Consolidated Financial Statements and Other Information

For The Period Ended September 30, 2026

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



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CLEVELAND CLINIC HEALTH SYSTEM
MANAGEMENT'S SUMMARY OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED SEPTEMBER 30, 2026

The following summary describes the unaudited, consolidated financial results for the Cleveland Clinic Health System (System) for the three and nine months ended September 30, 2026 and 2025.

Operating income for the System for the first nine months of 2026 was $745 million on total unrestricted revenues of $14.7 billion, resulting in a 5.1% operating margin, compared to operating income of $514 million and a 3.9% operating margin in the same period of 2025. The System generated $1.4 billion in operating cash flow during the first nine months of 2026, resulting in a 9.6% operating cash flow margin, compared to $1.1 billion and an 8.6% operating cash flow margin in the same period of 2025. Operating income and operating cash flow increased 44.8% and 24.0%, respectively, compared to the prior year period. Revenue growth of 10.5% exceeded expense growth of 9.1%, driving improvement in operating margin and reflecting continued strong demand for both inpatient and outpatient services, favorable reimbursement trends and disciplined expense management. Overall, the System reported an excess of revenues over expenses of $1.6 billion for the first nine months of 2026, a 10.5% total margin, compared to an excess of revenues over expenses of $1.6 billion, a 10.8% total margin, in the first nine months of 2025.

Operating income for the System in the third quarter of 2026 was $327 million on total unrestricted revenues of $5.0 billion, resulting in a 6.5% operating margin, compared to operating income of $206 million and a 4.5% operating margin in the third quarter of 2025. The System generated $546 million in operating cash flow during the third quarter of 2026, a 10.9% operating cash flow margin, compared to $414 million and a 9.1% operating cash flow margin in the same period of 2025. The System's operating income and operating cash flow in the third quarter of 2026 represent year-over-year increases of 58.4% and 31.8%, respectively, compared to the same period in 2025. Excess of revenues over expenses for the third quarter of 2026 was $479 million, a 9.2% total margin, compared to an excess of revenues over expense of $706 million, a 14.0% total margin, in the same period in 2025.

The following table summarizes patient utilization statistics for the System:

	For the three months ended September 30				For the nine months ended September 30			
	2026	2025	Variance	%	2026	2025	Variance	%
Inpatient admissions[(1)]	70,944	70,165	779	1.1%	211,763	209,080	2,683	1.3%
Patient days[(1)]	357,450	353,965	3,485	1.0%	1,077,544	1,062,876	14,668	1.4%
Surgical cases								
Inpatient	21,515	21,693	-178	-0.8%	64,848	63,986	862	1.3%
Outpatient	63,531	62,296	1,235	2.0%	190,865	186,089	4,776	2.6%
	85,046	83,989	1,057	1.3%	255,713	250,075	5,638	2.3%
Emergency department visits	256,327	251,166	5,161	2.1%	745,327	749,838	-4,511	-0.6%
Clinic outpatient evaluation and management visits	2,237,109	2,089,337	147,772	7.1%	6,553,315	6,259,604	293,711	4.7%
Total patient encounters	3,834,075	3,683,446	150,629	4.1%	11,346,707	10,990,592	356,115	3.2%

(1) Excludes newborns

Total operating revenue increased $488 million (10.7%) in the third quarter and $1.4 billion (10.5%) for the first nine months of 2026 compared to the same periods in 2025. Revenue growth in 2026 includes a $970 million increase in net patient service revenue, supported by a 3.2% increase in total patient encounters, including a strong inpatient case mix index that improved revenue quality. The System also benefited from recent changes to managed care contracts to address inflationary pressures and the cost of high-acuity clinical operations. Net patient service revenue also increased due to a new Ohio physician state directed payment program that was approved by the Centers for Medicare and Medicaid Services in the first quarter of 2026 and expansion of the Ohio and Florida hospital state directed payment programs. The state directed payment programs enhance reimbursement by leveraging federal matching funds for eligible physician and hospital services under the Ohio and Florida Medicaid programs. Other unrestricted revenues increased $257 million primarily due to growth in outpatient specialty pharmacy revenue.

Total operating expenses increased $367 million (8.5%) in the third quarter and $1.2 billion (9.1%) for the first nine months of 2026 compared to the same periods in 2025. The increase in expenses is primarily due to the growth in patients served and inflationary trends that increased personnel costs, supplies and pharmaceutical expenses. The System has implemented initiatives to stabilize its workforce, including reduced reliance on agency personnel and premium labor, allowing the System to manage the year-over-year rate of growth in personnel costs to 5.6%. Pharmaceutical expense increased primarily in retail and specialty areas, which also increased corresponding revenue. Hospital franchise fee expense increased due to expanded Medicaid supplemental and support programs, which also resulted in additional supplemental payment revenue. The System continues to implement cost reduction and efficiency initiatives to capture synergies across its global enterprise and to develop a scalable cost structure that is aligned with patient volumes and strategic growth.

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

	For the three months ended September 30				For the nine months ended September 30			
	2026	2025	Variance	%	2026	2025	Variance	%
Total unrestricted revenue	$ 5,030	$ 4,542	$ 488	10.7%	$ 14,684	$ 13,292	$ 1,392	10.5%
Operating income before interest, depreciation and amortization	$ 546	$ 414	$ 132	31.8%	$ 1,416	$ 1,142	$ 274	24.0%
Operating cash flow margin	10.9%	9.1%			9.6%	8.6%		
Operating income	$ 327	$ 206	$ 121	58.4%	$ 745	$ 514	$ 231	44.8%
Operating margin	6.5%	4.5%			5.1%	3.9%		
Net nonoperating gains and losses	$ 152	$ 500	$ (348)	-69.5%	$ 891	$ 1,040	$ (149)	-14.3%
Excess of revenues over expenses	$ 479	$ 706	$ (227)	-32.2%	$ 1,636	$ 1,554	$ 82	5.3%
Total margin	9.2%	14.0%			10.5%	10.8%		

The System recognized total investment return (realized and unrealized) of $1.2 billion in the first nine months of 2026 compared to $1.3 billion in the first nine months of 2025. Total cash and investments for the System were $18.6 billion at September 30, 2026, which is an increase of $1.8 billion compared to $16.8 billion at December 31, 2025.



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Review Report of Independent Auditors

The Board of Directors
The Cleveland Clinic Foundation

Results of Review of Interim Financial Information

We have reviewed the accompanying consolidated financial statements of The Cleveland Clinic Foundation and controlled affiliates, d.b.a Cleveland Clinic Health System (the System), which comprise the consolidated balance sheet as of September 30, 2026, and the related statements of operations and changes in net assets for the three-month and nine-month periods ended September 30, 2026 and 2025, and cash flows for the nine-month period ended September 30, 2026 and 2025, and the related notes (collectively referred to as the "interim financial information").

Based on our review we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Basis for Review Results

We conducted our review in accordance with auditing standards generally accepted in the United States of America (GAAS) applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. A review of interim financial information is substantially less in scope than an audit conducted in accordance with GAAS, the objective of which is an expression of an opinion regarding the financial information as a whole, and accordingly, we do not express such an opinion. We are required to be independent of the System and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our review. We believe that the results of the review procedures provide a reasonable basis for our conclusion.

Responsibilities of Management for the Interim Financial Information

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

Ernst & Young LLP

November 13, 2026

Consolidated Balance Sheets

($ in thousands)

	September 30 2026	December 31 2025
Assets		
Current assets:		
Cash and cash equivalents	$ 1,043,459	$ 1,363,160
Patient receivables	2,101,300	2,053,599
Investments for current use	100,843	100,843
Other current assets	1,259,587	1,243,172
Total current assets	4,505,189	4,760,774
Investments:		
Long-term investments	15,392,966	13,399,917
Funds held by trustees	80,940	37,495
Assets held for self-insurance	214,811	180,574
Donor restricted assets	1,758,071	1,696,243
	17,446,788	15,314,229
Property, plant, and equipment, net	8,045,872	7,702,937
Other assets:		
Pledges receivable, net	199,047	142,050
Trusts and interests in foundations	106,086	100,698
Operating lease right-of-use assets	374,899	369,243
Other noncurrent assets	1,451,774	1,257,349
	2,131,806	1,869,340
Total assets	$ 32,129,655	$ 29,647,280

Consolidated Balance Sheets (continued)

($ in thousands)

	September 30 2026	December 31 2025
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 830,934	$ 849,587
Compensation and amounts withheld from payroll	786,995	816,628
Current portion of long-term debt	118,116	101,470
Variable rate debt classified as current	747,912	514,427
Other current liabilities	986,017	972,721
Total current liabilities	3,469,974	3,254,833
Long-term debt	5,502,303	5,244,652
Other liabilities:		
Professional and general insurance liability reserves	403,931	344,223
Accrued retirement benefits	189,552	193,387
Operating lease liabilities	324,988	314,117
Other noncurrent liabilities	1,069,577	958,435
	1,988,048	1,810,162
Total liabilities	10,960,325	10,309,647
Net assets:		
Without donor restrictions	19,013,385	17,310,686
With donor restrictions	2,155,945	2,026,947
Total net assets	21,169,330	19,337,633
Total liabilities and net assets	$ 32,129,655	$ 29,647,280

See notes to consolidated financial statements.

Consolidated Statements of Operations and Changes in Net Assets

($ in thousands)

Operations

	Three Months Ended September 30	
	2026	2025
Unrestricted revenues		
Net patient service revenue	$ 4,051,865	$ 3,719,093
Premium revenue	209,198	146,604
Other	768,611	676,328
Total unrestricted revenues	5,029,674	4,542,025
Expenses		
Salaries, wages, and benefits	2,510,023	2,347,207
Supplies	452,775	427,145
Pharmaceuticals	818,754	700,966
Medical claims	92,305	59,749
Purchased services and other fees	375,185	319,546
Administrative services	66,355	61,592
Facilities	147,090	130,683
Insurance	20,994	80,746
	4,483,481	4,127,634
Operating income before interest, depreciation, and amortization expenses	546,193	414,391
Interest	49,361	43,465
Depreciation and amortization	170,250	164,696
Operating income	326,582	206,230
Nonoperating gains and losses		
Investment return	159,520	502,381
Derivative gains	-	79
Other, net	(7,187)	(2,539)
Net nonoperating gains and losses	152,333	499,921
Excess of revenues over expenses	478,915	706,151

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

($ in thousands)

Changes in Net Assets

	Three Months Ended September 30	
	2026	2025
Changes in net assets without donor restrictions:		
Excess of revenues over expenses	$ 478,915	$ 706,151
Donated capital	(1)	(2)
Net assets released from restriction for capital purposes	60,601	6,019
Retirement benefits adjustment	(406)	(799)
Foreign currency translation	351	(1,877)
Other	(1,093)	(547)
Increase in net assets without donor restrictions	538,367	708,945
Changes in net assets with donor restrictions:		
Gifts and bequests	40,417	31,953
Net investment income	13,549	38,239
Net assets released from restrictions used for operations included in other unrestricted revenues	(40,531)	(38,804)
Net assets released from restriction for capital purposes	(60,601)	(6,019)
Change in interests in foundations	(1,426)	549
Change in value of perpetual trusts	1,027	1,158
Other	1,100	500
(Decrease) increase in net assets with donor restrictions	(46,465)	27,576
Increase in net assets	491,902	736,521
Net assets at beginning of period	20,677,428	17,783,958
Net assets at end of period	$ 21,169,330	$ 18,520,479

See notes to consolidated financial statements.

