

Unaudited Consolidated Financial Statements and Other Information

For The Period Ended December 31, 2025

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



**CLEVELAND CLINIC HEALTH SYSTEM
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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March 9, 2026

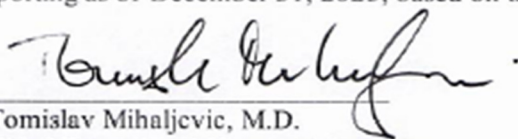
MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Cleveland Clinic Foundation (together with its subsidiaries and affiliates that comprise the health system, the "Cleveland Clinic") is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Cleveland Clinic's consolidated financial statements for external purposes in accordance with generally accepted accounting principles. This process contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Cleveland Clinic; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of the consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Cleveland Clinic are being made only in accordance with appropriate authorizations of management and directors of the Cleveland Clinic; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Cleveland Clinic's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the Cleveland Clinic's internal control over financial reporting as of December 31, 2025, using the framework specified in *Internal Control – Integrated Framework (2013 framework)*, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, Cleveland Clinic maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on the COSO criteria.



Tomislav Mihaljevic, M.D.
Chief Executive Officer and President



Dennis Laraway
Executive Vice President and
Chief Financial Officer



Spencer Kowal
Senior Vice President, Finance and
Chief Accounting Officer

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

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

Operating income for the System for the full year of 2025 was \$913 million on total unrestricted revenues of \$18.3 billion, resulting in a 5.0% operating margin, as compared to operating income of \$276 million and a 1.7% operating margin in 2024. The System generated \$1.8 billion in operating cash flow during 2025, a 9.6% operating cash flow margin, compared to \$1.1 billion and a 6.8% operating cash flow margin in 2024. The System's operating income and operating cash flow in 2025 represent year-over-year increases of 231% and 62%, respectively. The improved operating performance in 2025 resulted from a 14.7% increase in operating revenues, supported by strong patient demand for both inpatient and outpatient services (in particular for complex levels of care at higher acuity) and new Medicare Advantage delegated premium and risk agreements that went into effect January 1, 2025. Operating expenses increased 10.9% over the same period, while labor-related costs were held to a 5.3% increase. Overall, the System reported an excess of revenues over expenses of \$2.3 billion for the full year of 2025, an 11.7% total margin, compared to an excess of revenues over expenses of \$1.0 billion, a 5.9% total margin, in 2024.

Operating income for the System in the fourth quarter of 2025 was \$399 million on total unrestricted revenues of \$5.0 billion, resulting in an 8.0% operating margin, as compared to operating income of \$137 million and a 3.3% operating margin in the fourth quarter of 2024. The System's operating income and operating cash flow in the fourth quarter of 2025 represent increases over the prior year quarter of 192% and 66%, respectively. Operating results in the quarter also include the recognition of federal-share revenue along with local-share provider fee expense, for a State Directed Payment program in Ohio dating to July 1, 2025, recently approved by the Center for Medicare and Medicaid Services. Excess of revenues over expenses in the fourth quarter of 2025 was \$745 million, a 14.0% total margin, compared to an excess of revenues over expenses of \$85 million, a 2.1% total margin, in the fourth quarter of 2024.

The following table summarizes patient utilization statistics for the System:

	For the quarter ended December 31				For the year ended December 31			
	2025	2024	Variance	%	2025	2024	Variance	%
Inpatient admissions ⁽¹⁾	69,613	67,240	2,373	3.5%	278,722	274,926	3,796	1.4%
Patient days ⁽¹⁾	353,868	339,401	14,467	4.3%	1,416,656	1,382,163	34,493	2.5%
Surgical cases								
Inpatient	21,283	20,478	805	3.9%	85,266	84,213	1,053	1.3%
Outpatient	64,266	60,615	3,651	6.0%	250,347	241,509	8,838	3.7%
	85,549	81,093	4,456	5.5%	335,613	325,722	9,891	3.0%
Emergency department visits	245,367	252,484	-7,117	-2.8%	995,213	994,454	759	0.1%
Clinic outpatient evaluation and management visits	2,072,926	2,015,532	57,394	2.8%	8,333,634	7,995,821	337,813	4.2%
Total patient encounters	3,683,332	3,635,824	47,508	1.3%	14,688,252	14,448,678	239,574	1.7%
(1) Excludes newborns								

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

Total operating revenue increased \$0.8 billion (20.0%) in the fourth quarter and \$2.3 billion (14.7%) for the full year of 2025 compared to the same periods in 2024. Revenue growth in 2025 includes increases of \$1.3 billion in net patient service revenue, supported by a 1.7% increase in total patient encounters, including favorable service mix and a strong inpatient case mix index that improved revenue quality. The System also benefited from recent year-over-year rate trends with managed care contracts that more adequately reflect inflationary pressures and the cost of high-acuity clinical operations. Contributing to the growth in revenue was \$0.6 billion of premium revenue related to new Medicare Advantage delegated premium and risk agreements that were effective January 1, 2025, which also increased expenses for related claim payments. Other unrestricted revenues increased \$0.4 billion primarily due to growth in outpatient retail and specialty pharmacy revenues.

Total operating expenses increased \$0.6 billion (14.2%) in the fourth quarter and \$1.7 billion (10.9%) for the full year of 2025 compared to the same periods in 2024. The increase in expenses is due primarily to the growth in patients served and inflationary trends that increased personnel costs and pharmaceutical expenses, as well as medical claims costs associated with the new delegated premium and risk agreements noted above. 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 5.3%. The System continues to implement cost reduction and efficiency initiatives to appropriately capture the scale-synergy opportunities across its global enterprise and to develop a lean cost structure that is aligned with patients served.

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

	For the quarter ended				For the year ended			
	December 31				December 31			
	2025	2024	Variance	%	2025	2024	Variance	%
Total unrestricted revenue	\$ 4,982	\$ 4,150	\$ 832	20.0%	\$ 18,274	\$ 15,936	\$ 2,338	14.7%
Operating income before interest, depreciation and amortization	\$ 612	\$ 368	\$ 244	66.4%	\$ 1,754	\$ 1,085	\$ 669	61.6%
Operating cash flow margin	12.3%	8.9%			9.6%	6.8%		
Operating income	\$ 399	\$ 137	\$ 262	191.5%	\$ 913	\$ 276	\$ 637	231.2%
Operating margin	8.0%	3.3%			5.0%	1.7%		
Net nonoperating gains and losses	\$ 346	\$ (52)	\$ 398	767.1%	\$ 1,385	\$ 705	\$ 680	96.6%
Excess of revenues over expenses	\$ 745	\$ 85	\$ 660	776.6%	\$ 2,299	\$ 980	\$ 1,319	134.5%
Total margin	14.0%	2.1%			11.7%	5.9%		

Gains and losses from nonoperating activities are recorded below operating income in the statement of operations. The System recognized nonoperating gains of \$1.4 billion for the full year of 2025 compared to net gains of \$0.7 billion in 2024. Investment returns on the System's investment portfolio approximated 12.8% in 2025 compared to returns of 7.7% in 2024. Total cash and investments for the System were \$16.8 billion at December 31, 2025, which is an increase of \$2.0 billion compared to \$14.8 billion at December 31, 2024.

**CLEVELAND CLINIC HEALTH SYSTEM
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Unaudited Consolidated Balance Sheets
(\$ in thousands)

	December 31	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,363,160	\$ 1,022,346
Patient receivables	2,053,599	1,850,016
Investments for current use	100,843	89,627
Other current assets	1,243,172	863,182
Total current assets	4,760,774	3,825,171
Investments:		
Long-term investments	13,399,917	11,944,509
Funds held by trustees	37,495	6,169
Assets held for self-insurance	180,574	165,757
Donor restricted assets	1,696,243	1,571,601
	15,314,229	13,688,036
Property, plant, and equipment, net	7,702,937	6,882,228
Other assets:		
Pledges receivable, net	142,050	137,852
Trusts and interests in foundations	100,698	97,562
Operating lease right-of-use assets	369,243	374,656
Other noncurrent assets	1,257,349	1,110,529
	1,869,340	1,720,599
Total assets	\$ 29,647,280	\$ 26,116,034

**CLEVELAND CLINIC HEALTH SYSTEM
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Unaudited Consolidated Balance Sheets (continued)
(\$ in thousands)

	December 31	
	2025	2024
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 849,587	\$ 819,544
Compensation and amounts withheld from payroll	816,628	708,934
Current portion of long-term debt	101,470	108,261
Variable rate debt classified as current	514,427	701,499
Other current liabilities	972,721	786,970
Total current liabilities	3,254,833	3,125,208
Long-term debt	5,244,652	4,580,902
Other liabilities:		
Professional and general insurance liability reserves	344,223	260,469
Accrued retirement benefits	193,387	198,805
Operating lease liabilities	314,117	328,034
Other noncurrent liabilities	958,435	798,901
Total liabilities	10,309,647	9,292,319
Net assets:		
Without donor restrictions	17,310,686	14,908,343
With donor restrictions	2,026,947	1,915,372
Total net assets	19,337,633	16,823,715
Total liabilities and net assets	\$ 29,647,280	\$ 26,116,034

See notes to unaudited consolidated financial statements.

**CLEVELAND CLINIC HEALTH SYSTEM
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Unaudited Consolidated Statements of Operations and Changes in Net Assets

(\$ in thousands)

Operations

	Three Months Ended December 31	
	2025	2024
Unrestricted revenues		
Net patient service revenue	\$ 4,113,135	\$ 3,523,177
Premium revenue	160,047	-
Other	708,488	627,220
Total unrestricted revenues	4,981,670	4,150,397
Expenses		
Salaries, wages, and benefits	2,434,894	2,259,236
Supplies	437,548	327,128
Pharmaceuticals	728,428	635,878
Medical claims	70,456	-
Purchased services and other fees	413,042	286,070
Administrative services	77,062	71,095
Facilities	133,185	121,728
Insurance	75,176	81,541
	4,369,791	3,782,676
Operating income before interest, depreciation, and amortization expenses	611,879	367,721
Interest	46,182	42,789
Depreciation and amortization	166,914	188,129
Operating income	398,783	136,803
Nonoperating gains and losses		
Investment return	350,556	(59,924)
Derivative gains (losses)	137	5,750
Other, net	(4,812)	2,324
Net nonoperating gains and losses	345,881	(51,850)
Excess of revenues over expenses	744,664	84,953

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**CLEVELAND CLINIC HEALTH SYSTEM
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Changes in Net Assets

	Three Months Ended December 31	
	2025	2024
Changes in net assets without donor restrictions:		
Excess of revenues over expenses	\$ 744,664	\$ 84,953
Donated capital	293	385
Net assets released from restriction for capital purposes	27,023	43,397
Retirement benefits adjustment	24,583	1,375
Foreign currency translation	663	(4,739)
Other	(2,375)	(3,863)
Increase in net assets without donor restrictions	794,851	121,508
Changes in net assets with donor restrictions:		
Gifts and bequests	68,339	92,403
Net investment income	24,889	2,681
Net assets released from restrictions used for operations included in other unrestricted revenues	(43,567)	(47,169)
Net assets released from restriction for capital purposes	(27,023)	(43,397)
Change in interests in foundations	(3,997)	(779)
Change in value of perpetual trusts	1,288	1,216
Other	2,374	3,859
Increase in net assets with donor restrictions	22,303	8,814
Increase in net assets	817,154	130,322
Net assets at beginning of period	18,520,479	16,693,393
Net assets at end of period	<u>\$ 19,337,633</u>	<u>\$ 16,823,715</u>

See notes to unaudited consolidated financial statements.

