 to March 31, 2022. The decrease in long-term debt is primarily due to the reclassification of regularly scheduled principal payments for long-term to current for debt payments due within one year and $23.8 million of foreign currency translation gains on the 2018 Sterling Notes.

Professional and general insurance liability reserves increased $5.9 million (2.8%) from December 31, 2021 to March 31, 2022. The increase in insurance liability reserves is due expenses recorded for the accrual of current and prior year claims estimates in excess of claim liability payments.

Accrued retirement benefits increased $6.6 million (2.3%) from December 31, 2021 to March 31, 2022. The increase in accrued retirement benefits is comprised of an $8.5 million increase in other postretirement benefit liabilities offset by a $1.9 million decrease in the System's defined benefit pension plan liabilities.

Operating lease liabilities decreased $4.4 million (1.4%) from December 31, 2021 to March 31, 2022. The decrease in operating lease liabilities was due to the reclassification of operating lease payments from long-term to short-term partially offset by the addition of new operating leases recorded during the first quarter of 2022.

Other noncurrent liabilities decreased $41.1 million (6.3%) from December 31, 2021 to March 31, 2022. The decrease in other noncurrent liabilities is primarily due to a $35.6 million decrease in liabilities related to changes in the fair value of the System's derivative agreements and a $14.2 million decrease in deferred compensation plan liabilities.

Total net assets decreased $272.1 million (1.7%) from December 31, 2021 to March 31, 2022. Net assets without donor restrictions decreased $287.4 million (2.0%) primarily due to a deficiency of revenues over expenses of $282.5 million and foreign current translation losses of $6.4 million offset by net assets released from restriction for capital purposes of $2.5 million. Net assets with donor restrictions increased $15.3 million (1.0%), primarily due to gifts of $41.1 million offset by assets released from restrictions of $14.4 million and investment losses of $10.6 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 a pandemic, epidemic or outbreak of an infectious disease such as the novel coronavirus disease (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, healthcare services, such as the Patient Protection and Affordable Care Act and/or draft legislation to address reimbursement cuts related to the Sustainable Growth Rate Formulas;
- 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 develop the London Hospital and establish relationships with payors 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;

- 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;
- 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.

Cleveland Clinic

Every life deserves world class care.