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

($ in thousands)

Operations

	Nine Months Ended September 30	
	2026	2025
Unrestricted revenues		
Net patient service revenue	$ 11,878,069	$ 10,907,636
Premium revenue	621,195	456,650
Other	2,184,824	1,927,930
Total unrestricted revenues	14,684,088	13,292,216
Expenses		
Salaries, wages, and benefits	7,460,237	7,064,572
Supplies	1,337,627	1,233,781
Pharmaceuticals	2,326,202	2,036,457
Medical claims	279,496	196,966
Purchased services and other fees	1,089,620	895,278
Administrative services	201,489	178,407
Facilities	419,035	377,572
Insurance	154,249	167,348
	13,267,955	12,150,381
Operating income before interest, depreciation, and amortization expenses	1,416,133	1,141,835
Interest	146,261	128,089
Depreciation and amortization	524,857	499,368
Operating income	745,015	514,378
Nonoperating gains and losses		
Investment return	910,487	1,050,299
Derivative losses	(308)	(2,921)
Other, net	(19,380)	(7,793)
Net nonoperating gains and losses	890,799	1,039,585
Excess of revenues over expenses	1,635,814	1,553,963

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

($ in thousands)

Changes in Net Assets

	Nine Months Ended September 30	
	2026	2025
Changes in net assets without donor restrictions:		
Excess of revenues over expenses	$ 1,635,814	$ 1,553,963
Donated capital	137	82
Net assets released from restriction for capital purposes	71,024	55,481
Retirement benefits adjustment	(1,219)	(2,397)
Foreign currency translation	(2,138)	4,607
Other	(919)	(4,244)
Increase in net assets without donor restrictions	1,702,699	1,607,492
Changes in net assets with donor restrictions:		
Gifts and bequests	223,497	148,161
Net investment income	82,933	104,265
Net assets released from restrictions used for operations included in other unrestricted revenues	(113,186)	(115,306)
Net assets released from restriction for capital purposes	(71,024)	(55,481)
Change in interests in foundations	1,779	1,482
Change in value of perpetual trusts	3,674	3,651
Other	1,325	2,500
Increase in net assets with donor restrictions	128,998	89,272
Increase in net assets	1,831,697	1,696,764
Net assets at beginning of year	19,337,633	16,823,715
Net assets at end of period	$ 21,169,330	$ 18,520,479

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

($ in thousands)

	Nine Months Ended September 30	
	2026	2025
Operating activities and net nonoperating gains and losses		
Increase in net assets	$ 1,831,697	$ 1,696,764
Adjustments to reconcile increase in net assets to net cash provided by operating activities and net nonoperating gains and losses:		
Loss (gain) on extinguishment of debt	795	(457)
Retirement benefits adjustment	1,219	2,397
Net realized and unrealized gains on investments	(1,049,936)	(1,232,873)
Depreciation and amortization	524,849	499,366
Foreign currency translation loss (gain)	2,138	(4,607)
Donated capital	(137)	(82)
Restricted gifts, bequests, and other	(228,950)	(153,294)
Accreted interest and amortization of bond premiums	(16,070)	(10,521)
Net loss in value of derivatives	100	1,921
Changes in operating assets and liabilities:		
Patient receivables	(48,923)	(94,969)
Other current assets	(11,628)	(140,075)
Other noncurrent assets	(204,961)	(94,584)
Accounts payable and other current liabilities	(31,712)	(47,705)
Other liabilities	160,531	195,624
Net cash provided by operating activities and net nonoperating gains and losses	929,012	616,905
Financing activities		
Proceeds from short-term borrowings	-	40,000
Payments on short-term borrowings	-	(40,000)
Proceeds from long-term borrowings	734,332	285,094
Payments for redemption of long-term debt	(130,405)	(20,490)
Principal payments on long-term debt	(96,019)	(102,874)
Debt issuance costs	(3,927)	(2,792)
Change in pledges receivables, trusts and interests in foundations	(67,812)	(3,729)
Restricted gifts, bequests, and other	228,950	153,294
Net cash provided by financing activities	665,119	308,503
Investing activities		
Expenditures for property, plant and equipment	(828,822)	(853,451)
Proceeds from sale of property, plant and equipment	913	10,900
Net change in cash equivalents reported in long-term investments	169,428	108,244
Purchases of investments	(9,472,459)	(5,970,939)
Sales of investments	8,225,925	5,845,355
Net cash used in investing activities	(1,905,015)	(859,891)
Effect of exchange rate changes on cash	(3,300)	4,841
(Decrease) increase in cash and cash equivalents	(314,184)	70,358
Cash, cash equivalents and restricted cash at beginning of year	1,371,443	1,026,968
Cash, cash equivalents and restricted cash at end of period	$ 1,057,259	$ 1,097,326

See notes to 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, 2025.

2. Organization and Consolidation

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

The System is a world-renowned provider of healthcare services that attracted patients from across the United States and from 174 other countries in 2025. The System operates 303 outpatient facilities and 21 hospitals, with approximately 5,500 staffed beds, globally. Fifteen of the hospitals are located in Ohio, anchored by The Cleveland Clinic Foundation. The System also operates five hospitals in southeast Florida and a hospital in the central London area of the United Kingdom. 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 Regional Medical Center, located in Ashtabula, Ohio, with approximately 120 staffed beds, and Cleveland Clinic Abu Dhabi, a multispecialty hospital offering a range of complex quaternary and general acute care services that is part of M42 Health's network of healthcare facilities located in Abu Dhabi, United Arab Emirates, with 364 staffed beds.

3. Use of Estimates

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

4. Net Patient Service Revenue and Patient Receivables

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

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

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

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

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

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

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

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 nine months of 2026. Adjustments arising from a change in the transaction price increased net patient service revenue by $70.2 million in the first nine months of 2025.

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 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 nine months of 2026 or 2025.

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.

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

Net patient service revenue by major payor source for the three and nine months ended September 30, 2026 and 2025 is as follows (in thousands):

	Three Months Ended September 30, 2026		Three Months Ended September 30, 2025	
Medicare	**$ 1,560,867**	**39%**	$ 1,407,765	38%
Medicaid	**380,728**	**9**	367,819	10
Managed care and commercial	**2,024,968**	**50**	1,877,043	50
Self-pay	**85,302**	**2**	66,466	2
Net patient service revenue	**$ 4,051,865**	**100%**	$ 3,719,093	100%

	Nine Months Ended September 30, 2026		Nine Months Ended September 30, 2025	
Medicare	**$ 4,563,901**	**39%**	$ 4,177,840	38%
Medicaid	**1,344,269**	**11**	1,050,327	10
Managed care and commercial	**5,731,489**	**48**	5,487,444	50
Self-pay	**238,410**	**2**	192,025	2
Net patient service revenue	**$11,878,069**	**100%**	$10,907,636	100%

Medicaid revenues above include amounts related to Medicaid state directed payment programs that provide supplemental payments to eligible hospitals and physicians for inpatient and outpatient Medicaid managed care services. This includes a new Ohio physician state directed payment program approved by the Centers for Medicare and Medicaid Services that resulted in $125.0 million of net patient service revenue recorded in the first quarter of 2026.

Growth in managed care and commercial revenue slowed compared to other payor segments, primarily driven by the expiration of federal tax subsidies for healthcare exchange marketplace insurance plans. Accordingly, the loss of healthcare exchange insurance coverage is causing an increase in uncompensated services.

5. Premium Revenue and Medical Claim Expenses

The System has value-based care delegated risk agreements to manage the total cost of care for certain populations of patients participating in Medicare Advantage plans written by two national payors and one regional payor (the Contracted Plans). Under each of the agreements, the System provides care management services for attributed members, which are activities designed to improve the efficiency and quality of patient care. Two of the agreements were effective in 2025, while a third agreement was effective in 2026. The agreements have terms ranging from two to three years but may be extended at the mutual discretion of the System and the Contracted Plans. During the term of the agreements, the Contracted Plans will allocate a percentage of premium (Delegated Premium) the Contracted Plans receive from the Centers for Medicare and Medicaid Services to the System. Delegated Premium is recognized as revenue in the month during which members are eligible to receive healthcare services. The System is responsible for providing or arranging for the provision of medical services delivered under the agreements to attributed members. Medical claim expenses are recognized in the month during which the services are provided, including amounts for reported claims and an estimate of incurred but not reported claims using past experience adjusted for current trends. Estimates for medical claim expenses may be more or less than amounts ultimately paid when claims are settled. Such changes in estimates are recorded in the current period in the consolidated statements of operations and changes in net assets. Medical claim expenses on the consolidated statement of operations and changes in net assets exclude amounts related to services provided by System provider entities and include costs directly related to the administration of the agreements.

The agreements provide that, if medical claim expenses are lower than the Delegated Premium, then such amount constitutes a savings, which is shared between the System and the Contracted Plans. In the same manner, the agreements provide that, if medical claim expenses are higher than the Delegated Premium, then such amount constitutes a deficit, which is allocated between the System and the Contracted Plans.

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.

6. Cash and Cash Equivalents (continued)

The reconciliation of cash, cash equivalents, and restricted cash within the consolidated balance sheets that comprise the amount reported in the consolidated statements of cash flows at September 30, 2026 and December 31, 2025 is as follows (in thousands):

	2026	2025
Cash and cash equivalents	**$ 1,043,459**	$ 1,363,160
Restricted cash in investments	**13,800**	8,283
Total cash, cash equivalents, and restricted cash	**$ 1,057,259**	$ 1,371,443

Restricted cash in investments includes amounts held by the System's captive insurance subsidiaries 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 a 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 September 30, 2026 and December 31, 2025, based on the valuation hierarchy (in thousands):

September 30, 2026

	Level 1	Level 2	Level 3	Total
Assets				
Cash and investments:				
Cash and cash equivalents	**$ 1,057,259**	**$ –**	**$ –**	**$ 1,057,259**
Money market funds	**243,916**	**–**	**–**	**243,916**
Fixed-income securities:				
U.S. treasuries	**1,419,750**	**–**	**–**	**1,419,750**
U.S. government agencies	**–**	**412,161**	**–**	**412,161**
U.S. corporate	**–**	**962,736**	**–**	**962,736**
Foreign	**–**	**406,244**	**–**	**406,244**
Fixed-income mutual funds	**213,529**	**–**	**–**	**213,529**
Common and preferred stocks:				
U.S.	**236,002**	**–**	**–**	**236,002**
Foreign	**506,050**	**–**	**–**	**506,050**
Equity mutual funds	**65,819**	**–**	**–**	**65,819**
Total cash and investments	**3,742,325**	**1,781,141**	**–**	**5,523,466**
Perpetual and charitable trusts	**–**	**78,716**	**–**	**78,716**
Investments in affiliates	**–**	**–**	**97,082**	**97,082**
Total assets at fair value	**$ 3,742,325**	**$ 1,859,857**	**$ 97,082**	**$ 5,699,264**