**CLEVELAND CLINIC HEALTH SYSTEM
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Operations

	Year Ended December 31	
	2025	2024
Unrestricted revenues		
Net patient service revenue	\$ 15,020,771	\$ 13,702,696
Premium revenue	616,697	-
Other	2,636,418	2,233,502
Total unrestricted revenues	18,273,886	15,936,198
Expenses		
Salaries, wages, and benefits	9,499,466	9,020,800
Supplies	1,671,329	1,483,918
Pharmaceuticals	2,764,885	2,298,763
Medical claims	267,422	-
Purchased services and other fees	1,308,320	1,125,367
Administrative services	255,469	245,589
Facilities	510,757	479,238
Insurance	242,524	197,325
	16,520,172	14,851,000
Operating income before interest, depreciation, and amortization expenses	1,753,714	1,085,198
Interest	174,271	176,881
Depreciation and amortization	666,282	632,605
Operating income	913,161	275,712
Nonoperating gains and losses		
Investment return	1,400,855	698,773
Derivative (losses) gains	(2,784)	11,606
Other, net	(12,605)	(5,739)
Net nonoperating gains and losses	1,385,466	704,640
Excess of revenues over expenses	2,298,627	980,352

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**CLEVELAND CLINIC HEALTH SYSTEM
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Changes in Net Assets

	Year Ended December 31	
	2025	2024
Changes in net assets without donor restrictions:		
Excess of revenues over expenses	\$ 2,298,627	\$ 980,352
Donated capital	375	461
Net assets released from restriction for capital purposes	82,504	74,702
Retirement benefits adjustment	22,186	(1,000)
Foreign currency translation	5,270	(1,933)
Other	(6,619)	(4,635)
Increase in net assets without donor restrictions	2,402,343	1,047,947
Changes in net assets with donor restrictions:		
Gifts and bequests	216,500	243,519
Net investment income	129,154	77,940
Net assets released from restrictions used for operations included in other unrestricted revenues	(158,873)	(153,886)
Net assets released from restriction for capital purposes	(82,504)	(74,702)
Change in interests in foundations	(2,515)	239
Change in value of perpetual trusts	4,939	4,439
Other	4,874	5,959
Increase in net assets with donor restrictions	111,575	103,508
Increase in net assets	2,513,918	1,151,455
Net assets at beginning of year	16,823,715	15,672,260
Net assets at end of period	<u>\$ 19,337,633</u>	<u>\$ 16,823,715</u>

See notes to unaudited consolidated financial statements.

CLEVELAND CLINIC HEALTH SYSTEM
UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025

Unaudited Consolidated Statements of Cash Flows
(\$ in thousands)

	Year Ended December 31	
	2025	2024
Operating activities and net nonoperating gains and losses		
Increase in net assets	\$ 2,513,918	\$ 1,151,455
Adjustments to reconcile increase in net assets to net cash provided by operating activities and net nonoperating gains and losses:		
(Gain) loss on extinguishment of debt	(457)	414
Retirement benefits adjustment	(22,186)	1,000
Net realized and unrealized gains on investments	(1,629,257)	(849,921)
Depreciation and amortization	666,252	629,125
Foreign currency translation (gain) loss	(5,270)	1,933
Donated capital	(375)	(461)
Restricted gifts, bequests, and other	(218,924)	(248,197)
Accreted interest and amortization of bond premiums	(13,971)	(10,776)
Net loss (gain) in value of derivatives	1,281	(10,981)
Changes in operating assets and liabilities:		
Patient receivables	(198,735)	8,586
Other current assets	(400,841)	51,678
Other noncurrent assets	(126,655)	(110,079)
Accounts payable and other current liabilities	323,698	238,836
Other liabilities	210,113	89,425
Net cash provided by operating activities and net nonoperating gains and losses	1,098,591	942,037
Financing activities		
Proceeds from short-term borrowings	40,000	-
Payments on short-term borrowings	(40,000)	-
Proceeds from long-term borrowings	285,094	503,218
Payments for redemption of long-term debt	(20,490)	(300,000)
Principal payments on long-term debt	(113,026)	(107,959)
Debt issuance costs	(2,792)	(3,318)
Change in pledges receivables, trusts and interests in foundations	15,407	35,555
Restricted gifts, bequests, and other	218,924	248,197
Net cash provided by financing activities	383,117	375,693
Investing activities		
Expenditures for property, plant and equipment	(1,149,821)	(1,113,346)
Proceeds from sale of property, plant and equipment	10,900	11,960
Net change in cash equivalents reported in long-term investments	82,716	(28,611)
Purchases of investments	(8,309,599)	(5,761,108)
Sales of investments	8,222,392	5,898,669
Net cash used in investing activities	(1,143,412)	(992,436)
Effect of exchange rate changes on cash	6,179	(2,042)
Increase in cash and cash equivalents	344,475	323,252
Cash, cash equivalents and restricted cash at beginning of year	1,026,968	703,716
Cash, cash equivalents and restricted cash at end of period	\$ 1,371,443	\$ 1,026,968

See notes to unaudited consolidated financial statements.

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.

1. Organization and Consolidation

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

The System is the leading provider of healthcare services in northeast Ohio. As of December 31, 2025, the System operates 303 outpatient facilities and 21 hospitals with approximately 5,500 staffed beds. In the northeast Ohio area, the System operates fifteen hospitals, anchored by the Clinic. The System also operates 22 outpatient family health centers, nine ambulatory surgery centers, numerous physician offices located throughout northeast Ohio, and specialized cancer centers in Sandusky and Mansfield, Ohio. In southeast Florida, the System operates five hospitals, including an academic medical center, three outpatient family health centers, an outpatient family health and ambulatory surgery center, and numerous physician offices located throughout southeast Florida. In the United Kingdom, the System operates a hospital and two outpatient facilities in the central London area. In addition, the System operates a health and wellness center and a sports medicine clinic in Toronto, Canada, and a specialized neurological clinical center in Las Vegas, Nevada. Pursuant to agreements, the System also provides management services for Ashtabula County Medical Center, located in Ashtabula, Ohio, with approximately 120 staffed beds, and Cleveland Clinic Abu Dhabi, a multispecialty hospital offering a range of complex quaternary and general acute care services that is part of M42 Health's network of healthcare facilities located in Abu Dhabi, United Arab Emirates, with 364 staffed beds.

2. Accounting Policies

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.

2. Accounting Policies (continued)

Net Patient Service Revenue and Patient Receivables

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

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

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

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

2. Accounting Policies (continued)

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

Generally, patients who are covered by third-party payors are responsible for patient responsibility balances, including deductibles and coinsurance, which vary in amount. The System estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any explicit price concessions, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Adjustments arising from a change in the transaction price increased net patient service revenue by \$70.2 million in 2025. Adjustments arising from a change in the transaction price were not significant for 2024.

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

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

2. Accounting Policies (continued)

Settlements with third-party payors for retroactive adjustments due to reviews and audits are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care in the period the related services are provided. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the System's historical settlement activity, including an assessment to ensure 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 2025 or 2024.

Charity Care

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. The cost of charity care provided in 2025 and 2024 approximated \$351 million and \$335 million, respectively. The System estimated these costs by calculating a ratio of cost to gross charges and then multiplying that ratio by the gross uncompensated charges associated with providing care to charity patients.

Management Service Agreements

The System has management service agreements with regional, national and international organizations to provide advisory services for various healthcare ventures. The scope of these services includes managing current healthcare operations that are designed to improve clinical quality, innovation, patient care, medical education and research at other healthcare organizations and educational institutions, and managing the construction, training, organizational infrastructure, and operational management of healthcare entities. The System recognizes revenues related to management service agreements on a pro rata basis over the term of the agreements as services are provided. Payments received in advance are recorded as deferred revenue until the services have been provided. Revenue related to management service agreements for 2025 and 2024 was \$209.2 million and \$180.1 million, respectively, and is included in other unrestricted revenues.

2. Accounting Policies (continued)

Premium Revenue and Medical Claim Expenses

Effective January 1, 2025, the System entered into two value-based care delegated risk agreements to manage total cost of care for certain populations of patients. The agreements allow the System to provide care coordination and other population health management activities for attributed members participating in Medicare Advantage plans currently written by two national payors (the Contracted Plans). The agreements have a term of two years, expiring on December 31, 2026, and are renewable annually at the mutual discretion of the System and the Contracted Plans. During the term of both agreements, the Contracted Plans will allocate a percentage of premium (Delegated Premium) the Contracted Plans receive from the Centers for Medicare and Medicaid Services to the System. Delegated Premium is recognized as revenue in the month during which members are eligible to receive health care services. The System is responsible for both rendering or managing the provision of medical services 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.

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.

2. Accounting Policies (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 December 31, 2025 and 2024 is as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,363,160	\$ 1,022,346
Restricted cash in investments	8,283	4,622
Total cash, cash equivalents, and restricted cash	<u>\$ 1,371,443</u>	<u>\$ 1,026,968</u>

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

Inventories

Inventories (primarily supplies and pharmaceuticals) are stated at an average cost or the lower of cost (first-in, first-out method) or market and are recorded in other current assets.

Property, Plant, and Equipment

Property, plant, and equipment purchased by the System are recorded at cost. Expenditures that substantially increase the useful lives of existing assets are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation, including amortization of finance leased assets, is computed by the straight-line method using the estimated useful lives of individual assets. Buildings and building components are assigned useful lives ranging from five years to eighty years. Equipment is assigned a useful life ranging from three to twenty years. Interest cost incurred on borrowed funds during the period of construction of capital assets and interest income on unexpended project funds are capitalized as a component of the cost of acquiring those assets. The System records costs and legal obligations associated with long-lived asset retirements. Assets acquired through finance lease arrangements are excluded from the consolidated statements of cash flows.

Cloud Computing Arrangements

The System has entered into hosting arrangements that are service contracts for various cloud computing arrangements. The System capitalizes implementation costs associated with these arrangements and amortizes the asset on a straight-line basis over the term of the hosting arrangement, including expected renewal periods. The System had \$75.1 million and \$88.9 million at December 31, 2025 and 2024, respectively, of unamortized capitalized implementation costs recorded in other noncurrent assets in the consolidated balance sheets. For the years ended December 31, 2025 and 2024, the System recorded \$14.5 million and \$13.8 million, respectively, of amortization expense in purchased services and other fees in the consolidated statements of operations and changes in net assets.

2. Accounting Policies (continued)

Impairment of Long-Lived Assets

The System evaluates the recoverability of long-lived assets and the related estimated remaining lives when indicators of impairment are present. For purposes of impairment analysis, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The System records an impairment charge or changes the useful life if events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed.

Leases

The System determines whether an arrangement is a lease at the inception of a contract. Leases with an initial term of twelve months or less are not recorded in the consolidated balance sheets. The System has lease agreements that require payments for lease and non-lease components and has elected to account for these as a single lease component.

Right-of-use assets represent the System's right to use an underlying asset during the lease term, and lease liabilities represent the System's obligation to make lease payments arising from the lease. Right-of-use assets and liabilities are recognized at the commencement date, based on the net present value of fixed-lease payments over the lease term. The System's lease terms include options to extend or terminate the lease when it is reasonably certain that the options will be exercised.

The System determines the present value of future lease payments using the rate implicit in the lease or, if that rate cannot be readily determined, its incremental borrowing rate at the lease commencement date. As most of the System's operating leases do not provide an implicit rate, the System generally uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The System considers recent debt issuances, as well as publicly available data for instruments with similar characteristics, when calculating its incremental borrowing rate.

Operating fixed-lease expense and finance lease depreciation expense are recognized on a straight-line basis over the lease term. Variable lease costs consist primarily of common area maintenance and are not significant to total lease expense.