7. Fair Value Measurements (continued)

December 31, 2025

	Level 1	Level 2	Level 3	Total
Assets				
Cash and investments:				
Cash and cash equivalents	$ 1,371,443	$ –	$ –	$ 1,371,443
Money market funds	413,344	–	–	413,344
Fixed-income securities:				
U.S. treasuries	1,207,520	–	–	1,207,520
U.S. government agencies	–	445,599	–	445,599
U.S. corporate	–	857,544	–	857,544
Foreign	–	195,349	–	195,349
Fixed-income mutual funds	150,482	–	–	150,482
Common and preferred stocks:				
U.S.	251,867	–	–	251,867
Foreign	726,901	29,152	–	756,053
Equity mutual funds	149,138	–	–	149,138
Total cash and investments	4,270,695	1,527,644	–	5,798,339
Perpetual and charitable trusts	–	75,107	–	75,107
Investments in affiliates	–	–	80,161	80,161
Total assets at fair value	$ 4,270,695	$ 1,602,751	$ 80,161	$ 5,953,607
Liabilities				
Interest rate swaps	$ –	$ 7,359	$ –	$ 7,359
Total liabilities at fair value	$ –	$ 7,359	$ –	$ 7,359

7. Fair Value Measurements (continued)

Financial instruments at September 30, 2026 and December 31, 2025 are reflected in the consolidated balance sheets as follows (in thousands):

	2026	2025
Cash, cash equivalents, and investments measured at fair value	**$ 5,523,466**	$ 5,798,339
Commingled funds measured at net asset value	**3,596,999**	2,355,110
Alternative investments measured at net asset value	**9,470,625**	8,624,783
Total cash, cash equivalents, and investments	**$ 18,591,090**	$ 16,778,232
Perpetual and charitable trusts measured at fair value	**$ 78,716**	$ 75,107
Interests in foundations	**27,370**	25,591
Trusts and interests in foundations	**$ 106,086**	$ 100,698

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

Interest rate swaps are reported in other noncurrent liabilities in the consolidated balance sheets.

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

Level 1 is based upon quoted market prices.

Level 2 is determined as follows:

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

The fair value of perpetual and charitable trusts in which the System receives periodic payments from the trust is determined based on the present value of expected cash flows to be received from the trust using discount rates ranging from 4.2% 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.

7. Fair Value Measurements (continued)

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

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

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

8. Derivative Instruments

The System has previously held various derivative financial instruments to manage the risk of rising interest rates on the System's variable rate debt by entering into various interest rate swap agreements. In February 2026, the System terminated all outstanding interest rate swap agreements. The System did not have a significant gain or loss on the termination of the swaps. The total notional amount of interest rate swaps was $267.5 million at December 31, 2025.

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

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

	Balance Sheet Location	September 30 2026	December 31 2025
Interest rate swap agreements	Other noncurrent liabilities	**$ –**	$ 7,359

8. Derivative Instruments (continued)

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

	Location of Gain (Loss) Recognized	Three Months Ended September 30		Nine Months Ended September 30	
		2026	2025	2026	2025
Interest rate swap agreements	Derivative gains (losses)	**$ –**	$ 79	**$ (308)**	$ (2,921)

9. Pensions and Other Postretirement Benefits

As of September 30, 2026, the System maintains three defined benefit pension plans, including one tax-qualified funded plan 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 who were hired before 2009, except those employed by Mercy Hospital and Union Hospital. All benefit accruals under the CCHS Retirement Plan ceased as of December 31, 2012. During 2025, the System merged two tax-qualified defined benefit pension plans related to Akron General and Indian River into the CCHS Retirement Plan, with the CCHS Retirement Plan being a single continuing pension plan. Akron General had 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 had 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 plan are provided based on age, years of service, and compensation. The System's policy for its tax-qualified defined benefit pension plan 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.

9. Pensions and Other Postretirement Benefits (continued)

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

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

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2026	**2025**	**2026**	**2025**
Amounts related to defined benefit pension plans:				
Service credit	**$ (382)**	$ (423)	**$ (1,145)**	$ (1,269)
Interest cost	**16,719**	17,909	**50,156**	53,727
Expected return on assets	**(15,887)**	(15,967)	**(47,661)**	(47,900)
Net amortization and deferral	**(134)**	(454)	**(401)**	(1,362)
Total defined benefit pension plans	**316**	1,065	**949**	3,196
Defined contribution plans	**117,167**	108,088	**375,598**	359,192
	$ 117,483	$ 109,153	**$ 376,547**	$ 362,388

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

10. Long-Term Debt

In March 2026, pursuant to certain agreements between the System and the State of Ohio (State) acting by and through the Ohio Higher Educational Facility Commission, the State issued $552.6 million of fixed-rate Hospital Revenue Bonds (Series 2026A Bonds), which generated over $600 million in bond proceeds, and $131.1 million of variable-rate Hospital Revenue Refunding Bonds (Series 2026B Bonds) for the benefit of the System. Proceeds from the Series 2026A Bonds have been or will be used to finance certain capital expenditures of the System and pay the cost of issuance. Proceeds from the Series 2026B Bonds were used to refund the Series 2019F Bonds and pay the cost of issuance. The Series 2026B Bonds are supported by the System's self-liquidity.

In March 2026, the System established the Taxable Commercial Paper Notes, Series 2026 (Series 2026 CP Notes). The Series 2026 CP Notes may be issued from time to time with a maximum outstanding principal amount of $250 million and are supported by the System's self-liquidity. The System did not have any outstanding Series 2026 CP Notes at September 30, 2026. The Series 2026 CP Notes replaced the Taxable Hospital Revenue Commercial Paper Notes, Series 2014A (Series 2014A Notes), which were terminated on March 31, 2026. There were no outstanding Series 2014A Notes when the program was terminated.

11. Subsequent Events

The System evaluated events and transactions occurring subsequent to September 30, 2026 through November 13, 2026, 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.

Consolidating Balance Sheets

($ in thousands)

	September 30, 2026				December 31, 2025			
	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	$ 661,712	$ 381,747	$ -	$ 1,043,459	$ 1,041,985	$ 321,175	$ -	$ 1,363,160
Patient receivables, net	1,809,311	377,032	(85,043)	2,101,300	1,756,864	372,461	(75,726)	2,053,599
Due from affiliates	23,546	38,809	(62,355)	-	12,902	3,391	(16,293)	-
Investments for current use	-	100,843	-	100,843	-	100,843	-	100,843
Other current assets	973,689	298,477	(12,579)	1,259,587	975,361	275,666	(7,855)	1,243,172
Total current assets	3,468,258	1,196,908	(159,977)	4,505,189	3,787,112	1,073,536	(99,874)	4,760,774
Investments:								
Long-term investments	14,311,542	1,081,424	-	15,392,966	12,398,134	1,001,783	-	13,399,917
Funds held by trustees	80,940	-	-	80,940	37,495	0	-	37,495
Assets held for self-insurance	-	214,811	-	214,811	-	180,574	-	180,574
Donor restricted assets	1,646,211	111,860	-	1,758,071	1,589,022	107,221	-	1,696,243
	16,038,693	1,408,095	-	17,446,788	14,024,651	1,289,578	-	15,314,229
Property, plant, and equipment, net	6,138,435	1,907,437	-	8,045,872	5,807,118	1,895,819	-	7,702,937
Other assets:								
Pledges receivable, net	183,048	15,999	-	199,047	131,760	10,290	-	142,050
Trusts and beneficial interests in foundations	70,961	35,125	-	106,086	66,865	33,833	-	100,698
Operating lease right-of-use assets	124,515	250,384	-	374,899	127,456	241,787	-	369,243
Other noncurrent assets	1,410,097	157,386	(115,709)	1,451,774	1,224,907	147,754	(115,312)	1,257,349
	1,788,621	458,894	(115,709)	2,131,806	1,550,988	433,664	(115,312)	1,869,340
Total assets	$ 27,434,007	$ 4,971,334	$ (275,686)	$ 32,129,655	$ 25,169,869	$ 4,692,597	$ (215,186)	$ 29,647,280

	September 30, 2026				December 31, 2025			
	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	$ 688,947	$ 142,307	$ (320)	$ 830,934	$ 701,118	$ 148,790	$ (321)	$ 849,587
Compensation and amounts withheld from payroll	711,559	75,436	-	786,995	717,320	99,308	-	816,628
Current portion of long-term debt	108,236	9,880	-	118,116	92,601	8,869	-	101,470
Variable rate debt classified as current	711,528	36,384	-	747,912	475,118	39,309	-	514,427
Due to affiliates	16,265	28,433	(44,698)	-	1,247	16,376	(17,623)	-
Other current liabilities	800,890	270,424	(85,297)	986,017	777,731	270,822	(75,832)	972,721
Total current liabilities	3,037,425	562,864	(130,315)	3,469,974	2,765,135	583,474	(93,776)	3,254,833
Long-term debt	4,288,760	1,216,571	(3,028)	5,502,303	4,005,767	1,241,516	(2,631)	5,244,652
Other liabilities:								
Professional and general insurance liability reserves	224,921	179,010	-	403,931	189,979	154,244	-	344,223
Accrued retirement benefits	188,683	869	-	189,552	192,425	962	-	193,387
Operating lease liabilities	86,596	238,392	-	324,988	90,180	223,937	-	314,117
Other noncurrent liabilities	991,818	107,422	(29,663)	1,069,577	895,590	68,944	(6,099)	958,435
	1,492,018	525,693	(29,663)	1,988,048	1,368,174	448,087	(6,099)	1,810,162
Total liabilities	8,818,203	2,305,128	(163,006)	10,960,325	8,139,076	2,273,077	(102,506)	10,309,647
Net assets:								
Without donor restrictions	16,645,807	2,480,258	(112,680)	19,013,385	15,181,727	2,241,639	(112,680)	17,310,686
With donor restrictions	1,969,997	185,948	-	2,155,945	1,849,066	177,881	-	2,026,947
Total net assets	18,615,804	2,666,206	(112,680)	21,169,330	17,030,793	2,419,520	(112,680)	19,337,633
Total liabilities and net assets	$ 27,434,007	$ 4,971,334	$ (275,686)	$ 32,129,655	$ 25,169,869	$ 4,692,597	$ (215,186)	$ 29,647,280

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

Consolidating Statements of Operations and Changes in Net Assets
($ in thousands)

Operations

	Three Months Ended September 30, 2026				Three Months Ended September 30, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Unrestricted revenues								
Net patient service revenue	$ 3,520,473	$ 807,647	$ (276,255)	$ 4,051,865	$ 3,232,899	$ 727,868	$ (241,674)	$ 3,719,093
Premium revenue	209,198	-	-	209,198	146,604	-	-	146,604
Other	697,601	134,999	(63,989)	768,611	608,825	125,074	(57,571)	676,328
Total unrestricted revenues	4,427,272	942,646	(340,244)	5,029,674	3,988,328	852,942	(299,245)	4,542,025
Expenses								
Salaries, wages, and benefits	2,217,926	455,952	(163,855)	2,510,023	2,046,031	457,669	(156,493)	2,347,207
Supplies	363,265	90,043	(533)	452,775	338,630	88,747	(232)	427,145
Pharmaceuticals	743,876	74,878	-	818,754	634,732	66,234	-	700,966
Medical claims	212,761	-	(120,456)	92,305	152,633	-	(92,884)	59,749
Purchased services and other fees	324,770	72,295	(21,880)	375,185	277,433	63,809	(21,696)	319,546
Administrative services	(1,740)	79,345	(11,250)	66,355	3,071	69,111	(10,590)	61,592
Facilities	104,584	42,825	(319)	147,090	94,681	36,323	(321)	130,683
Insurance	25,495	17,425	(21,926)	20,994	47,092	50,658	(17,004)	80,746
	3,990,937	832,763	(340,219)	4,483,481	3,594,303	832,551	(299,220)	4,127,634
Operating income before interest, depreciation, and amortization expenses	436,335	109,883	(25)	546,193	394,025	20,391	(25)	414,391
Interest	37,990	11,371	-	49,361	35,103	8,362	-	43,465
Depreciation and amortization	125,361	44,914	(25)	170,250	125,420	39,301	(25)	164,696
Operating income (loss)	272,984	53,598	-	326,582	233,502	(27,272)	-	206,230
Nonoperating gains and losses								
Investment return	142,280	17,240	-	159,520	430,565	71,816	-	502,381
Derivative gains	-	-	-	-	79	-	-	79
Other, net	(6,302)	(885)	-	(7,187)	(2,862)	323	-	(2,539)
Net nonoperating gains and losses	135,978	16,355	-	152,333	427,782	72,139	-	499,921
Excess of revenues over expenses	408,962	69,953	-	478,915	661,284	44,867	-	706,151

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

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

Changes in Net Assets

	Three Months Ended September 30, 2026				Three Months Ended September 30, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Changes in net assets without donor restrictions:								
Excess of revenues over expenses	$ 408,962	$ 69,953	$ -	$ 478,915	$ 661,284	$ 44,867	$ -	$ 706,151
Donated capital	(1)	-	-	(1)	(2)	-	-	(2)
Net assets released from restriction for capital purposes	57,258	3,343	-	60,601	3,550	2,469	-	6,019
Retirement benefits adjustment	(406)	-	-	(406)	(599)	(200)	-	(799)
Foreign currency translation	-	351	-	351	-	(1,877)	-	(1,877)
Other	(26,474)	25,381	-	(1,093)	(35,673)	35,126	-	(547)
Increase in net assets without donor restrictions	439,339	99,028	-	538,367	628,560	80,385	-	708,945
Changes in net assets with donor restrictions:								
Gifts and bequests	37,998	2,419	-	40,417	28,272	3,681	-	31,953
Net investment income	11,883	1,666	-	13,549	35,596	2,643	-	38,239
Net assets released from restrictions used for operations included in other unrestricted revenues	(36,438)	(4,093)	-	(40,531)	(34,730)	(4,074)	-	(38,804)
Net assets released from restriction for capital purposes	(57,258)	(3,343)	-	(60,601)	(3,550)	(2,469)	-	(6,019)
Change in interests in foundations	(1,426)	-	-	(1,426)	549	-	-	549
Change in value of perpetual trusts	575	452	-	1,027	417	741	-	1,158
Other	(988)	2,088	-	1,100	5,201	(4,701)	-	500
(Decrease) increase in net assets with donor restrictions	(45,654)	(811)	-	(46,465)	31,755	(4,179)	-	27,576
Increase in net assets	393,685	98,217	-	491,902	660,315	76,206	-	736,521
Net assets at beginning of period	18,222,119	2,567,989	(112,680)	20,677,428	15,156,605	2,700,033	(72,680)	17,783,958
Net assets at end of period	$ 18,615,804	$ 2,666,206	$ (112,680)	$ 21,169,330	$ 15,816,920	$ 2,776,239	$ (72,680)	$ 18,520,479

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

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

($ in thousands)

Operations

	Nine Months Ended September 30, 2026				Nine Months Ended September 30, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Unrestricted revenues								
Net patient service revenue	$ 10,349,093	$ 2,335,977	$ (807,001)	$ 11,878,069	$ 9,459,470	$ 2,131,516	$ (683,350)	$ 10,907,636
Premium revenue	621,195	-	-	621,195	456,650	-	-	456,650
Other	1,960,021	428,224	(203,421)	2,184,824	1,731,382	374,984	(178,436)	1,927,930
Total unrestricted revenues	12,930,309	2,764,201	(1,010,422)	14,684,088	11,647,502	2,506,500	(861,786)	13,292,216
Expenses								
Salaries, wages, and benefits	6,591,813	1,362,510	(494,086)	7,460,237	6,161,266	1,353,112	(449,806)	7,064,572
Supplies	1,057,775	281,039	(1,187)	1,337,627	972,428	261,855	(502)	1,233,781
Pharmaceuticals	2,107,749	218,453	-	2,326,202	1,839,818	196,639	-	2,036,457
Medical claims	623,210	-	(343,714)	279,496	454,680	-	(257,714)	196,966
Purchased services and other fees	942,433	217,304	(70,117)	1,089,620	780,267	182,342	(67,331)	895,278
Administrative services	(5,261)	241,179	(34,429)	201,489	(6,016)	215,779	(31,356)	178,407
Facilities	300,339	119,736	(1,040)	419,035	272,059	106,689	(1,176)	377,572
Insurance	119,296	100,727	(65,774)	154,249	118,793	102,381	(53,826)	167,348
	11,737,354	2,540,948	(1,010,347)	13,267,955	10,593,295	2,418,797	(861,711)	12,150,381
Operating income before interest, depreciation, and amortization expenses	1,192,955	223,253	(75)	1,416,133	1,054,207	87,703	(75)	1,141,835
Interest	112,244	34,017	-	146,261	104,422	23,667	-	128,089
Depreciation and amortization	386,940	137,992	(75)	524,857	378,942	120,501	(75)	499,368
Operating income (loss)	693,771	51,244	-	745,015	570,843	(56,465)	-	514,378
Nonoperating gains and losses								
Investment return	806,655	103,832	-	910,487	892,065	158,234	-	1,050,299
Derivative losses	(308)	-	-	(308)	(2,921)	-	-	(2,921)
Other, net	(16,927)	(2,453)	-	(19,380)	(8,131)	338	-	(7,793)
Net nonoperating gains and losses	789,420	101,379	-	890,799	881,013	158,572	-	1,039,585
Excess of revenues over expenses	1,483,191	152,623	-	1,635,814	1,451,856	102,107	-	1,553,963

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

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

Changes in Net Assets

	Nine Months Ended September 30, 2026				Nine Months Ended September 30, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Changes in net assets without donor restrictions:								
Excess of revenues over expenses	$ 1,483,191	$ 152,623	$ -	$ 1,635,814	$ 1,451,856	$ 102,107	$ -	$ 1,553,963
Donated capital	137	-	-	137	82	-	-	82
Net assets released from restriction for capital purposes	65,090	5,934	-	71,024	51,736	3,745	-	55,481
Retirement benefits adjustment	(1,219)	-	-	(1,219)	(1,798)	(599)	-	(2,397)
Foreign currency translation	-	(2,138)	-	(2,138)	-	4,607	-	4,607
Other	(83,119)	82,200	-	(919)	(133,739)	129,495	-	(4,244)
Increase in net assets without donor restrictions	1,464,080	238,619	-	1,702,699	1,368,137	239,355	-	1,607,492
Changes in net assets with donor restrictions:								
Gifts and bequests	197,165	26,332	-	223,497	130,667	17,494	-	148,161
Net investment income	77,717	5,216	-	82,933	99,087	5,178	-	104,265
Net assets released from restrictions used for operations included in other unrestricted revenues	(101,966)	(11,220)	-	(113,186)	(101,624)	(13,682)	-	(115,306)
Net assets released from restriction for capital purposes	(65,090)	(5,934)	-	(71,024)	(51,736)	(3,745)	-	(55,481)
Change in interests in foundations	1,779	-	-	1,779	1,482	-	-	1,482
Change in value of perpetual trusts	2,201	1,473	-	3,674	1,097	2,554	-	3,651
Other	9,125	(7,800)	-	1,325	21,464	(18,964)	-	2,500
Increase (decrease) in net assets with donor restrictions	120,931	8,067	-	128,998	100,437	(11,165)	-	89,272
Increase in net assets	1,585,011	246,686	-	1,831,697	1,468,574	228,190	-	1,696,764
Net assets at beginning of year	17,030,793	2,419,520	(112,680)	19,337,633	14,348,346	2,548,049	(72,680)	16,823,715
Net assets at end of period	$ 18,615,804	$ 2,666,206	$ (112,680)	$ 21,169,330	$ 15,816,920	$ 2,776,239	$ (72,680)	$ 18,520,479

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

Consolidating Statements of Cash Flows

($ in thousands)

	Nine Months Ended September 30, 2026				Nine Months Ended September 30, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated	Obligated Group	Non-Obligated Group	Consolidating Adjustments & Eliminations	Consolidated
Operating activities and net nonoperating gains and losses								
Increase in total net assets	$ 1,585,011	$ 246,686	$ -	$ 1,831,697	$ 1,468,574	$ 228,190	$ -	$ 1,696,764
Adjustments to reconcile increase in net assets to net cash provided by operating activities and net nonoperating gains and losses:								
Loss (gain) on extinguishment of debt	795	-	-	795	(457)	-	-	(457)
Retirement benefits adjustment	1,219	-	-	1,219	1,798	599	-	2,397
Net realized and unrealized gains on investments	(958,850)	(91,086)	-	(1,049,936)	(1,084,687)	(148,186)	-	(1,232,873)
Depreciation and amortization	386,940	137,984	(75)	524,849	378,942	120,499	(75)	499,366
Foreign currency translation loss (gain)	-	2,138	-	2,138	-	(4,607)	-	(4,607)
Donated capital	(137)	-	-	(137)	(82)	-	-	(82)
Restricted gifts, bequests, and other	(201,145)	(27,805)	-	(228,950)	(133,246)	(20,048)	-	(153,294)
Transfers to (from) affiliates	83,117	(83,117)	-	-	133,737	(133,737)	-	-
Accreted interest and amortization of bond premiums	(16,208)	138	-	(16,070)	(10,656)	135	-	(10,521)
Net loss in value of derivatives	100	-	-	100	1,921	-	-	1,921
Changes in operating assets and liabilities:								
Patient receivables	(52,447)	(5,793)	9,317	(48,923)	(80,875)	(6,014)	(8,080)	(94,969)
Other current assets	(2,776)	(59,638)	50,786	(11,628)	(107,894)	(61,493)	29,312	(140,075)
Other noncurrent assets	(182,523)	(22,910)	472	(204,961)	(108,015)	12,919	512	(94,584)
Accounts payable and other current liabilities	27,942	(23,115)	(36,539)	(31,712)	(43,944)	158	(3,919)	(47,705)
Other liabilities	102,525	81,570	(23,564)	160,531	185,620	27,317	(17,313)	195,624
Net cash provided by operating activities and net nonoperating gains and losses	773,563	155,052	397	929,012	600,736	15,732	437	616,905
Financing activities								
Proceeds from short-term borrowings	-	-	-	-	40,000	-	-	40,000
Payments on short-term borrowings	-	-	-	-	(40,000)	-	-	(40,000)
Proceeds from long-term borrowings	734,332	397	(397)	734,332	237,599	47,932	(437)	285,094
Payments for advance refunding of long-term debt	(130,405)	-	-	(130,405)	(20,490)	-	-	(20,490)
Principal payments on long-term debt	(90,468)	(5,551)	-	(96,019)	(96,292)	(6,582)	-	(102,874)
Debt issuance costs	(3,927)	-	-	(3,927)	(2,792)	-	-	(2,792)
Change in pledges receivable, trusts and interests in foundations	(61,580)	(6,232)	-	(67,812)	(3,270)	(459)	-	(3,729)
Restricted gifts, bequests, and other	201,145	27,805	-	228,950	133,246	20,048	-	153,294
Net cash provided by financing activities	649,097	16,419	(397)	665,119	248,001	60,939	(437)	308,503
Investing activities								
Expenditures for property, plant and equipment	(665,537)	(163,285)	-	(828,822)	(755,540)	(97,911)	-	(853,451)
Proceeds from sale of property, plant and equipment	913	-		913	10,900	-		10,900
Net change in cash equivalents reported in long-term investments	102,529	66,899	-	169,428	93,481	14,763	-	108,244
Purchases of investments	(8,792,048)	(680,411)	-	(9,472,459)	(5,355,206)	(615,733)	-	(5,970,939)
Sales of investments	7,634,397	591,528	-	8,225,925	5,221,860	623,495	-	5,845,355
Transfers (to) from affiliates	(83,117)	83,117	-	-	(133,737)	133,737	-	-
Net cash (used in) provided by investing activities	(1,802,863)	(102,152)	-	(1,905,015)	(918,242)	58,351	-	(859,891)
Effect of exchange rate changes on cash	-	(3,300)		(3,300)	-	4,841		4,841
(Decrease) increase in cash and cash equivalents	(380,203)	66,019	-	(314,184)	(69,505)	139,863	-	70,358
Cash, cash equivalents and restricted cash at beginning of year	1,045,742	325,701	-	1,371,443	990,202	36,766	-	1,026,968
Cash, cash equivalents and restricted cash at end of period	$ 665,539	$ 391,720	$ -	$ 1,057,259	$ 920,697	$ 176,629	$ -	$ 1,097,326