Investments and Investment Income

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value in the consolidated balance sheets. Investments, excluding alternative investments, are primarily classified as trading. Investment transactions are recorded on a settlement date basis. Realized gains and losses are determined using the average cost method.

2. Accounting Policies (continued)

Commingled investment funds are valued using, as a practical expedient, the net asset value as provided by the respective investment companies and partnerships. There are no significant redemption restrictions on the commingled investment funds.

Investments in alternative investments, which include hedge funds and private equity funds, are primarily limited partnerships that invest in marketable securities, privately held securities, private credit, real assets, venture capital and derivative products and are reported based on the net asset value of the investment. Investments held by the partnerships consist of marketable securities, as well as securities that do not have readily determinable values. The values of the securities held by the limited partnerships that do not have readily determinable values are determined by the general partner and are based on historical cost, appraisals, or other valuation estimates that require varying degrees of judgment. There is inherent uncertainty in such valuations, and the estimated fair values may differ from the values that would have been used had a ready market for the securities existed. Generally, the investment balance of the System's holdings in alternative investments reflects net contributions to the partnerships and the System's share of realized and unrealized investment income and expenses. The investments may individually expose the System to non-security lending, short sales, and trading in futures and forward contract options and other derivative products. The System's risk is limited to its carrying value. The financial statements of the limited partnerships are audited annually.

Alternative investments can be divested only at specified times in accordance with the terms of the partnership agreements. Hedge fund redemptions typically contain restrictions that allow for a portion of the withdrawal proceeds to be held back from distribution, while the underlying investments are liquidated. These redemptions are subject to lock-up provisions that are generally imposed upon initial investment in the fund. Private equity funds are generally closed-end funds and have significant redemption restrictions that prohibit redemptions during the fund's life.

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. Donor-restricted investment return on restricted investments is included in net assets with donor restrictions.

Certain of the System's assets and liabilities are exposed to various risks, such as interest rate, market, and credit risks.

2. Accounting Policies (continued)

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.

Goodwill and Other Intangibles

Goodwill has resulted from business combinations, primarily physician practice acquisitions, and is based on the purchase price in excess of the fair values of assets acquired and liabilities assumed at the acquisition date. Annually, or when indicators of impairment exist, the System evaluates goodwill for impairment to determine whether there are events or circumstances that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount.

Intangible assets other than goodwill are recorded at fair value in the period of acquisition. Intangible assets with finite lives, which consist primarily of patient medical records and non-compete agreements, are amortized over their estimated useful lives, ranging from three to ten years, with a weighted average amortization period of approximately four years.

2. Accounting Policies (continued)

Derivative Instruments

The System's derivative financial instruments consist of interest rate swaps that are recognized as assets or liabilities in the consolidated balance sheets at fair value.

The System accounts for changes in the fair value of derivative instruments depending on whether they are designated and qualified as part of a hedging relationship and, further, on the type of hedging relationship. The System has not designated any derivative instruments as hedges. Accordingly, the changes in fair value of derivative instruments and the related cash payments are recorded in derivative (losses) gains in the consolidated statements of operations and changes in net assets.

Foreign Currency Translation

The statements of operations of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using average exchange rates for the period. The assets and liabilities of foreign subsidiaries whose functional currencies are other than the U.S. dollar are translated into U.S. dollars using exchange rates as of the consolidated balance sheet date. The U.S. dollar effects that arise from translating the net assets of these subsidiaries at changing rates are recorded as foreign currency translation gains and losses in the consolidated statements of operations and changes in net assets. Cumulative foreign currency translation losses included in net assets without donor restrictions were \$75.7 million and \$81.0 million at December 31, 2025 and 2024, respectively.

Debt Issuance Costs

Debt issuance costs are amortized over the period the obligation is outstanding using the straight-line method, which approximates the interest method.

Contributions

Unconditional donor pledges to give cash, marketable securities, and other assets are reported at fair value at the date the pledge is made to the extent estimated to be collectible by the System. Conditional donor promises to give and indications of intentions to give are not recognized until the condition is satisfied. Pledges received with donor restrictions that limit the use of the donated assets are reported as donor-restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the consolidated statements of operations and changes in net assets as other unrestricted revenues if the purpose relates to operations or reported as a change in net assets without donor restrictions if the purpose relates to capital.

2. Accounting Policies (continued)

Donated capital is recorded at fair value at the date of donation based on appraised value from a third-party or quoted prices for similar or identical assets. Contributions of donated capital generally include artwork and donated equipment that is placed into service and utilized to support various programs of the System.

No amounts have been reflected in the consolidated financial statements for donated services. The System pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the System with various programs.

Grants

Grant revenue is recognized in the period it is earned based on when the applicable project expenses are incurred and project milestones are achieved. The System records research grants as exchange transactions or conditional contributions based on an evaluation of whether the resource provider is receiving commensurate value in return for the resources transferred to the System. Conditional contributions contain barriers that must be overcome by the System before research grant revenue is recorded. Grant payments received in advance of related project expenses and the achievement of project milestones are recorded as deferred revenue and included in other current liabilities. The System recorded research grant revenue, included in other unrestricted revenues, of \$318.4 million and \$309.5 million in 2025 and 2024, respectively.

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent resources that are available for the general support of the System and are not subject to donor restrictions. The Board of Directors may designate a portion of net assets without donor restrictions for specific purposes.

Net Assets With Donor Restrictions

Net assets with donor restrictions are used to differentiate resources, the use of which is restricted by donors or grantors to a specific time period or purpose, from resources on which no restrictions have been placed or that arise from the general operations of the System. Donor-restricted gifts and bequests are recorded as an addition to net assets with donor restrictions in the period received. Donor-restricted gifts include amounts held in perpetuity or for terms designated by donors, including the fair value of several charitable and perpetual trusts for which the System is an income or remainder beneficiary. Earnings on donor-restricted gifts are recorded as investment income in net assets with donor restrictions and subsequently used in accordance with the donor's designation. Net assets with donor restrictions are primarily restricted for research, education, and strategic capital projects.

Related-Party Transactions

The System has a policy regarding the identification and disclosure of any transactions with related parties. During the years ended December 31, 2025 and 2024, the System had no material related-party transactions.

2. Accounting Policies (continued)

Excess of Revenues Over Expenses

The consolidated statements of operations and changes in net assets include excess of revenues over expenses. Changes in net assets without donor restrictions, which are excluded from excess of revenues over expenses, consistent with industry practice, include retirement benefits adjustments, foreign currency translation gains and losses and contributions of long-lived assets (including assets acquired using grants or contributions that by donor restriction were to be used for the purpose of acquiring such assets).

3. Net Patient Service Revenue and Patient Receivables

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

	2025		2024	
Medicare	\$ 5,468,460	37%	\$ 5,186,670	38%
Medicaid	1,502,161	10	1,178,392	8
Managed care and commercial	7,865,054	52	7,093,798	52
Self-pay	185,096	1	243,836	2
Net patient service revenue	<u>\$ 15,020,771</u>	<u>100%</u>	<u>\$ 13,702,696</u>	<u>100%</u>

The System’s concentration of credit risk relating to patient receivables is limited due to the diversity of patients and payors. Patient receivables consist of amounts due from government programs, commercial insurance companies, other group insurance programs, and private pay patients. Patient receivables due from Medicare and one commercial payor account for approximately 24% and 15% at December 31, 2025 and 26% and 12% at December 31, 2024, respectively, of the System’s total patient receivables. The System’s net patient service revenue for 2025 from Medicare, one commercial payor and Medicaid account for approximately 37%, 18% and 10%, respectively. The System’s net patient service revenue for 2024 from Medicare and one commercial payor account for approximately 38% and 18%, respectively. Excluding these payors, no one payor represents more than 10% of the System’s patient receivables or net patient service revenue.

**CLEVELAND CLINIC HEALTH SYSTEM
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

4. Cash, Cash Equivalents, and Investments

The composition of cash, cash equivalents, and investments at December 31, 2025 and 2024 is as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Cash, cash equivalents and restricted cash	\$ 1,371,443	\$ 1,026,968
Money market funds	413,344	496,060
Fixed-income securities:		
U.S. treasuries	1,207,520	900,871
U.S. government agencies	445,599	450,237
U.S. corporate	857,544	739,667
Foreign	195,349	148,683
Fixed-income mutual funds	150,482	535,822
Commingled fixed-income funds	508,531	53,918
Common and preferred stocks:		
U.S.	251,867	171,841
Foreign	756,053	642,550
Equity mutual funds	149,138	68,390
Commingled equity funds	1,737,232	1,602,552
Commingled commodity funds	109,347	645,885
Alternative investments:		
Hedge funds	4,494,681	3,677,767
Private equity funds	4,130,102	3,638,798
Total cash, cash equivalents, and investments	<u>\$ 16,778,232</u>	<u>\$ 14,800,009</u>

4. Cash, Cash Equivalents, and Investments (continued)

Investments are primarily maintained in a master trust fund administered using a bank as the custodian. The management of the majority of the System's investments is conducted by numerous external investment management organizations that are selected and monitored by the System. The alternative investments have separate administrators and custodian arrangements.

Total investment return is comprised of the following for the years ended December 31, 2025 and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Other unrestricted revenues:		
Interest income and dividends	\$ 4,366	\$ 7,693
Investment return designated for current operations <i>(Note 18)</i>	<u>250,000</u>	212,500
	254,366	220,193
Nonoperating gains and losses, net:		
Interest income and dividends	167,747	160,846
Net realized gains on sales of investments	457,632	42,605
Net change in unrealized gains on investments	215,680	185,109
Investment gain on alternative investments	843,518	555,600
Investment management fees	(33,722)	(32,887)
Investment return designated for current operations <i>(Note 18)</i>	<u>(250,000)</u>	(212,500)
	1,400,855	698,773
Other changes in net assets:		
Investment income on restricted investments	<u>129,154</u>	77,940
Total investment return	\$ 1,784,375	\$ 996,906

5. Liquidity and Availability

Financial assets available for general expenditure within one year of the consolidated balance sheet date include the following at December 31, 2025 and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 1,363,160	\$ 1,022,346
Patient receivables	2,053,599	1,850,016
Long-term investments	<u>6,576,152</u>	6,277,582
	\$ 9,992,911	\$ 9,149,944

5. Liquidity and Availability (continued)

The System has assets limited to use held by trustees, set aside for the System's captive insurance subsidiaries and held for donor-restricted purposes. These investments are not reflected in the amounts above.

The System invests in alternative investments to increase the investment portfolio's diversification. 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 System's long-term investment objectives at an appropriate level of risk, while maintaining a level of liquidity to meet the needs of ongoing portfolio management. Hedge funds generally have lock-up periods imposed upon initial investment in the fund and have varying degrees of liquidity that may restrict portions of fund redemptions to be received within one year. Private equity funds generally prohibit redemptions during the life of the fund. The nature of alternative investments generally restricts the liquidity and availability of these investments to be available for the general expenditures of the System within one year of the date of the consolidated balance sheets. As such, these investments have been excluded from the amounts above.

As part of the System's liquidity management plan, cash in excess of daily requirements for general expenditures is invested in long-term investments. The System's investment portfolios contain money market funds and other liquid investments that can be drawn upon, if necessary, to meet the liquidity needs of the System.

The System maintains a \$500 million revolving credit facility as discussed in Note 11. As of December 31, 2025, \$500 million was available under the credit facility.