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 System:

	Year Ended December 31			Nine Months Ended September 30	
	2023	2024	2025	2025	2026
Total Staffed Beds[(1)]	5,527	5,454	5,501	5,504	5,479
Percent Occupancy[(1)]	74.9%	77.8%	78.9%	79.9%	80.3%
Inpatient Admissions[(1)]					
Acute	258,731	265,459	269,144	201,835	205,034
Post-acute	9,591	9,467	9,578	7,245	6,729
Total	268,322	274,926	278,722	209,080	211,763
Patient Days[(1)]					
Acute	1,289,273	1,305,863	1,340,739	1,005,172	1,024,116
Post-acute	78,413	76,300	75,917	57,704	53,428
Total	1,367,686	1,382,163	1,416,656	1,062,876	1,077,544
Average Length of Stay					
Acute	4.90	4.93	4.97	4.97	5.00
Post-acute	8.19	8.09	7.98	8.05	7.98
Surgical Facility Cases					
Inpatient	80,049	84,213	85,266	63,986	64,848
Outpatient	232,066	241,509	250,347	186,089	190,865
Total	312,115	325,722	335,613	250,075	255,713
Emergency Department Visits	951,863	994,454	995,213	749,838	745,327
Outpatient Observations	68,572	72,956	73,513	55,111	62,364
Outpatient Evaluation and Management Visits	7,580,447	7,995,821	8,333,634	6,259,604	6,553,315
Total Encounters	13,999,363	14,448,678	14,688,252	10,990,592	11,346,707
Acute Medicare Case Mix Index - Health System	1.98	2.02	2.06	2.05	2.10
Acute Medicare Case Mix Index - Cleveland Clinic	2.99	3.09	3.20	3.16	3.20
Total Acute Patient Case Mix Index - Health System	1.91	1.95	2.00	1.98	2.02
Total Acute Patient Case Mix Index - Cleveland Clinic	2.84	2.93	3.01	2.98	3.03

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

Utilization (continued)

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

	Year Ended December 31			Nine Months Ended September 30	
	2023	2024	2025	2025	2026
Total Staffed Beds[(1)]	4,113	4,047	4,102	4,105	4,077
Percent Occupancy[(1)]	78.1%	80.2%	80.8%	82.0%	82.0%
Inpatient Admissions[(1)]					
Acute	196,482	199,981	200,428	150,524	151,858
Post-acute	5,938	5,828	5,564	4,210	3,876
Total	202,420	205,809	205,992	154,734	155,734
Patient Days[(1)]					
Acute	1,002,826	1,011,531	1,029,199	772,582	785,550
Post-acute	50,874	50,192	47,230	36,034	31,355
Total	1,053,700	1,061,723	1,076,429	808,616	816,905
Surgical Facility Cases					
Inpatient	62,661	64,636	64,571	48,540	49,130
Outpatient	187,565	195,903	203,199	151,133	153,916
Total	250,226	260,539	267,770	199,673	203,046
Emergency Department Visits	697,515	733,029	732,651	551,482	545,598
Outpatient Observations	53,109	57,114	58,082	43,425	49,170
Outpatient Evaluation and Management Visits	5,965,741	6,287,043	6,590,997	4,917,935	5,397,099
Total Encounters	10,915,549	11,299,331	11,577,138	8,659,059	8,967,474
Acute Medicare Case Mix Index	2.04	2.08	2.12	2.10	2.16
Total Acute Patient Case Mix Index	1.97	2.01	2.05	2.04	2.09

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

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

Payor Mix

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

CLEVELAND CLINIC HEALTH SYSTEM
Based on Gross Patient Service Revenue

	Year Ended December 31			Nine Months Ended September 30	
	2023	2024	2025	2025	2026
Payor					
Managed Care and Commercial	34%	34%	34%	34%	33%
Medicare	51%	51%	51%	51%	52%
Medicaid	13%	12%	12%	12%	12%
Self-Pay & Other	2%	3%	3%	3%	3%
Total	100%	100%	100%	100%	100%

OBLIGATED GROUP
Based on Gross Patient Service Revenue

	Year Ended December 31			Nine Months Ended September 30	
	2023	2024	2025	2025	2026
Payor					
Managed Care and Commercial	37%	37%	37%	36%	35%
Medicare	49%	49%	50%	50%	51%
Medicaid	12%	12%	11%	11%	11%
Self-Pay & Other	2%	2%	2%	3%	3%
Total	100%	100%	100%	100%	100%

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

Research Support

($ in thousands)

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

	Year Ended December 31			Nine Months Ended September 30	
	2023	2024	2025	2025	2026
External Grants Earned					
Federal Sources	$ 157,489	$ 164,172	$ 166,203	$ 128,028	$ 115,246
Non-Federal Sources	145,922	171,933	180,956	133,084	137,941
Total	303,411	336,105	347,159	261,112	253,187
Internal Support	100,549	105,725	97,771	71,818	91,207
Total Sources of Support	$ 403,960	$ 441,830	$ 444,930	$ 332,930	$ 344,394

Debt Service Coverage

($ in thousands)

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

	Year Ended December 31			Nine Months Ended September 30	
	2023	2024	2025	2025	2026
Excess of revenues over expenses	$ 1,127,365	$ 1,120,242	$ 2,168,914	$ 1,605,085	$ 2,200,249
Plus depreciation, amortization and interest	569,116	620,076	645,769	668,779	661,587
Less increase in unrealized net gains on investments and earnings on alternative investments	(729,756)	(673,845)	(910,080)	(648,469)	(886,242)
(Less) plus (increase) decrease in fair value of derivative instruments	(1,815)	(10,981)	1,281	(3,943)	(540)
Actuarial gains and losses related to pension plans, gains and losses resulting from changes in foreign currency exchange rates and other	29,269	6,321	18,477	6,211	26,113
Funds available for debt service	$ 994,179	$ 1,061,813	$ 1,924,361	$ 1,627,663	$ 2,001,167
Maximum annual debt service**	$ 262,828	$ 289,198	$ 302,039	$ 288,365	$ 342,364
Maximum annual debt service coverage (x)	3.78	3.67	6.37	5.64	5.85

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

Other Key Ratios

The following table provides selected key ratios for the System:

	Year Ended December 31			Nine Months Ended September 30	
	2023	**2024**	**2025**	**2025**	**2026**
Liquidity ratios					
Days of cash on hand	316	315	323	321	336
Days of revenue in accounts receivable	53	48	47	47	46
Coverage ratios					
Cash to debt (%)	228.3	240.5	251.9	252.3	258.1
Interest expense coverage (x)	4.8	5.9	12.0	10.3	12.0
Leverage ratios					
Debt to cash flow (x)	6.2	5.2	2.8	3.2	2.8
Debt to capitalization (%)	27.5	26.6	25.3	25.4	25.1
Debt to revenue (%)	36.3	33.8	32.1	32.2	32.4
Profitability ratios					
Operating margin (%)	0.4	1.7	5.0	3.9	5.1
Operating cash flow margin (%)	5.5	6.8	9.6	8.6	9.6
Excess margin (%)	5.9	5.9	11.7	10.8	10.5
Return on assets (%)	3.7	3.8	7.8	7.4	6.8

Days of revenue in accounts receivable includes revenue associated with value-based care delegated risk agreements.

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 174 other countries in 2025. The System operates 303 outpatient facilities and 21 hospitals, with approximately 5,500 staffed beds, globally. Fifteen of the hospitals are located in Ohio, anchored by The Cleveland Clinic Foundation. The System also operates five hospitals in southeast Florida and a hospital in the central London area of the United Kingdom.

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 September 30, 2026:

	Staffed Beds
OBLIGATED	
Cleveland Clinic	1,267
Avon Hospital	126
Euclid Hospital	166
Fairview Hospital	498
Hillcrest Hospital	471
Lutheran Hospital	192
Martin North Hospital	244
Martin South Hospital	100
Marymount Hospital	258
Medina Hospital	148
Mentor Hospital	34
South Pointe Hospital	138
Tradition Hospital	177
Weston Hospital	258
	4,077
NON-OBLIGATED	
Akron General Medical Center	478
Children's Rehabilitation Hospital	25
Indian River Hospital	270
Lodi Hospital	20
London Hospital	184
Mercy Hospital	323
Union Hospital	102
	1,402
HEALTH SYSTEM	5,479

DESCRIPTION OF FINANCIAL PERFORMANCE

Operating results - Quarters ended September 30, 2026 and 2025

The following narrative describes the consolidated results of operations for the System for the quarters ended September 30, 2026 and 2025.

Operating income for the System in the third quarter of 2026 was $326.6 million, resulting in an operating margin of 6.5%, compared to operating income of $206.2 million and an operating margin of 4.5% in the third quarter of 2025. The higher operating margin was due to a 10.7% increase in operating revenue, which outpaced an 8.5% increase in operating expenses. The System reported nonoperating gains of $152.3 million in the third quarter of 2026 compared to nonoperating gains of $500.0 million in the third quarter of 2025. The decrease from the prior year was primarily due to less favorable investment returns in the third quarter of 2026 compared to the same period in 2025. Overall, the System reported an excess of revenues over expenses of $478.9 million, a 9.2% total excess margin, in the third quarter of 2026 compared to $706.2 million, a 14.0% total excess margin, in the third quarter of 2025.

The System's net patient service revenue increased $332.8 million (8.9%) in the third quarter of 2026 compared to the same period in 2025. Total patient encounters increased 4.1% in the third quarter of 2026 compared to the same period in 2025, driven by a 1.2% increase in acute admissions, a 1.3% increase in total surgical cases and a 7.1% increase in outpatient evaluation and management visits. The System also implemented annual rate increases on the System's managed care contracts that became effective in 2026.

Premium revenue increased $62.6 million (42.7%) in the third quarter of 2026 compared to the same period in 2025. Premium revenue relates to delegated premium and risk agreements for attributed members participating in Medicare Advantage plans written by three payors. The increase in premium revenue was primarily due to a new delegated premium and risk agreement that was effective January 1, 2026. The System also records related medical claim expenses on the agreements.

Other unrestricted revenue increased $92.3 million (13.6%) in the third quarter of 2026 compared to the same period in 2025. The increase in other unrestricted revenue was primarily due to a $79.0 million increase in outpatient pharmacy revenue largely related to higher utilization of outpatient specialty drugs. Also contributing to the increase was $10.2 million of Federal Emergency Management Agency (FEMA) grants that were received in the third quarter of 2026 to reimburse the System for some pandemic-related costs.

Total operating expense increased $367.3 million (8.5%) in the third quarter of 2026 compared to the same period in 2025. The growth in expenses was primarily due to the growth in patient volumes and inflationary trends that increased personnel, supplies and pharmaceutical expenses. The System continues to develop and implement cost reduction and containment initiatives designed to make a more affordable care model for patients and to enable investments in key strategic initiatives.

Salaries, wages and benefits expense increased $162.8 million (6.9%) in the third quarter of 2026 compared to the same period in 2025. Salaries, excluding benefits expense, increased $141.1 million (7.0%) primarily due to annual salary adjustments averaging 3% across the System that were awarded in

the second quarter of 2026 and a 1.9% increase in full-time equivalent employees in the third quarter of 2026 compared to the same period in 2025. Benefits expense increased $21.7 million (6.5%) during the same period primarily due to the growth in salaries and full-time equivalent employees.

Supplies expense increased $25.6 million (6.0%) in the third quarter of 2026 compared to the same period in 2025. The increase in supplies was primarily due to increases in surgical cases and other patient encounters, as well as recent inflationary cost trends for many supplies.

Pharmaceutical expense increased $117.8 million (16.8%) in the third quarter of 2026 compared to the same period in 2025. The increase in pharmaceuticals was primarily due to recent inflationary cost trends and increased utilization in outpatient areas including retail and specialty pharmacy. The System also experienced a corresponding increase in outpatient pharmacy revenue related to the increased utilization.

Medical claims expense increased $32.6 million (54.5%) in the third quarter of 2026 compared to the same period in 2025. Medical claims expenses relate to delegated premium and risk agreements for attributed members participating in Medicare Advantage plans written by three payors. The increase in medical claims was primarily due to a new delegated premium and risk agreement that was effective January 1, 2026. The System also records premium revenue on the agreements. Medical claims for services provided at System facilities are eliminated from both net patient service revenue and medical claims expense on the consolidated statement of operations.

Purchased services and other fees expense increased $55.6 million (17.4%) in the third quarter of 2026 compared to the same period in 2025. The increase in purchased services and other fees was primarily due to increases in Ohio hospital franchise fee expense and Florida directed payment program expense. These expenses increased due to expanded Medicaid supplemental payment and support programs, which also resulted in additional supplemental payment revenues. Additional increases include growth in software maintenance and subscription agreements and purchased medical services to support patient care.

Administrative services expense increased $4.8 million (7.7%) in the third quarter of 2026 compared to the same period in 2025. The increase in administrative services was primarily related to increases in legal and other professional service expenses.

Facilities expense increased $16.4 million (12.6%) in the third quarter of 2026 compared to the same period in 2025. The increase in facilities expense was primarily due to an increase in repair and maintenance costs and utilities expense.

Insurance expense decreased $59.8 million (74.0%) in the third quarter of 2026 compared to the same period in 2025. The decrease in insurance expense was primarily due to a favorable adjustment to professional liability insurance expense recorded in the third quarter of 2026 based on an updated actuarial analysis of claim activity. The System utilizes actuarial analysis that combines actual experience and industry statistics to estimate loss and loss adjustment expense reserves. The System's medical professional liability program continues to experience the effects of economic and social inflation, contributing to higher claim settlement amounts in recent years.

Interest expense increased $5.9 million (13.6%) in the third quarter of 2026 compared to the same period in 2025. The increase in interest expense was primarily due to the Series 2026A Bonds issued in the first quarter of 2026, interest expense related to new finance leases and a sale-leaseback financing arrangement executed in September 2025.

Depreciation and amortization expense increased $5.6 million (3.4%) in the third quarter of 2026 compared to the same period in 2025. Changes in depreciation included property, plant and equipment that was fully depreciated in 2025, offset by depreciation for property, plant and equipment that was acquired and placed into service in 2025 and 2026.

Gains and losses from nonoperating activities resulted in net gains to the System of $152.3 million in the third quarter of 2026 compared to gains of $500.0 million in the third quarter of 2025. Investment returns, net of appropriations from the board-designated endowment fund, were $159.5 million in the third quarter of 2026 compared to returns of $502.4 million in the same period in 2025 primarily driven by changes in financial markets. Other nonoperating gains and losses were unfavorable by $4.6 million in the third quarter of 2026 compared to the same period in 2025 primarily due to payments to community-based organizations in connection with community benefit initiatives of the System.

Operating results - Nine months ended September 30, 2026 and 2025

The following narrative describes the consolidated results of operations for the System for the nine months ended September 30, 2026 and 2025.

Operating income for the System in the first nine months of 2026 was $745.0 million, resulting in an operating margin of 5.1%, compared to operating income of $514.4 million and an operating margin of 3.9% in the first nine months of 2025. The higher operating margin was due to a 10.5% increase in operating revenues, which outpaced a 9.1% increase in operating expenses. The System experienced nonoperating gains of $890.8 million in the first nine months of 2026 compared to gains of $1,040 million in the first nine months of 2025. The decrease from the prior year was primarily due to less favorable investment returns in the first nine months of 2026 compared to the same period in 2025. Overall, the System reported an excess of revenues over expenses of $1,636 million, a 10.5% total excess margin, in the first nine months of 2026 compared to $1,554 million, a 10.8% total excess margin, in the first nine months of 2025.

The System's net patient service revenue increased $970.4 million (8.9%) in the first nine months of 2026 compared to the same period in 2025. Total patient encounters increased 3.2% in the first nine months of 2026 compared to the same period in 2025, driven by a 1.6% increase in acute admissions, a 2.3% increase in total surgical cases and a 4.7% increase in outpatient evaluation and management visits. Net patient service revenue also increased due to a new Ohio physician state directed payment program that was approved by the Centers for Medicare and Medicaid Services in the first quarter of 2026 and expansion of the Ohio and Florida hospital state directed payment programs. The state directed payment programs enhance reimbursement by leveraging federal matching funds for eligible physician and hospital services under the Ohio and Florida Medicaid programs. The System also implemented annual rate increases on the System's managed care contracts that became effective in 2026.

Premium revenue increased $164.5 million (36.0%) in the first nine months of 2026 compared to the same period in 2025. Premium revenue relates to delegated premium and risk agreements for attributed members participating in Medicare Advantage plans written by three payors. The increase in premium revenue was primarily due to a new delegated premium and risk agreement that was effective January 1, 2026. The System also records related medical claim expenses on the agreements.

Other unrestricted revenue increased $256.9 million (13.3%) in the first nine months of 2026 compared to the same period in 2025. The increase in other unrestricted revenues was primarily due to a $201.7 million increase in outpatient pharmacy revenue largely related to higher utilization of outpatient specialty drugs. Also contributing to the increase was $20.4 million of revenue for insurance recoveries related to a water damage incident at Akron General Medical Center, which was fully offset by incurred expenses for clean-up and asset disposal costs, and a $12.2 million increase in royalties and management services primarily related to international advisory services.

Total operating expense increased $1,161 million (9.1%) in the first nine months of 2026 compared to the same period in 2025. The growth in expenses was primarily due to the growth in patient volumes and inflationary trends that increased personnel, supplies and pharmaceutical expenses. The System continues to develop and implement cost reduction and containment initiatives designed to make a more affordable care model for patients and to enable investments in key strategic initiatives.

Salaries, wages and benefits expense increased $395.7 million (5.6%) in the first nine months of 2026 compared to the same period in 2025. Salaries, excluding benefits expense, increased $334.8 million (5.6%) primarily due to annual salary adjustments averaging 3% across the System that were awarded in the second quarter of 2026 and a 1.7% increase in full-time equivalent employees in the first nine months of 2026 compared to the same period in 2025. Benefits expense increased $60.9 million (5.8%) during the same period primarily due to the growth in salaries and full-time equivalent employees.

Supplies expense increased $103.8 million (8.4%) in the first nine months of 2026 compared to the same period in 2025. The increase in supplies was primarily due to increases in surgical cases and other patient encounters, as well as recent inflationary cost trends for many supplies.

Pharmaceutical expense increased $289.7 million (14.2%) in the first nine months of 2026 compared to the same period in 2025. The increase in pharmaceuticals was primarily due to recent inflationary cost trends and increased utilization in outpatient areas including retail and specialty pharmacy. The System also experienced a corresponding increase in outpatient pharmacy revenue related to the increased utilization.

Medical claims expense increased $82.5 million (41.9%) in the first nine months of 2026 compared to the same period in 2025. Medical claims expenses relate to delegated premium and risk agreements for attributed members participating in Medicare Advantage plans written by three payors. The increase in medical claims was primarily due to a new delegated premium and risk agreement that was effective January 1, 2026. The System also records premium revenue on the new agreements. Medical claims for services provided at System facilities are eliminated from both net patient service revenue and medical claims expense on the consolidated statement of operations.

Purchased services and other fees expense increased $194.3 million (21.7%) in the first nine months of 2026 compared to the same period in 2025. The increase in purchased services and other fees was primarily due to increases in Ohio hospital franchise fee expense and Florida directed payment program expense. These expenses increased due to expanded Medicaid supplemental payment and support programs, which also resulted in additional supplemental payment revenues. Additional increases include growth in software maintenance and subscription agreements and purchased medical services to support patient care.

Administrative services expense increased $23.1 million (12.9%) in the first nine months of 2026 compared to the same period in 2025. The increase in administrative services was related to increases in professional services and consulting fees for various strategic initiatives, including legal fees for the new Ohio physician state directed payment program and costs for the water damage incident at Akron General Medical Center.