**CLEVELAND CLINIC HEALTH SYSTEM
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

6. Other Current Assets and Liabilities and Other Noncurrent Assets and Liabilities

Other current and noncurrent assets at December 31, 2025 and 2024 consist of the following (in thousands):

	<u>2025</u>	<u>2024</u>
Current:		
Estimated amounts due from third-party payors	\$ 462,310	\$ 105,488
Inventories	430,630	367,648
Prepaid expenses	127,376	119,548
Pledges receivable, current (<i>Note 10</i>)	68,855	91,596
Research and grants receivables	52,828	39,959
Other	101,173	138,943
Total other current assets	<u>\$ 1,243,172</u>	<u>\$ 863,182</u>
	<u>2025</u>	<u>2024</u>
Noncurrent:		
Deferred compensation plan assets	\$ 645,161	\$ 543,690
Investments in affiliates	269,734	225,140
Goodwill and other intangible assets (<i>Note 7</i>)	135,005	131,337
Cloud computing capitalized implementation costs	75,060	88,856
Prepaid pension cost (<i>Note 15</i>)	72,394	47,829
Estimated amounts due from third-party payors	5,951	18,504
Other	54,044	55,173
Total other noncurrent assets	<u>\$ 1,257,349</u>	<u>\$ 1,110,529</u>

Estimated amounts due from third-party payors reported in other current assets include receivables related to an Ohio Medicaid State Directed Payment program that provides supplemental payments to eligible hospitals for inpatient and outpatient Medicaid managed care services.

**CLEVELAND CLINIC HEALTH SYSTEM
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

6. Other Current Assets and Liabilities and Other Noncurrent Assets and Liabilities (continued)

Other current and noncurrent liabilities at December 31, 2025 and 2024 consist of the following (in thousands):

	<u>2025</u>	<u>2024</u>
Current:		
Ohio hospital franchise fee liabilities	\$ 122,343	\$ —
Management contracts and other deferred revenue	104,426	78,756
Current portion of professional and general liability insurance reserves (Note 14)	100,843	89,627
Interest payable	77,862	79,640
Operating lease liabilities (Note 13)	64,999	60,715
Estimated amounts due to third-party payors	52,546	41,490
Research deferred revenue	45,831	36,194
Employee benefit related liabilities	45,751	45,328
Other	358,120	355,220
Total other current liabilities	<u>\$ 972,721</u>	<u>\$ 786,970</u>
	<u>2025</u>	<u>2024</u>
Noncurrent:		
Employee benefit related liabilities	\$ 683,235	\$ 581,701
Estimated amounts due to third-party payors	97,758	57,414
Gift annuity liabilities	18,910	18,818
Pledge liabilities	11,687	27,091
Derivative liabilities (Note 12)	7,359	6,078
Other	139,486	107,799
Total other noncurrent liabilities	<u>\$ 958,435</u>	<u>\$ 798,901</u>

7. Goodwill and Other Intangible Assets

Goodwill is recorded in other noncurrent assets in the consolidated balance sheets. The changes in the carrying amount of goodwill for the years ended December 31, 2025 and 2024 are as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 81,012	\$ 80,604
Goodwill acquired	1,620	1,083
Foreign currency translation	402	(675)
Balance, end of year	<u>\$ 83,034</u>	<u>\$ 81,012</u>

The System also acquired other intangible assets of \$2.2 million and \$0.3 million in 2025 and 2024, respectively, related to the acquisitions of various physician practices. Other intangible assets are recorded in other noncurrent assets in the consolidated balance sheets.

Other intangible assets at December 31, 2025 and 2024 consist of the following (in thousands):

	<u>2025</u>		<u>2024</u>	
	<u>Historical Cost</u>	<u>Accumulated Amortization</u>	<u>Historical Cost</u>	<u>Accumulated Amortization</u>
Trade name	\$ 49,800	\$ —	\$ 49,800	\$ —
Finite-lived intangible assets	11,840	9,669	9,658	9,133
Total	<u>\$ 61,640</u>	<u>\$ 9,669</u>	<u>\$ 59,458</u>	<u>\$ 9,133</u>

Amortization related to finite-lived intangible assets was \$0.5 million and \$0.3 million in 2025 and 2024, respectively, and is included in depreciation and amortization in the consolidated statements of operations and changes in net assets. Future amortization is as follows (in thousands): 2026 – \$415, 2027 – \$302, 2028 – \$241, 2029 – \$202, 2030 – \$202, and thereafter – \$809.

**CLEVELAND CLINIC HEALTH SYSTEM
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FOR THE PERIOD ENDED DECEMBER 31, 2025**

8. Fair Value Measurements

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

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	<u>\$ 4,270,695</u>	<u>\$ 1,602,751</u>	<u>\$ 80,161</u>	<u>\$ 5,953,607</u>
Liabilities				
Interest rate swaps	\$ —	\$ 7,359	\$ —	\$ 7,359
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 7,359</u>	<u>\$ —</u>	<u>\$ 7,359</u>

**CLEVELAND CLINIC HEALTH SYSTEM
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

8. Fair Value Measurements (continued)

December 31, 2024

	Level 1	Level 2	Level 3	Total
Assets				
Cash and investments:				
Cash and cash equivalents	\$ 1,026,968	\$ —	\$ —	\$ 1,026,968
Money market funds	496,060	—	—	496,060
Fixed-income securities:				
U.S. treasuries	900,871	—	—	900,871
U.S. government agencies	—	450,237	—	450,237
U.S. corporate	—	739,667	—	739,667
Foreign	—	148,683	—	148,683
Fixed-income mutual funds	535,822	—	—	535,822
Common and preferred stocks:				
U.S.	171,563	278	—	171,841
Foreign	578,934	63,616	—	642,550
Equity mutual funds	68,390	—	—	68,390
Total cash and investments	3,778,608	1,402,481	—	5,181,089
Perpetual and charitable trusts	—	69,457	—	69,457
Investments in affiliates	—	—	66,433	66,433
Total assets at fair value	<u>\$ 3,778,608</u>	<u>\$ 1,471,938</u>	<u>\$ 66,433</u>	<u>\$ 5,316,979</u>
Liabilities				
Interest rate swaps	\$ —	\$ 6,078	\$ —	\$ 6,078
Total liabilities at fair value	<u>\$ —</u>	<u>\$ 6,078</u>	<u>\$ —</u>	<u>\$ 6,078</u>

8. Fair Value Measurements (continued)

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

	<u>2025</u>	<u>2024</u>
Cash, cash equivalents, and investments measured at fair value	\$ 5,798,339	\$ 5,181,089
Commingled funds measured at net asset value	2,355,110	2,302,355
Alternative investments measured at net asset value	8,624,783	7,316,565
Total cash, cash equivalents, and investments	<u>\$16,778,232</u>	<u>\$14,800,009</u>
Perpetual and charitable trusts measured at fair value	\$ 75,107	\$ 69,457
Interests in foundations	25,591	28,105
Trusts and interests in foundations	<u>\$ 100,698</u>	<u>\$ 97,562</u>

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.

8. Fair Value Measurements (continued)

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

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

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

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

9. Property, Plant, and Equipment

Property, plant, and equipment at December 31, 2025 and 2024 consist of the following (in thousands):

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 610,801	\$ 597,713
Buildings	8,769,412	8,387,528
Leasehold improvements	50,346	48,316
Equipment	2,854,743	2,714,506
Computer hardware and software	1,376,159	1,322,696
Construction-in-progress	1,214,422	770,048
Leased facilities and equipment	459,192	244,604
	<u>15,335,075</u>	14,085,411
Accumulated depreciation and amortization	<u>(7,632,138)</u>	<u>(7,203,183)</u>
	<u>\$ 7,702,937</u>	<u>\$ 6,882,228</u>

Included in the preceding table is unamortized computer software of \$161.8 million and \$200.6 million at December 31, 2025 and 2024, respectively. Amortization of computer software totaled \$74.1 million and \$67.4 million in 2025 and 2024, respectively. Amortization of computer software for the five years subsequent to December 31, 2025, is as follows (in millions): 2026 – \$54.3, 2027 – \$37.1, 2028 – \$22.3, 2029 – \$15.1, and 2030 – \$13.9.

Accumulated amortization of leased facilities and equipment was \$88.3 million and \$111.7 million at December 31, 2025 and 2024, respectively.

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10. Pledges Receivable

Outstanding pledges receivable from various corporations, foundations, and individuals at December 31, 2025 and 2024 are as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Pledges due:		
In less than one year	\$ 93,676	\$ 113,237
In one to five years	111,647	104,665
In more than five years	<u>67,822</u>	<u>67,090</u>
	273,145	284,992
 Allowance for uncollectible pledges and discounting	 (62,240)	 (55,544)
 Current portion (net of allowance for uncollectible pledges of \$24.8 million and \$21.6 million in 2025 and 2024, respectively)	 (68,855)	 (91,596)
	<u>\$ 142,050</u>	<u>\$ 137,852</u>

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11. Long-Term Debt

Long-term debt at December 31, 2025 and 2024 consists of the following (in thousands):

	Interest Rate(s)	Final Maturity	Amount Outstanding at December 31	
			2025	2024
Series 2024A Bonds	3.12% to 3.16%	2035	\$ 435,470	\$ 440,420
Series 2021A Bonds	2.31%	2049	83,810	83,810
Series 2021B Bonds	0.53% to 1.41%	2039	167,160	179,595
Series 2021 Term Loan	0.67%	2025	–	16,460
Series 2020 Term Loan	0.84%	2025	–	1,160
Series 2019A Bonds	3.39%	2046	247,045	247,045
Series 2019B Bonds	3.22% to 3.55%	2046	244,790	250,320
Series 2019C Bonds	2.75%	2052	89,000	89,000
Series 2019D Bonds	Variable rate	2052	119,340	119,340
Series 2019E Bonds	Variable rate	2052	130,405	130,405
Series 2019F Bonds	Variable rate	2052	130,405	130,405
Series 2019G Bonds	2.70% to 3.28%	2042	240,185	241,835
Series 2018 Sterling Notes	2.90% to 3.08%	2068	897,229	835,648
Series 2017A Bonds	1.97% to 3.48%	2043	662,765	696,160
Series 2017B Bonds	2.82% to 3.70%	2043	157,735	160,030
Series 2017C Bonds	2.72%	2032	5,455	6,080
Series 2016 Private Placement	3.35%	2046	325,000	325,000
Series 2014 Bonds	4.86%	2114	400,000	400,000
Series 2013A Bonds	4.04%	2042	34,955	34,955
Series 2013B Bonds	Variable rate	2039	201,160	201,160
Series 2013 Keep Memory Alive	Variable rate	2037	42,260	44,960
Series 2011B Bonds	1.43%	2031	14,300	16,295
Series 2011C Bonds	4.72%	2032	44,155	61,345
Series 2008B Bonds	Variable rate	2042	327,575	327,575
Series 2003C Bonds	Variable rate	2035	41,905	41,905
Notes payable	Varies	Varies	592	896
Financing arrangement	Varies	Varies	283,391	–
Finance leases (<i>Note 13</i>)	Varies	Varies	378,349	133,825
			5,704,436	5,215,629
Net unamortized premium			188,504	206,038
Unamortized debt issuance costs			(32,391)	(31,005)
Current portion			(101,470)	(108,261)
Long-term variable rate debt classified as current			(514,427)	(701,499)
			\$ 5,244,652	\$ 4,580,902

11. Long-Term Debt (continued)

The majority of the System's outstanding bonds are limited obligations of various issuing authorities payable solely by the System pursuant to agreements between the borrowing entities and the issuing authorities. The Series 2021 Term Loan, Series 2020 Term Loan, Series 2018 Sterling Notes, Series 2016 Private Placement, Series 2014 Bonds, and Series 2013 Keep Memory Alive Bonds are issued directly by the Clinic or its subsidiaries. Under various financing agreements, the System must meet certain operating and financial performance covenants.

In September 2025, the System entered into a sale-leaseback transaction to sell 24 off campus properties and immediately lease those properties back from the buyer. The leases for each property are for an initial term of twelve and a half years and include two five-year renewal options as well as an option to purchase the properties at the end of the initial term. The System accounted for the transaction as a financing arrangement because it did not transfer control of the underlying assets. Accordingly, the proceeds from the financing arrangement totaling \$285 million were recorded as long-term debt in the consolidated balance sheets.

In connection with the sale-leaseback transaction, the System redeemed or defeased \$19.2 million of certain outstanding bonds. As a result, the System recorded a \$0.5 million gain on extinguishment of debt, which is recorded in other nonoperating gains and losses in the consolidated statements of operations and changes and net assets.

In June 2024, 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 \$440.4 million of fixed rate Hospital Revenue Bonds (Series 2024A Bonds) for the benefit of the System. Proceeds from the Series 2024A Bonds were used to finance certain capital expenditures of the System, refund the Series 2023 Bonds and pay the cost of issuance.

The System previously maintained the Cleveland Clinic Health System Obligated Group Commercial Paper Program (CP Program). As of December 31, 2025, the CP Program provided for the issuance of taxable Series 2014A CP Notes in a principal amount of up to \$100 million, none of which were outstanding. Effective March 31, 2026, the System terminated the CP Program and replaced it with the Cleveland Clinic Taxable Hospital Revenue Commercial Paper Notes, Series 2026, which may be issued in a principal amount of up to \$250 million, none of which are currently outstanding.

Certain of the System's current outstanding bonds bear interest at a variable rate. During 2025 and 2024, the rates for the System's variable rate long-term debt series ranged from 0.35% to 5.00% (average rate 2.76%) and 0.45% to 5.50% (average rate 3.45%), respectively.

11. Long-Term Debt (continued)

Certain variable rate bonds totaling \$592.2 million at December 31, 2025, are secured by irrevocable direct pay letters of credit and standby bond purchase agreements. Long-term variable rate debt is classified as current in the consolidated balance sheets if it is 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, if declared by the lender, could cause immediate repayment of the bonds.

The System provides self-liquidity on the Series 2003C Bonds, certain subseries of the Series 2008B Bonds, the Series 2014A CP Notes and the Series 2019D Bonds. These bonds are classified as current liabilities in the consolidated balance sheets.

As of December 31, 2025, 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.

During the terms of agreements with the issuing authorities, the System is required to make specified deposits with trustees to fund principal and interest payments when due. Also, unexpended bond proceeds are held by the trustee and released to the System for approved requisition requests for capital projects. Unexpended bond proceeds, included in funds held by trustees, totaled \$1.4 million and \$1.8 million at December 31, 2025 and 2024, respectively. There was no current portion of funds held by trustees at December 31, 2025 or 2024.

The System is subject to certain restrictive covenants, including provisions relating to certain debt ratios, days cash on hand, and other matters. The System was in compliance with these covenants at December 31, 2025 and 2024.

Combined current aggregate scheduled maturities of long-term debt, including sale lease-back transactions accounted for as financing arrangements, excluding finance leases and assuming the remarketing of the variable rate demand bonds, for the five years subsequent to December 31, 2025, are as follows (in thousands): 2026 – \$74,239, 2027 – \$92,453, 2028 – \$97,420, 2029 – \$102,798, and 2030 – \$111,670.

Total interest paid approximated \$186.4 million and \$178.6 million in 2025 and 2024, respectively. Capitalized interest cost approximated \$10.4 million and \$9.8 million in 2025 and 2024, respectively.

12. Derivative Instruments

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

The System’s objective with respect to interest rate risk is to manage the risk of rising interest rates on the System’s variable rate debt. Consistent with its interest rate risk management objective, the System has entered into various interest rate swap agreements with a total notional amount of \$267.5 million and \$289.4 million at December 31, 2025 and 2024, respectively. In 2024, the System terminated three interest rate swap agreements with a notional amount totaling \$169.6 million. The System did not have a significant gain or loss on the termination of the swaps.

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

In February 2026, the System terminated all of the remaining outstanding interest rate swap agreements. The System did not have a significant gain or loss on the termination of the swaps.

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

		Derivative Assets and Liabilities			
		December 31, 2025		December 31, 2024	
		Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives not designated as hedging instruments					
Interest rate swap agreements	Other noncurrent liabilities		\$ 7,359	Other noncurrent liabilities	\$ 6,078

12. Derivative Instruments (continued)

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

	Location of (Loss) Gain Recognized	Year Ended December 31	
		2025	2024
Derivatives not designated as hedging instruments			
Interest rate swap agreements	Derivative (losses) gains \$	(2,784) \$	11,606

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

13. Leases

The System has operating and finance leases for real estate, personal property and equipment.

Operating and finance lease right-of-use assets and lease liabilities as of December 31, 2025 and 2024 were as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Operating leases		
Right-of-use assets:		
Operating lease assets	<u>\$ 369,243</u>	<u>\$ 374,656</u>
Lease liabilities:		
Other current liabilities	\$ 64,999	\$ 60,715
Noncurrent operating lease liabilities	<u>314,117</u>	<u>328,034</u>
Total operating lease liabilities	<u>\$ 379,116</u>	<u>\$ 388,749</u>
Finance leases		
Right-of-use assets:		
Property, plant, and equipment, net	<u>\$ 370,866</u>	<u>\$ 132,933</u>
Lease liabilities:		
Current portion of long-term debt	\$ 27,231	\$ 26,752
Long-term debt	<u>351,118</u>	<u>107,073</u>
Total finance lease liabilities	<u>\$ 378,349</u>	<u>\$ 133,825</u>

In 2025, the System entered into a long-term finance lease totaling \$243 million for a building in London, England, located next to the current hospital operated by the System that will expand clinical services and develop cancer care operations. The lease asset and liability are recorded as property, plant and equipment and long-term debt in the preceding finance leases table.

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13. Leases (continued)

Operating expenses for the leasing activity of the System as lessee for the years ended December 31, 2025 and 2024 are as follows (in thousands):

Lease Type	Classification	2025	2024
Operating lease costs*	Facilities expense	\$ 75,839	\$ 67,727
Short-term lease costs	Facilities expense	31,865	27,402
Financing lease interest	Interest expense	4,651	4,292
Financing lease amortization	Depreciation and amortization	34,260	32,288
Total lease cost		<u>\$ 146,615</u>	<u>\$ 131,709</u>

* Includes fixed and variable lease costs.

Cash paid for amounts included in the measurement of lease liabilities for the years ended December 31, 2025 and 2024 was as follows (in thousands):

	2025	2024
Operating cash flows from operating leases	\$ 76,137	\$ 67,996
Operating cash flows from finance leases	4,651	4,292
Financing cash flows from finance leases	29,243	29,723
Total	<u>\$ 110,031</u>	<u>\$ 102,011</u>

Right-of-use assets obtained in exchange for new lease obligations for the years ended December 31, 2025 and 2024 are as follows (in thousands):

	2025	2024
Operating leases	\$ 39,381	\$ 46,228
Finance leases	274,348	68,132
Total	<u>\$ 313,729</u>	<u>\$ 114,360</u>

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13. Leases (continued)

The aggregate future lease payments for operating and finance leases as of December 31, 2025 were as follows (in thousands):

	<u>Operating</u>	<u>Finance</u>
2026	\$ 54,174	\$ 31,956
2027	43,865	26,368
2028	30,611	23,533
2029	24,192	19,805
2030	17,783	28,886
Thereafter	1,333,481	588,381
Total lease payments	<u>1,504,106</u>	<u>718,929</u>
Less interest	(1,124,990)	(340,580)
Present value of lease liabilities	<u>\$ 379,116</u>	<u>\$ 378,349</u>

Average lease terms and discount rates at December 31, 2025 and 2024 were as follows:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term (years):		
Operating leases	51.3	47.2
Finance leases	25.5	9.1
Weighted average discount rate:		
Operating leases	3.0%	2.8%
Finance leases	4.2	3.7

Included in the tables above is a long-term leasehold interest in a building in London, England, that expires in June 2139. The System operates a hospital in the building. Rental expense is fixed at increasing annual rates until December 2027, after which rental expense will be adjusted annually by a variable index that is subject to minimum and maximum thresholds through the end of the lease term. Excluding this lease, the weighted average remaining lease term for the System's operating leases is 6.3 years and 7.1 years at December 31, 2025 and 2024, respectively.

14. Professional and General Liability Insurance

The System manages its professional and general liability insurance program primarily through captive insurance arrangements. The captive insurance subsidiaries maintain reinsurance contracts with commercial carriers for coverages in excess of certain limits.

In the ordinary course of business, professional and general liability claims have been asserted against the System by various claimants. These claims are in various stages of processing or, in certain instances, are in litigation. In addition, there are known incidents, and there also may be unknown incidents, which may result in the assertion of additional claims. The System has accrued its best estimate of both asserted and unasserted claims based on actuarially determined amounts. These estimates are subject to the effects of trends in loss severity and frequency, and ultimate settlement of professional and general liability claims may vary significantly from the estimated amounts.

The System's professional and general liability insurance reserves of \$445.1 million and \$350.1 million at December 31, 2025 and 2024, respectively, are recorded as current and noncurrent liabilities and include discounted estimates of the ultimate costs for both asserted claims and unasserted claims. Asserted and unasserted claims for the System's reserves were discounted at 4.00% and 4.75% at December 31, 2025 and 2024, respectively. Through the captive insurance subsidiaries, the System has set aside investments of \$281.4 million (\$100.8 million included in investments for current use) and \$255.4 million (\$89.6 million included in investments for current use) at December 31, 2025 and 2024, respectively, of which \$34.4 million and \$36.6 million at December 31, 2025 and 2024, respectively, is restricted in accordance with reinsurance trust agreements related to coverage of the Florida operations and other reinsurance programs provided by the captive insurance subsidiaries.

14. Professional and General Liability Insurance (continued)

Activity in the professional and general liability insurance reserves is summarized as follows (in thousands):

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	\$ 350,096	\$ 326,644
Incurred related to:		
Current period	152,398	119,441
Prior period	48,927	41,986
Total incurred	<u>201,325</u>	<u>161,427</u>
Paid related to:		
Current period	14,042	13,979
Prior period	102,356	136,708
Total paid	<u>116,398</u>	<u>150,687</u>
Total incurred less total paid	<u>84,927</u>	10,740
Increase in unasserted claims	15,563	10,739
(Decrease) increase in reinsurance recoverable	<u>(5,520)</u>	1,973
Balance at end of year	<u>\$ 445,066</u>	<u>\$ 350,096</u>

The foregoing reconciliation shows \$48.9 million and \$42.0 million of unfavorable development in 2025 and 2024, respectively, primarily due to changes in actuarial estimates of outstanding claims influenced by the impact of both regular and social inflation that has created an upward national trend of jury verdicts and settlement amounts, as well as a few larger than normal claim settlement payments over the last few years. The System utilizes a combination of actual and industry statistics to estimate loss and loss adjustment expense reserves.

15. Pensions and Other Postretirement Benefits

As of December 31, 2025, 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.

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

15. Pensions and Other Postretirement Benefits (continued)

The System provides healthcare benefits upon retirement for substantially all of its employees who meet certain minimum age and years of service provisions at retirement. The System's healthcare plans generally provide for cost sharing, in the form of retiree contributions, deductibles, and coinsurance. The System's policy is to fund the annual cost of healthcare benefits from the general assets of the System. The estimated cost of these postretirement benefits is actuarially determined and accrued over the employees' service periods.