Facilities expense increased $41.5 million (11.0%) in the first nine months of 2026 compared to the same period in 2025. The increase in facilities expense was primarily due to an increase in repair and maintenance costs and utilities expense.

Insurance expense decreased $13.1 million (7.8%) in the first nine months of 2026 compared to the same period in 2025. The decrease in insurance expense was primarily due to a favorable adjustment to professional liability insurance expense recorded in the third quarter of 2026 based on an updated actuarial analysis of claim activity. The System utilizes actuarial analysis that combines actual experience and industry statistics to estimate loss and loss adjustment expense reserves. The System's medical professional liability program continues to experience the effects of economic and social inflation, contributing to higher claim settlement amounts in recent years.

Interest expense increased $18.2 million (14.2%) in the first nine months of 2026 compared to the same period in 2025. The increase in interest expense was primarily due to the Series 2026A Bonds issued in the first quarter of 2026, interest expense related to new finance leases and a sale-leaseback financing arrangement executed in September 2025.

Depreciation and amortization expense increased $25.5 million (5.1%) in the first nine months of 2026 compared to the same period in 2025. Changes in depreciation included property, plant and equipment that was fully depreciated in 2025, offset by depreciation for property, plant and equipment that was acquired and placed into service in 2025 and 2026.

Gains and losses from nonoperating activities resulted in net gains to the System of $890.8 million in the first nine months of 2026 compared to gains of $1,040 million in the first nine months of 2025. Investment returns, net of appropriations from the board-designated endowment fund, were $910.5 million in the first nine months of 2026 compared to returns of $1,050 million in the same period in 2025 primarily driven by changes in financial markets. Other nonoperating gains and losses were unfavorable by $11.6 million in the first nine months of 2026 compared to the same period in 2025 primarily due to payments to community-based organizations in connection with community benefit initiatives of the System.

Balance sheet – September 30, 2026 compared to December 31, 2025

The following narrative describes the consolidated balance sheets for the System as of September 30, 2026 and December 31, 2025.

Cash and cash equivalents decreased $319.7 million (23.5%) from December 31, 2025 to September 30, 2026. The majority of the System's cash and cash equivalents are held in operating bank accounts and money market funds for general expenditures. The decrease in cash equivalents is related to the timing of operating and financing cash flows and transfers to or from the investment portfolio to manage the liquidity needs of the System.

Patient accounts receivable increased $47.7 million (2.3%) from December 31, 2025 to September 30, 2026. The increase in patient accounts receivable was primarily attributable to the increase in net patient revenue in 2026 compared to 2025 and rate increases on the System's managed care contracts that became effective in January 2026. 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, was 46 days at September 30, 2026 compared to 47 days at December 31, 2025.

Investments for current use were unchanged from December 31, 2025 to September 30, 2026. Investments for current use include assets held for self-insurance that will be used to pay the current portion of estimated claim liabilities.

Other current assets increased $16.4 million (1.3%) from December 31, 2025 to September 30, 2026. The increase in other current assets was primarily due to a $48.6 million increase in prepaid expenses primarily due to information technology contracts and annual renewals of various agreements, a $10.4 million insurance claim receivable related to a water damage incident at Akron General Medical Center and a $6.6 million increase in inventories. The increase was partially offset by a $55.1 million decrease in third-party receivables primarily driven by the timing of payments related to Ohio Medicaid supplemental payment programs that provide additional payments for eligible physician and hospital services under the Ohio Medicaid program.

Unrestricted long-term investments increased $1,993 million (14.9%) from December 31, 2025 to September 30, 2026. The increase in long-term investments was primarily due to $1,098 million of unrestricted investment gains experienced in the System's investment portfolio that reported preliminary investment returns of 6.7% in the first nine months of 2026. Other changes in unrestricted investments include transfers to and from operating cash based on the liquidity needs of the System.

Funds held by trustees increased $43.4 million (115.9%) from December 31, 2025 to September 30, 2026. The increase in funds held by trustees was primarily due to a $44.3 million increase in collateral posted for commodity future holdings in the System's investment portfolio offset by a $1.4 million decrease in unexpended bond proceeds. Funds held by trustees also include collateral posted with counterparties on various initiatives and programs of the System.

Assets held for self-insurance increased $34.2 million (19.0%) from December 31, 2025 to September 30, 2026. The increase in self-insurance assets was primarily due to insurance premiums received by the System's captive insurance companies from other System entities and investment returns on related investments in excess of claims paid by the System's captive insurance companies.

Donor-restricted assets increased $61.8 million (3.6%) from December 31, 2025 to September 30, 2026. The increase in restricted assets was primarily from the receipt of donor-restricted gifts of restricted investments and investment gains in excess of expenditures from restricted funds.

Net property, plant and equipment increased $342.9 million (4.5%) from December 31, 2025 to September 30, 2026. The System had expenditures for property, plant and equipment of $828.8 million, offset by depreciation expense of $524.9 million and foreign currency translation losses of $19.8 million. Capital expenditures in 2026 include amounts paid on retainage liabilities recorded at December 31, 2025 and exclude assets acquired through finance leases and other financing arrangements. Retainage liabilities decreased $2.3 million, and new finance leases totaled $41.0 million in 2026. Expenditures for property, plant and equipment were incurred at numerous facilities across the System and included expenditures for strategic construction and expansion, technological investment and replacement of existing facilities and equipment. Significant construction projects across the System include two new research buildings on the main campus that were completed in the third quarter of 2026; a new Neurological Institute building on the main campus that is scheduled to open in the first quarter of 2027; and expansion of facilities at Fairview Hospital, Avon Hospital and Cleveland Clinic London that are expected to be completed within the next few years.

Pledges receivable increased $57.0 million (40.1%) from December 31, 2025 to September 30, 2026. The increase in pledges receivable was due to new pledges received in 2026, including a $50 million pledge recorded in the second quarter of 2026, offset by the reclassification of pledges receivable, due within one year, from long-term to current.

Trusts and interests in foundations increased $5.4 million (5.4%) from December 31, 2025 to September 30, 2026. The increase in trusts and interests in foundations was comprised of a $3.6 million increase in perpetual and charitable trusts and a $1.8 million increase in interests in community foundations.

Operating lease right-of-use assets increased $5.7 million (1.5%) from December 31, 2025 to September 30, 2026. The increase in operating lease right-of-use assets was primarily due to the addition of new operating leases recorded during 2026 offset by the reduction in value of future lease payments through the recognition of operating lease expenses and changes in foreign currency exchange rates related to leases at London Hospital.

Other noncurrent assets increased $194.4 million (15.5%) from December 31, 2025 to September 30, 2026. The increase in other noncurrent assets was primarily due to a $76.5 million increase in deferred compensation plan assets driven by changes in financial markets (corresponding increase in noncurrent liabilities), a $40.1 million increase in investments in affiliates related to CCF Innovations and other System initiatives, and a $36.5 million increase in long-term prepaid expenses related to payments on a long-term sponsorship agreement.

Accounts payable decreased $18.7 million (2.2%) from December 31, 2025 to September 30, 2026. The decrease in accounts payable was primarily attributable to a $2.3 million decrease in retainage liabilities for current construction projects and the timing of payment processing for trade payables.

Compensation and amounts withheld from payroll decreased $29.6 million (3.6%) from December 31, 2025 to September 30, 2026. The decrease in compensation and amounts withheld from payroll was primarily attributable to the timing of payroll and changes in employee benefit accruals.

Current portion of long-term debt increased $16.6 million (16.4%) from December 31, 2025 to September 30, 2026. 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 2026.

Variable-rate debt classified as current increased $233.5 million (45.4%) from December 31, 2025 to September 30, 2026. Variable-rate debt classified as current consists of long-term variable-rate bonds supported by the System's self-liquidity 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. Although classified as current for accounting purposes, the System does not expect these bonds will require principal repayment within the next year. The increase in variable-rate debt classified as current was due to the issuance of the Series 2026B Bonds in March 2026 that added $131.1 million of bonds supported by the System's self-liquidity and the reclassification of $180.7 million from long-term to current for bonds supported by standby bond purchase agreements that are scheduled to expire within one year. The increase was partially offset due to the reclassification of $75.4 million from current to long-term for bonds supported by standby bond purchase agreements that were previously scheduled to expire in 2026 and have been renewed for more than one year.

Other current liabilities increased $13.3 million (1.4%) from December 31, 2025 to September 30, 2026. The increase in other current liabilities was primarily due to a $61.9 million increase in Ohio hospital franchise fee liabilities offset by a $25.6 million decrease in accrued interest payable related to the timing of semi-annual interest payments and a $22.2 million decrease in third-party reserves.

Long-term debt increased $257.7 million (4.9%) from December 31, 2025 to September 30, 2026. The increase in long-term debt was primarily due to the issuance of the Series 2026A Bonds that generated over $600 million in bond proceeds and the reclassification of $75.4 million from current to long-term for bonds supported by standby bond purchase agreements that were previously scheduled to expire in 2026 and have been renewed for more than one year. The increase in long-term debt was offset by a $130.4 million decrease due to the redemption of the Series 2019F Bonds, which were refunded with the proceeds of the Series 2026B Bonds that are supported by the System's self-liquidity and recorded in variable rate debt classified as current. Additional decreases in long-term debt include the reclassification of $180.7 million from long-term to current for bonds supported by standby bond purchase agreements that are scheduled to expire in 2027, $17.3 million of foreign currency translation gains on the 2018 Sterling Notes and the reclassification of regularly scheduled principal payments from long-term to current for debt payments due within one year.

Professional and general insurance liability reserves increased $59.7 million (17.3%) from December 31, 2025 to September 30, 2026. The increase in insurance liability reserves was due to expenses recorded for the accrual of claim reserve estimates in excess of claim liability payments.

Accrued retirement benefits decreased $3.8 million (2.0%) from December 31, 2025 to September 30, 2026. The decrease in accrued retirement benefits was primarily due to a decrease in defined benefit pension plan liabilities.

Operating lease liabilities increased $10.9 million (3.5%) from December 31, 2025 to September 30, 2026. The increase in operating lease liabilities was primarily due to the addition of new operating leases recorded in 2026 offset by the reclassification of operating lease payments from long-term to short-term and changes in foreign currency exchange rates related to leases at London Hospital.

Other noncurrent liabilities increased $111.1 million (11.6%) from December 31, 2025 to September 30, 2026. The increase in other noncurrent liabilities was primarily due to a $76.9 million increase in deferred compensation plan liabilities (corresponding increase in noncurrent assets) primarily due to changes in investment markets, a $20.0 million increase related to deferred grants and an $8.1 million increase in long-term interest liabilities. The increases were partially offset by $7.4 million for the termination of all outstanding interest rate swap agreements in February 2026. The System did not have a significant gain or loss on the termination of the swaps.

Total net assets increased $1,832 million (9.5%) from December 31, 2025 to September 30, 2026. Net assets without donor restrictions increased $1,703 million (9.8%) primarily due to an excess of revenues over expenses of $1,636 million and net assets released from restriction for capital purposes of $71.0 million, offset by foreign currency translation losses of $2.1 million and retirement benefit adjustments of $1.2 million. Net assets with donor restrictions increased $129.0 million (6.4%), primarily due to restricted gifts of $223.5 million and investment gains of $82.9 million, offset by assets released from restrictions of $184.2 million.