The mortality tables used to calculate the defined benefit obligation for the System's defined benefit and postretirement health benefit plans are based on the Pri-2012 "Employees," "Healthy Retiree" and "Contingent Annuitant" tables, projected generationally, and reflecting recently observed mortality experience adjustments from the Society of Actuaries Research Institute to the MP-2021 projection scale from the 2012 base year for defined benefit obligations at December 31, 2025 and 2024. Mortality tables used to calculate the defined benefit obligation for the System's qualified defined benefit plans also include adjustments for annuitant tables based on application of a geospatial mortality model. The System believes that the updated mortality rates are the best estimate of future experience.

The System expects to make contributions of \$21.5 million to the defined benefit pension plans in 2026. Pension benefit payments over the next ten years are estimated as follows: 2026 – \$201.7 million, 2027 – \$122.6 million, 2028 – \$120.8 million, 2029 – \$118.5 million, 2030 – \$112.6 million, and in the aggregate for the five years thereafter – \$497.8 million.

The System expects to make contributions of \$2.3 million to other postretirement benefit plans in 2026. Other postretirement benefit payments over the next ten years are estimated as follows: 2026 – \$2.3 million, 2027 – \$2.1 million, 2028 – \$2.0 million, 2029 – \$1.9 million, 2030 – \$1.8 million, and in the aggregate for the five years thereafter – \$9.3 million.

The System is required to recognize the funded status, which is the difference between the fair value of plan assets and the projected benefit obligations, of its pension and other postretirement benefit plans in the consolidated balance sheets, with a corresponding adjustment to net assets without donor restrictions. Amounts recorded in net assets without donor restrictions consist of actuarial gains and losses and prior service credits and costs. Actuarial gains and losses recorded in net assets outside of the corridor, which is 10% of the greater of the projected benefit obligation or the fair value of the plan assets, are recognized as a component of net periodic benefit cost immediately in the current period. Prior service credits and costs are amortized on a straight-line basis over the estimated life of the plan participants.

15. Pensions and Other Postretirement Benefits (continued)

Included in net assets without donor restrictions at December 31, 2025 and 2024 are the following amounts that have not yet been recognized in net periodic benefit (credit) cost (in thousands):

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2025	2024	2025	2024
Unrecognized actuarial losses (gains)	\$ 85,012	\$ 104,439	\$ (4,120)	\$ 1,835
Unrecognized prior service credit	(1,968)	(3,783)	(6,887)	(8,268)
Total	\$ 83,044	\$ 100,656	\$ (11,007)	\$ (6,433)

Unrecognized actuarial losses included in net assets without donor restrictions represent amounts within the corridor that do not require recognition in net periodic benefit cost for each respective year.

Changes in plan assets and benefit obligations recognized in net assets without donor restrictions for the years ended December 31, 2025 and 2024 are as follows (in thousands):

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2025	2024	2025	2024
Current year actuarial gain (loss)	\$ 14,481	\$ (2,220)	\$ 5,955	\$ 6,494
Recognition of actuarial loss (gain)	4,946	(5,109)	–	–
Current year prior service credit	–	–	–	3,001
Amortization of prior service credit	(1,815)	(1,815)	(1,381)	(1,351)
Total	\$ 17,612	\$ (9,144)	\$ 4,574	\$ 8,144

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15. Pensions and Other Postretirement Benefits (continued)

The following table sets forth the funded status of the System's pensions and other postretirement benefit plans and the amounts recognized in the System's December 31, 2025 and 2024, consolidated balance sheets (in thousands):

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2025	2024	2025	2024
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	\$ 1,343,102	\$ 1,419,709	\$ 67,433	\$ 83,292
Service (credit) cost	(1,692)	(2,243)	(86)	729
Interest cost	71,636	71,413	3,754	4,280
Actuarial loss (gain)	31,719	(35,862)	(5,955)	(6,494)
Participant contributions	-	-	34,597	29,509
Plan amendments	-	-	-	(3,001)
Settlement payments	(60,869)	-	-	-
Benefits paid	(63,252)	(109,915)	(38,308)	(40,882)
Projected benefit obligation at end of year	1,320,644	1,343,102	61,435	67,433
Change in plan assets:				
Fair value of plan assets at beginning of year	1,245,091	1,312,355	-	-
Actual return on plan assets	110,067	27,896	-	-
Participant contributions	-	-	34,597	29,509
System contributions	15,380	14,755	3,711	11,373
Settlement payments	(60,869)	-	-	-
Benefits paid	(63,252)	(109,915)	(38,308)	(40,882)
Fair value of plan assets at end of year	1,246,417	1,245,091	-	-
Accrued retirement benefits	\$ (74,227)	\$ (98,011)	\$ (61,435)	\$ (67,433)
Noncurrent assets	\$ 72,394	\$ 47,829	\$ -	\$ -
Current liabilities	(12,356)	(11,922)	(2,313)	(2,546)
Noncurrent liabilities	(134,265)	(133,918)	(59,122)	(64,887)
Net liability recognized in consolidated balance sheets	\$ (74,227)	\$ (98,011)	\$ (61,435)	\$ (67,433)

15. Pensions and Other Postretirement Benefits (continued)

The accumulated benefit obligation for all defined benefit pension plans was \$1.3 billion at both December 31, 2025 and 2024. At December 31, 2025, defined benefit pension plans that had projected benefit obligations in excess of the fair value of plan assets had total accumulated benefit obligations of \$140.3 million, projected benefit obligations of \$146.6 million and no plan assets. At December 31, 2025, defined benefit pension plans that had fair value of plan assets in excess of projected benefit obligations had total accumulated benefit obligations and projected benefit obligations of \$1.2 billion and fair value of plan assets of \$1.2 billion. At December 31, 2024, defined benefit pension plans that had projected benefit obligations in excess of the fair value of plan assets had total accumulated benefit obligations of \$139.1 million, projected benefit obligations of \$145.8 million and no plan assets. At December 31, 2024, defined benefit pension plans that had fair value of plan assets in excess of projected benefit obligations had total accumulated benefit obligations and projected benefit obligations of \$1.2 billion and fair value of plan assets of \$1.2 billion.

Actuarial gains and losses related to changes in the benefit obligation of defined benefit pension plans were \$31.7 million of losses and \$35.9 million of gains in 2025 and 2024, respectively. Significant components of gains and losses impacting defined benefit pension plans include changes in the discount rate, demographic experience changes and updates to the mortality assumption. Actuarial losses related to changes in the benefit obligation of other postretirement benefit plans were \$6.0 million and \$6.5 million in 2025 and 2024, respectively. Significant components of actuarial losses impacting other postretirement benefit plans include changes in the discount rate, updates to healthcare claim costs and updates to the mortality assumption.

The CCHS Retirement Plan paid \$60.9 million in lump-sum payments in accordance with plan terms in 2025, which exceeded the sum of the service cost and interest cost components of net periodic benefit cost. As a result, the System recorded a settlement charge of \$4.9 million for the year ended December 31, 2025.

15. Pensions and Other Postretirement Benefits (continued)

The components of net periodic benefit cost are as follows (in thousands):

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2025	2024	2025	2024
Components of net periodic benefit cost:				
Service (credit) cost	\$ (1,692)	\$ (2,243)	\$ (86)	\$ 729
Interest cost	71,636	71,413	3,754	4,280
Expected return on plan assets	(63,867)	(65,978)	—	—
Recognition of actuarial loss (gain)	40	(5,109)	—	—
Settlement charge	4,906	—	—	—
Amortization of prior service credit	(1,815)	(1,815)	(1,381)	(1,351)
Net periodic benefit cost (credit)	9,208	(3,732)	2,287	3,658
Defined contribution plans	457,355	430,812	—	—
Total	\$ 466,563	\$ 427,080	\$ 2,287	\$ 3,658

The service (credit) cost 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 service (credit) cost are included in other nonoperating gains and losses in the consolidated statements of operations and changes in net assets.

15. Pensions and Other Postretirement Benefits (continued)

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

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	2025	2024	2025	2024
Weighted average assumptions:				
Discount rates:				
Used for benefit obligations	5.48%	5.77%	5.77%	5.68%
Used for net periodic benefit cost	5.77	5.40	5.68	5.18
Expected rate of return on plan assets	5.54	5.37	–	–
Rate of compensation increase:				
Used for benefit obligations	3.00	3.00	–	–
Used for net periodic benefit cost	3.00	3.00	–	–
Crediting interest rate on cash balance plans	5.91	5.92	–	–

The System uses a direct cost approach to estimate its postretirement benefit obligation for healthcare services provided by the System (internally provided services). Healthcare services provided by non-System entities (externally provided services) are based on the System’s historical cost experience.

15. Pensions and Other Postretirement Benefits (continued)

The annual assumed healthcare cost trend rates for the next year and the assumed trend thereafter are as follows:

	<u>2025</u>	<u>2024</u>
Internally provided services:		
Initial rate	6.50%	5.50%
Ultimate rate	4.25	4.25
Year ultimate rate reached	2035	2030
Externally provided services:		
Initial rate	7.50%	6.50%
Ultimate rate	5.25	5.25
Year ultimate rate reached	2035	2030

The System's weighted average asset allocation of pension plan assets at December 31, 2025 and 2024, by asset category, is as follows:

	<u>Percentage of Plan Assets</u>		
	<u>2025</u>	<u>2024</u>	<u>Target Allocation</u>
Asset category			
Interest-bearing cash	3.3%	5.0%	1%-5%
Fixed-income securities	76.2	73.0	60%-90%
Common and preferred stocks	6.1	7.7	3%-25%
Alternative investments	14.4	14.3	0%-19%
Total	<u>100.0%</u>	<u>100.0%</u>	

15. Pensions and Other Postretirement Benefits (continued)

The System's investment strategy for its pension assets balances the liquidity needs of the pension plans with the long-term return goals necessary to satisfy future pension obligations. Interest-bearing cash includes amount held by various investment management organizations that can fluctuate based on the timing of investment activity and expected cash flows. The target allocation ranges of the investment pool to various asset classes are designed to diversify the portfolio in a way that achieves an efficient trade-off between long-term return and risk, while providing adequate liquidity to meet near-term expenses and obligations.

The System's weighted average pension portfolio return assumption of 5.54% and 5.37% in 2025 and 2024, respectively, is based on the targeted assumed rate of return through its asset mix at the beginning of each year, which is designed to mitigate short-term return volatility and achieve an efficient trade-off between return and risk. Expected returns and risk for each asset class are formed using a global capital asset pricing model framework in which the expected return is the compensation earned from taking risk. Forward-looking adjustments are made to expected return, volatility, and correlation estimates as well. Additionally, constraints such as permissible asset classes, portfolio guidelines, and liquidity considerations are included in the model.

The System has implemented and utilized a liability-driven investment strategy for its defined benefit pension plans over the last several years that has reduced the asset allocation for common and preferred stocks with a corresponding increase in fixed-income securities. The investment strategy has been implemented in phases based on the increased funded status of the pension plans and the anticipation that such changes in investment strategy will result in lower volatility of future changes in funded status. Additional revisions in asset allocations and expected rate of return on plan assets may occur based on future changes in the funded status of the pension plans. It is anticipated that the duration of the fixed-income investment assets will be similar to the duration of the liabilities of the pension plan over time.

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15. Pensions and Other Postretirement Benefits (continued)

The following tables present the financial instruments in the System's defined benefit pension plans measured at fair value on a recurring basis as of December 31, 2025 and 2024, based on the valuation hierarchy (in thousands):

December 31, 2025

	Level 1	Level 2	Level 3	Total
Assets				
Cash and investments:				
Cash and cash equivalents	\$ 41,488	\$ 43	\$ –	\$ 41,531
Fixed-income securities:				
U.S. treasuries	277,930	–	–	277,930
U.S. government agencies	–	12,575	–	12,575
U.S. corporate	–	262,191	–	262,191
Foreign	–	54,873	–	54,873
Total assets at fair value	<u>\$ 319,418</u>	<u>\$ 329,682</u>	<u>\$ –</u>	<u>\$ 649,100</u>

December 31, 2024

	Level 1	Level 2	Level 3	Total
Assets				
Cash and investments:				
Cash and cash equivalents	\$ 61,902	\$ 34	\$ –	\$ 61,936
Fixed-income securities:				
U.S. treasuries	282,465	–	–	282,465
U.S. government agencies	–	12,419	–	12,419
U.S. corporate	–	382,995	–	382,995
Foreign	–	73,628	–	73,628
Total assets at fair value	<u>\$ 344,367</u>	<u>\$ 469,076</u>	<u>\$ –</u>	<u>\$ 813,443</u>

Total plan assets in the System's defined benefit pension plans at December 31, 2025 and 2024 are comprised of the following (in thousands):

	2025	2024
Plan assets measured at fair value	\$ 649,100	\$ 813,443
Commingled funds measured at net asset value	418,473	254,049
Alternative investments measured at net asset value	178,844	177,599
Total fair value of plan assets at end of year	<u>\$ 1,246,417</u>	<u>\$ 1,245,091</u>

15. Pensions and Other Postretirement Benefits (continued)

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 8.

Fixed-income securities include debt obligations of the U.S. government and various agencies, U.S. corporations, and other fixed-income instruments such as mortgage-backed and asset-backed securities. Additionally, investments may include mutual funds and commingled fixed-income funds that invest opportunistically in non-U.S. and high-yield debt instruments. Commingled fixed-income funds are valued using net asset value as a practical expedient.

Common and preferred stocks include commingled equity funds whose underlying assets may include publicly traded equity securities. Commingled equity funds are valued using net asset value as a practical expedient.

Alternative investments include hedge funds and private equity funds that are valued using net asset value as a practical expedient. Hedge funds are meant to provide returns between those expected from stocks and fixed-income investments with commensurate levels of risk and lower correlation relative to traditional investments. Included in this category are investments that are well diversified across various strategies and may consist of absolute return funds, long/short funds, and other opportunistic/multi-strategy funds. The underlying investments in such funds may include publicly traded and privately held equity and debt instruments issued by U.S. and international corporations, as well as various derivatives based on these securities. Hedge fund redemptions typically contain restrictions that allow for a portion of the withdrawal proceeds to be held back from distribution while the underlying investments are liquidated. Private equity funds generally consist of limited partnerships formed to invest in equity and private credit investments in operating companies that are not publicly traded. Investment strategies in this category may include buyouts, distressed debt, direct lending, special situations and other credit strategies. Private equity funds are closed-end funds and have significant redemption restrictions that prohibit redemptions during the fund's life.

16. Income Taxes

The Clinic and most of its controlled affiliates are tax-exempt organizations, as described in Section 501(c)(3) of the Internal Revenue Code. These organizations are subject to income tax on any income from unrelated business activities. The System also owns or controls certain domestic and international taxable affiliates.

The System files income tax returns in the U.S. federal jurisdiction and in various state and foreign jurisdictions. Generally, the System is no longer subject to U.S. federal, state, local and non-U.S. tax examinations by tax authorities for years before 2022.

16. Income Taxes (continued)

Uncertain income tax positions were not significant to the consolidated financial statements at December 31, 2025 or 2024. The System does not expect a significant increase or decrease in unrecognized tax benefits within the next 12 months. The System recognizes accrued interest and penalties related to the liability for unrecognized tax benefits in the consolidated statements of operations and changes in net assets.

The System has temporary differences of \$2.1 billion and \$2.0 billion at December 31, 2025 and 2024, respectively. The temporary differences primarily relate to net operating losses available for income tax purposes. The majority of these losses expire in varying amounts through 2038. A deferred tax asset of \$414.6 million and \$379.2 million has been recorded at December 31, 2025 and 2024, respectively. A valuation allowance of \$414.6 million and \$379.2 million has been recorded at December 31, 2025 and 2024, respectively, against the deferred tax assets due to the uncertainty regarding their use.

17. Commitments and Contingent Liabilities

At December 31, 2025, the System has commitments for construction and other related capital contracts of \$614.4 million and letters of credit of \$12.8 million. Guarantees of mortgage loans made by banks to certain staff members are \$21.6 million at December 31, 2025. In addition, the System has remaining commitments to invest approximately \$1.6 billion in alternative investments at December 31, 2025. The largest commitment at December 31, 2025 to any one alternative strategy manager is \$48.4 million. These investments are generally expected to occur within the next five years. No amounts have been recorded in the consolidated balance sheets for these commitments and guarantees.

Pledge liabilities to various foundations and other entities at December 31, 2025, are as follows (in thousands): 2026 – \$39,880, 2027 – \$9,380, 2028 – \$600, 2029 – \$500, 2030 – \$500, and thereafter – \$1,500. The unamortized discount on pledge liabilities at December 31, 2025 was \$0.9 million. Pledge liabilities are recorded in other current liabilities and other noncurrent liabilities in the consolidated balance sheets.

18. Endowment

The System's endowment consists of 413 individual donor-restricted funds established for a variety of purposes and one board-designated endowment fund that supports a portion of the research and education activities of the System. See Note 19 for a summary of research and education expenses of the System for the years ended December 31, 2025 and 2024. Endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions as net assets without donor restrictions or net assets with donor restrictions.

Interpretation of Relevant Law

The System has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the System classifies as net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in the permanent endowment is available for appropriation for expenditure by the System in a manner consistent with the standard for expenditure prescribed by UPMIFA. In accordance with UPMIFA, the System considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

18. Endowment (continued)

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the original and subsequent donor gift amounts. These deficiencies can result from unfavorable market fluctuations that occur shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriations for certain programs that are deemed prudent by the System. The System maintains policies that permit spending from underwater endowment funds, depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. As of December 31, 2025 and 2024, the System had no significant deficiencies of this nature in donor-restricted endowment funds.

Return Objectives and Risk Parameters

The System has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include board-designated endowment funds and donor-restricted endowment funds, including those assets of donor-restricted funds that the System must hold in perpetuity. Under this policy, the endowment assets are invested in a highly diversified portfolio of U.S. and non-U.S. publicly traded equities, alternative investments, and fixed-income securities structured to achieve an optimal balance between return and risk. The System expects its endowment funds, over time, to meet or exceed the investment policy benchmark as represented by a policy asset allocation, although actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the System relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The System targets a diversified asset allocation to achieve its long-term return objective within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The System has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value over the prior three years through the calendar year-end preceding the fiscal year in which the appropriation is planned. In establishing this policy, the System considered the long-term expected return on its endowment. Accordingly, over the long term, the System expects the current spending policy to allow its endowment to grow. This is consistent with the System's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

18. Endowment (continued)

Changes in Endowment Net Assets

The following table summarizes the changes in endowment net assets for the years ended December 31, 2025 and 2024 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2024	\$ 3,558,271	\$ 647,741	\$ 4,206,012
Investment return	365,330	60,025	425,355
Contributions	1,341,802	29,225	1,371,027
Appropriation of endowment assets for expenditure	(212,500)	(28,179)	(240,679)
Endowment net assets, December 31, 2024	5,052,903	708,812	5,761,715
Investment return	627,556	89,308	716,864
Contributions	–	38,455	38,455
Appropriation of endowment assets for expenditure	(250,000)	(24,550)	(274,550)
Endowment net assets, December 31, 2025	\$ 5,430,459	\$ 812,025	\$ 6,242,484

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19. Functional Expenses

The following tables present expenses by both their nature and their function for the years ended December 31, 2025 and 2024 (in thousands):

	2025				Total
	Healthcare Services	Research and Education	General and Administrative	Other	
Salaries, wages, and benefits	\$ 7,624,327	\$ 846,507	\$ 923,813	\$ 104,819	\$ 9,499,466
Supplies	1,595,677	44,952	10,194	20,506	1,671,329
Pharmaceuticals	2,759,260	117	2,970	2,538	2,764,885
Medical claims	—	—	—	267,422	267,422
Purchased services and other fees	884,625	37,234	373,261	13,200	1,308,320
Administrative services	72,764	96,894	36,541	49,270	255,469
Facilities	455,063	11,238	26,559	17,897	510,757
Insurance	235,601	8	3,331	3,584	242,524
Interest	168,748	1,907	1,509	2,107	174,271
Depreciation and amortization	468,056	16,241	174,607	7,378	666,282
	\$14,264,121	\$ 1,055,098	\$ 1,552,785	\$ 488,721	\$17,360,725

	2024				Total
	Healthcare Services	Research and Education	General and Administrative	Other	
Salaries, wages, and benefits	\$ 7,139,303	\$ 868,295	\$ 918,506	\$ 94,696	\$ 9,020,800
Supplies	1,413,720	38,991	11,541	19,666	1,483,918
Pharmaceuticals	2,292,486	199	3,636	2,442	2,298,763
Purchased services and other fees	698,941	31,365	381,527	13,534	1,125,367
Administrative services	60,503	102,616	31,102	51,368	245,589
Facilities	427,433	9,757	25,695	16,353	479,238
Insurance	191,922	23	4,901	479	197,325
Interest	170,639	2,001	1,407	2,834	176,881
Depreciation and amortization	446,726	15,470	163,480	6,929	632,605
	\$12,841,673	\$ 1,068,717	\$ 1,541,795	\$ 208,301	\$15,660,486

The consolidated financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, wages, and benefits, which include allocations on the basis of estimates of time and effort.

20. Subsequent Events

The System evaluated events and transactions occurring subsequent to December 31, 2025 through March 31, 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, except in March 2026, pursuant to certain agreements between the System and the State of Ohio (State) acting by and through the Ohio Higher Education 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.

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
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Unaudited Consolidating Balance Sheets
(\$ in thousands)

	December 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,041,985	\$ 321,175	\$ —	\$ 1,363,160
Patient receivables	1,756,864	372,461	(75,726)	2,053,599
Due from affiliates	14,232	3,391	(17,623)	—
Investments for current use	—	100,843	—	100,843
Other current assets	974,031	275,666	(6,525)	1,243,172
Total current assets	3,787,112	1,073,536	(99,874)	4,760,774
Investments:				
Long-term investments	12,398,134	1,001,783	—	13,399,917
Funds held by trustees	37,495	—	—	37,495
Assets held for self-insurance	—	180,574	—	180,574
Donor-restricted assets	1,589,022	107,221	—	1,696,243
	14,024,651	1,289,578	—	15,314,229
Property, plant, and equipment, net	5,807,118	1,895,819	—	7,702,937
Other assets:				
Pledges receivable, net	131,760	10,290	—	142,050
Trusts and interests in foundations	66,865	33,833	—	100,698
Operating lease right-of-use assets	127,456	241,787	—	369,243
Other noncurrent assets	1,224,907	147,754	(115,312)	1,257,349
	1,550,988	433,664	(115,312)	1,869,340
Total assets	<u>\$ 25,169,869</u>	<u>\$ 4,692,597</u>	<u>\$ (215,186)</u>	<u>\$ 29,647,280</u>

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

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FOR THE PERIOD ENDED DECEMBER 31, 2025**

Unaudited Consolidating Balance Sheets (continued)

(\$ in thousands)