LIQUIDITY AND LEVERAGE

Cash and Investments

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

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

allocation is formalized into a strategic policy benchmark that guides the management of the portfolio and provides a standard to use in evaluating the portfolio's performance.

Investments are primarily maintained in a master trust fund administered by a bank acting as custodian. The Cleveland Clinic Investment Office is charged with the day-to-day management of the System's investment portfolios 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 summarizes the System's cash and investments in its operating accounts, general investment portfolios and captive insurance fund at September 30, 2026 and December 31, 2025:

Cash and Investments
(Dollars in thousands)

	September 30, 2026		December 31, 2025	
Cash and cash equivalents	$ 1,301,175	7%	$ 1,784,787	11%
Fixed income securities*	3,980,723	21%	3,365,025	20%
Marketable equity securities*	3,838,567	21%	3,003,637	18%
Alternative investments	9,470,625	51%	8,624,783	51%
Total cash and investments	$ 18,591,090	100%	$ 16,778,232	100%
Less restricted investments**	(2,154,665)		(2,015,155)	
Unrestricted cash and investments	$ 16,436,425		$ 14,763,077	
Days cash on hand	336		323	

* 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.

At September 30, 2026, total cash and investments for the System (including restricted investments) were $18.6 billion, an increase of $1.8 billion from $16.8 billion at December 31, 2025. This includes a $1.7 billion increase in unrestricted cash and investments in 2026. Unrestricted cash and investments have increased from $8.0 billion at December 31, 2018 to $16.4 billion at September 30, 2026.

Included in the System's cash and investments are investments held for self-insurance. These investments totaled $315.7 million at September 30, 2026, with an asset mix of 5% cash and short-term investments, 32% fixed income securities, 35% equity investments and 28% alternative investments. The asset mix reflects the need for liquidity and the objective to maintain stable returns utilizing a lower tolerance for risk and volatility consistent with insurance regulatory requirements.

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

Alternative investments at September 30, 2026 and December 31, 2025 consist of the following:

Alternative Investments
(Dollars in thousands)

	September 30, 2026		December 31, 2025	
Hedge funds	$ 5,041,630	53%	$ 4,494,681	52%
Private equity/venture capital	4,428,995	47%	4,130,102	48%
Total alternative investments	$ 9,470,625	100%	$ 8,624,783	100%

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

Investment Return

Investment return, including income on alternative investments, is reported as nonoperating gains and losses except for interest and dividends earned on assets held for self-insurance and amounts designated for current operations from board-designated endowment funds, which are included in other unrestricted revenues. The System maintains a board-designated endowment fund to support research and education activities of the System. 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 return of 6.7% for the first nine months of 2026. The preliminary investment returns do not include all of the valuation adjustments of private equity investments that have not yet issued their final earnings reports.

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

Investment Return
(Dollars in thousands)

	For the three months ended September 30		For the nine months ended September 30	
	2026	2025	2026	2025
Other unrestricted revenue:				
Interest income and dividends	$ 1,249	$ 1,031	$ 3,864	$ 3,239
Investment return designated for current operations	62,500	62,500	187,500	187,500
	63,749	63,531	191,364	190,739
Nonoperating gains and losses, net:				
Interest income and dividends	52,229	43,946	146,241	120,458
Net realized gains on sales of investments	39,992	228,148	305,432	387,514
Net change in unrealized gains on investments	(31,659)	(26,288)	76,190	173,882
Equity method income on alternative investments	170,838	327,153	598,605	579,669
Investment management fees	(9,380)	(8,078)	(28,481)	(23,724)
Investment return designated for current operations	(62,500)	(62,500)	(187,500)	(187,500)
	159,520	502,381	910,487	1,050,299
Other changes in net assets:				
Investment income on restricted investments	13,549	38,239	82,933	104,265
Total investment return	$ 236,818	$ 604,151	$ 1,184,784	$1,345,303

Operating Lines of Credit

As of September 30, 2026, the System has a $500 million revolving credit facility with no amounts drawn and $500 million in available capacity. The agreement, which offers the System the ability to expand the credit facility to $600 million, expires in 2028.

Long-term Debt

At September 30, 2026, outstanding current and long-term debt for the System totaled $6.4 billion, comprised of $5,512 million in bonds and notes, $279 million related to sale-leaseback financing arrangements, $390 million in finance leases and $221 million in unamortized net premium, offset by $34 million of unamortized debt issuance costs. Bonds and notes are structured with approximately 82% fixed-rate debt and 18% variable-rate debt.

In March 2026, pursuant to certain agreements between the System and the State of Ohio (State) acting by and through the Ohio Higher Educational Facility Commission, the State issued $552.6 million of fixed-rate Hospital Revenue Bonds (Series 2026A Bonds), which generated over $600 million in bond proceeds, and $131.1 million of variable-rate Hospital Revenue Refunding Bonds (Series 2026B Bonds) for the benefit of the System. Proceeds from the Series 2026A Bonds have been or will be used to finance certain capital expenditures of the System and pay the cost of issuance. Proceeds from the Series 2026B Bonds

were used to refund the Series 2019F Bonds and pay the cost of issuance. The Series 2026B Bonds are supported by the System's self-liquidity.

As of September 30, 2026, approximately $459 million of variable-rate debt are bonds secured by irrevocable direct pay letters of credit or standby bond purchase agreements. Debt supported by letters of credit or standby bond purchase agreements that expire within one year, require repayment of a remarketing draw within one year, or contain a subjective clause that would allow the lender to declare an event of default and cause immediate repayment of such bonds is classified as current liabilities.

As of September 30, 2026, the System maintains $532 million of variable-rate bonds supported by the System's self-liquidity. Debt supported by self-liquidity includes the Taxable Commercial Paper Notes, Series 2026 (described below) and certain variable-rate bonds that are remarketed in commercial paper or weekly mode. Bonds and notes supported by self-liquidity are classified as current liabilities. The System has sufficient liquidity within its investment portfolio to support self-liquidity debt.

In March 2026, the System established the Taxable Commercial Paper Notes, Series 2026 (Series 2026 CP Notes). The Series 2026 CP Notes may be issued from time to time in a maximum outstanding face amount of $250 million and are supported by the System's self-liquidity. The System did not have any outstanding Series 2026 CP Notes at September 30, 2026. The Series 2026 CP Notes replaced the Taxable Hospital Revenue Commercial Paper Notes, Series 2014A (Series 2014A Notes), which were terminated on March 31, 2026. There were no outstanding Series 2014A Notes when the program was terminated.

The System is subject to certain restrictive 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 September 30, 2026.

The System through a United Kingdom subsidiary issued £665 million of sterling notes (2018 Sterling Notes) in 2018 pursuant to a private placement agreement. The proceeds of the 2018 Sterling Notes were used to support expansion in London. The outstanding 2018 Sterling Notes have been converted to U.S. dollars in the consolidated balance sheet using exchange rates of $1.32 and $1.35 at September 30, 2026 and December 31, 2025, respectively.

Outstanding long-term debt (including current portion) for the System as of September 30, 2026 and December 31, 2025 consists of the following:

Hospital Revenue Bonds and Notes
(Dollars in thousands)

Series	Type	Final Maturity	September 30 2026	December 31 2025
2026A Bonds	Fixed	2032	$ 552,635	$ –
2026B Bonds	Variable	2052	131,145	–
2024A Bonds	Fixed	2035	435,470	435,470
2021A Bonds	Fixed	2049	83,810	83,810
2021B Bonds	Fixed	2039	139,700	167,160
2019A Bonds	Fixed	2046	247,045	247,045
2019B Bonds	Fixed	2046	244,790	244,790
2019C Bonds	Fixed	2052	89,000	89,000
2019D Bonds	Variable	2052	119,340	119,340
2019E Bonds	Variable	2052	130,405	130,405
2019F Bonds	Variable	2052	–	130,405
2019G Bonds	Fixed	2042	240,185	240,185
2018 Sterling Notes[1]	Fixed	2068	879,917	897,229
2017A Bonds	Fixed	2043	629,240	662,765
2017B Bonds	Fixed	2043	155,920	157,735
2017C Bonds	Fixed	2032	4,775	5,455
2016 Private Placement	Fixed	2046	325,000	325,000
2014 Taxable Bonds	Fixed	2114	400,000	400,000
2013A Bonds	Fixed	2042	34,955	34,955
2013B Bonds	Variable	2039	201,160	201,160
2013 Keep Memory Alive Bonds	Variable	2037	39,450	42,260
2011B Bonds	Fixed	2031	12,205	14,300
2011C Bonds	Fixed	2032	44,155	44,155
2008B Bonds	Variable	2042	327,575	327,575
2003C Bonds	Variable	2035	41,905	41,905
Notes Payable	Varies	Varies	1,834	592
Financing arrangement	Varies	Varies	279,339	283,391
Finance Leases	Varies	Varies	389,807	378,349
			$ 6,180,762	$ 5,704,436

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

COMMUNITY BENEFIT

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

Community benefit includes activities or programs that improve access to health services, enhance public health, advance generalizable knowledge and relieve government burden. The primary categories for assessing community benefit include financial assistance, Medicaid shortfall, subsidized health services, community health improvement programs, research and education. The System provided $1.59 billion in community benefits in 2025, which is the most current year that community benefit information is available for the System. The full community benefit report and additional community information are available on the Health System's website (https://my.clevelandclinic.org/about/community/reports/benefit).

The following table summarizes community benefit provided by the System:

2025 CLEVELAND CLINIC HEALTH SYSTEM COMMUNITY BENEFIT *
Dollars in millions

Medicaid Shortfall**	$ 464.5
Education***	400.3
Financial Assistance	348.5
Subsidized Health Services	182.3
Research***	154.2
Community Health	44.8
Total	$ 1,594.6

* Includes all System operations in Ohio, Florida and Nevada
** Includes Hospital Care Assurance Program net loss of $6.3 million
*** Research and Education are reported net of externally sponsored funding of $343.5 million

Community Health Needs Assessment

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

- access to healthcare (affordability, available services, transportation);
- behavioral health (mental health and substance use disorder);
- chronic disease prevention and management (heart disease, cancer, diabetes);
- maternal and child health (adverse birth outcomes, preterm birth, infant mortality); and
- health-related social needs (food insecurity, housing stability, transportation);

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

ENTERPRISE RISK MANAGEMENT

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

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

System management regularly evaluates its internal control environment over the System's financial reporting processes through an initiative based upon concepts established in the Sarbanes-Oxley Act of 2002. The goals of the initiative are to ensure the integrity and reliability of financial information, strengthen internal control in the reporting process, reduce the risk of fraud and improve efficiencies in the financial reporting process. The initiative reviews all aspects of the financial reporting process, identifies potential risks and ensures that they have been mitigated utilizing a management self-assessment process. As a result of this initiative, System management issued a report on the effectiveness of its internal control over financial reporting as part of the issuance of its consolidated financial results for 2025, which is the 17th year the management report was completed. As part of the internal control evaluation process for 2025, certifications were completed by 128 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 nine months ended September 30, 2026 that have materially affected, or are likely to materially affect, the internal controls over financial reporting for the System.

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. 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.