	December 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 701,118	\$ 148,790	\$ (321)	\$ 849,587
Compensation and amounts withheld from payroll	717,320	99,308	-	816,628
Current portion of long-term debt	92,601	8,869	-	101,470
Variable rate debt classified as current	475,118	39,309	-	514,427
Due to affiliates	1,247	16,376	(17,623)	-
Other current liabilities	777,731	270,822	(75,832)	972,721
Total current liabilities	<u>2,765,135</u>	<u>583,474</u>	<u>(93,776)</u>	<u>3,254,833</u>
Long-term debt	4,005,767	1,241,516	(2,631)	5,244,652
Other liabilities:				
Professional and general liability insurance reserves	189,979	154,244	-	344,223
Accrued retirement benefits	192,425	962	-	193,387
Operating lease liabilities	90,180	223,937	-	314,117
Other noncurrent liabilities	895,590	68,944	(6,099)	958,435
	<u>1,368,174</u>	<u>448,087</u>	<u>(6,099)</u>	<u>1,810,162</u>
Total liabilities	<u>8,139,076</u>	<u>2,273,077</u>	<u>(102,506)</u>	<u>10,309,647</u>
Net assets:				
Without donor restrictions	15,181,727	2,241,639	(112,680)	17,310,686
With donor restrictions	1,849,066	177,881	-	2,026,947
Total net assets	<u>17,030,793</u>	<u>2,419,520</u>	<u>(112,680)</u>	<u>19,337,633</u>
Total liabilities and net assets	<u>\$ 25,169,869</u>	<u>\$ 4,692,597</u>	<u>\$ (215,186)</u>	<u>\$ 29,647,280</u>

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

**CLEVELAND CLINIC HEALTH SYSTEM
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FOR THE PERIOD ENDED DECEMBER 31, 2025**

Unaudited Consolidating Balance Sheets (continued)

(\$ in thousands)

	December 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Assets				
Current assets:				
Cash and cash equivalents	\$ 986,681	\$ 35,665	\$ —	\$ 1,022,346
Patient receivables	1,558,559	361,195	(69,738)	1,850,016
Due from affiliates	30,238	7,664	(37,902)	—
Investments for current use	—	89,627	—	89,627
Other current assets	682,838	188,409	(8,065)	863,182
Total current assets	3,258,316	682,560	(115,705)	3,825,171
Investments:				
Long-term investments	10,613,125	1,331,384	—	11,944,509
Funds held by trustees	6,169	—	—	6,169
Assets held for self-insurance	—	165,757	—	165,757
Donor-restricted assets	1,443,640	127,961	—	1,571,601
	12,062,934	1,625,102	—	13,688,036
Property, plant, and equipment, net	5,262,656	1,619,572	—	6,882,228
Other assets:				
Pledges receivable, net	123,392	14,460	—	137,852
Trusts and interests in foundations	67,364	30,198	—	97,562
Operating lease right-of-use assets	138,883	235,773	—	374,656
Other noncurrent assets	1,001,915	184,440	(75,826)	1,110,529
	1,331,554	464,871	(75,826)	1,720,599
Total assets	\$ 21,915,460	\$ 4,392,105	\$ (191,531)	\$ 26,116,034

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Unaudited Consolidating Balance Sheets (continued)

(\$ in thousands)

	December 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 678,591	\$ 141,077	\$ (124)	\$ 819,544
Compensation and amounts withheld from payroll	627,337	81,597	-	708,934
Current portion of long-term debt	100,795	7,466	-	108,261
Variable rate debt classified as current	659,393	42,106	-	701,499
Due to affiliates	5,150	32,752	(37,902)	-
Other current liabilities	639,770	217,362	(70,162)	786,970
Total current liabilities	2,711,036	522,360	(108,188)	3,125,208
Long-term debt	3,691,201	892,847	(3,146)	4,580,902
Other liabilities:				
Professional and general liability insurance reserves	130,894	129,575	-	260,469
Accrued retirement benefits	197,807	998	-	198,805
Operating lease liabilities	98,130	229,904	-	328,034
Other noncurrent liabilities	738,046	68,372	(7,517)	798,901
	1,164,877	428,849	(7,517)	1,586,209
Total liabilities	7,567,114	1,844,056	(118,851)	9,292,319
Net assets:				
Without donor restrictions	12,632,974	2,348,049	(72,680)	14,908,343
With donor restrictions	1,715,372	200,000	-	1,915,372
Total net assets	14,348,346	2,548,049	(72,680)	16,823,715
Total liabilities and net assets	\$ 21,915,460	\$ 4,392,105	\$ (191,531)	\$ 26,116,034

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Operations

Operations	Three Months Ended December 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Unrestricted revenues				
Net patient service revenue	\$ 3,562,467	\$ 833,023	\$ (282,355)	\$ 4,113,135
Premium revenue	160,047	—	—	160,047
Other	651,039	123,013	(65,564)	708,488
Total unrestricted revenues	4,373,553	956,036	(347,919)	4,981,670
Expenses				
Salaries, wages, and benefits	2,137,843	461,315	(164,264)	2,434,894
Supplies	342,590	95,289	(331)	437,548
Pharmaceuticals	656,849	71,579	—	728,428
Medical claims	171,554	—	(101,098)	70,456
Purchased services and other fees	350,483	115,699	(53,140)	413,042
Administrative services	7,310	80,493	(10,741)	77,062
Facilities	95,212	38,304	(331)	133,185
Insurance	33,255	59,910	(17,989)	75,176
	3,795,096	922,589	(347,894)	4,369,791
Operating income before interest, depreciation and amortization	578,457	33,447	(25)	611,879
Interest	37,593	8,589	—	46,182
Depreciation and amortization	124,812	42,127	(25)	166,914
Operating income (loss)	416,052	(17,269)	—	398,783
Nonoperating gains and losses				
Investment return	305,419	45,137	—	350,556
Derivative gains	137	—	—	137
Other, net	(4,550)	(262)	—	(4,812)
Net nonoperating gains	301,006	44,875	—	345,881
Excess of revenues over expenses	717,058	27,606	—	744,664

(continued on next page)

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Changes in Net Assets

Changes in Net Assets	Three Months Ended December 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Changes in net assets without donor restrictions				
Excess of revenues over expenses	\$ 717,058	\$ 27,606	\$ —	\$ 744,664
Donated capital	293	—	—	293
Net assets released from restrictions for capital purposes	12,061	14,962	—	27,023
Retirement benefits adjustment	23,291	1,292	—	24,583
Foreign currency translation	—	663	—	663
Other	427,913	(390,288)	(40,000)	(2,375)
Increase (decrease) in net assets without donor restrictions	1,180,616	(345,765)	(40,000)	794,851
Changes in net assets with donor restrictions				
Gifts and bequests	57,683	10,656	—	68,339
Net investment income	23,125	1,764	—	24,889
Net assets released from restrictions used for operations included in other unrestricted revenues	(38,490)	(5,077)	—	(43,567)
Net assets released from restrictions for capital purposes	(12,061)	(14,962)	—	(27,023)
Change in interests in foundations	(3,997)	—	—	(3,997)
Change in value of perpetual trusts	618	670	—	1,288
Other	6,379	(4,005)	—	2,374
Increase (decrease) in net assets without donor restrictions	33,257	(10,954)	—	22,303
Increase (decrease) in net assets	1,213,873	(356,719)	(40,000)	817,154
Net assets at beginning of period	15,816,920	2,776,239	(72,680)	18,520,479
Net assets at end of period	\$ 17,030,793	\$ 2,419,520	\$ (112,680)	\$ 19,337,633

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Operations

Operations	Three Months Ended December 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Unrestricted revenues				
Net patient service revenue	\$ 2,937,933	\$ 693,321	\$ (108,077)	\$ 3,523,177
Other	564,695	122,541	(60,016)	627,220
Total unrestricted revenues	3,502,628	815,862	(168,093)	4,150,397
Expenses				
Salaries, wages, and benefits	1,911,111	471,445	(123,320)	2,259,236
Supplies	252,270	75,108	(250)	327,128
Pharmaceuticals	571,032	64,846	—	635,878
Purchased services and other fees	242,972	65,141	(22,043)	286,070
Administrative services	11,931	66,668	(7,504)	71,095
Facilities	87,181	34,940	(393)	121,728
Insurance	40,481	55,618	(14,558)	81,541
	3,116,978	833,766	(168,068)	3,782,676
Operating income (loss) before interest, depreciation and amortization	385,650	(17,904)	(25)	367,721
Interest	34,315	8,474	—	42,789
Depreciation and amortization	151,100	37,054	(25)	188,129
Operating income (loss)	200,235	(63,432)	—	136,803
Nonoperating gains and losses				
Investment return	(54,681)	(5,243)	—	(59,924)
Derivative gains	5,750	—	—	5,750
Other, net	1,925	399	—	2,324
Net nonoperating losses	(47,006)	(4,844)	—	(51,850)
Excess (deficiency) of revenues over expenses	153,229	(68,276)	—	84,953

(continued on next page)

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Changes in Net Assets

Changes in Net Assets	Three Months Ended December 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Changes in net assets without donor restrictions				
Excess (deficiency) of revenues over expenses	\$ 153,229	\$ (68,276)	\$ —	\$ 84,953
Donated capital	385	—	—	385
Net assets released from restrictions for capital purposes	40,842	2,555	—	43,397
Retirement benefits adjustment	2,555	(1,180)	—	1,375
Foreign currency translation	—	(4,739)	—	(4,739)
Other	(266,905)	283,042	(20,000)	(3,863)
(Decrease) increase in net assets without donor restrictions	(69,894)	211,402	(20,000)	121,508
Changes in net assets with donor restrictions				
Gifts and bequests	84,786	7,617	—	92,403
Net investment income	2,268	413	—	2,681
Net assets released from restrictions used for operations included in other unrestricted revenues	(43,790)	(3,379)	—	(47,169)
Net assets released from restrictions for capital purposes	(40,842)	(2,555)	—	(43,397)
Change in interests in foundations	(779)	—	—	(779)
Change in value of perpetual trusts	829	387	—	1,216
Other	4,243	(384)	—	3,859
Increase in net assets with donor restrictions	6,715	2,099	—	8,814
(Decrease) increase in net assets	(63,179)	213,501	(20,000)	130,322
Net assets at beginning of period	14,411,525	2,334,548	(52,680)	16,693,393
Net assets at end of period	\$ 14,348,346	\$ 2,548,049	\$ (72,680)	\$ 16,823,715

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Operations

Operations	Year Ended December 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Unrestricted revenues				
Net patient service revenue	\$ 13,021,937	\$ 2,964,539	\$ (965,705)	\$ 15,020,771
Premium revenue	616,697	—	—	616,697
Other	2,382,421	497,997	(244,000)	2,636,418
Total unrestricted revenues	16,021,055	3,462,536	(1,209,705)	18,273,886
Expenses				
Salaries, wages, and benefits	8,299,109	1,814,427	(614,070)	9,499,466
Supplies	1,315,018	357,144	(833)	1,671,329
Pharmaceuticals	2,496,667	268,218	—	2,764,885
Medical claims	626,234	—	(358,812)	267,422
Purchased services and other fees	1,130,750	298,041	(120,471)	1,308,320
Administrative services	1,294	296,272	(42,097)	255,469
Facilities	367,271	144,993	(1,507)	510,757
Insurance	152,048	162,291	(71,815)	242,524
	14,388,391	3,341,386	(1,209,605)	16,520,172
Operating income before interest, depreciation and amortization	1,632,664	121,150	(100)	1,753,714
Interest	142,015	32,256	—	174,271
Depreciation and amortization	503,754	162,628	(100)	666,282
Operating income (loss)	986,895	(73,734)	—	913,161
Nonoperating gains and losses				
Investment return	1,197,484	203,371	—	1,400,855
Derivative losses	(2,784)	—	—	(2,784)
Other, net	(12,681)	76	—	(12,605)
Net nonoperating gains	1,182,019	203,447	—	1,385,466
Excess of revenues over expenses	2,168,914	129,713	—	2,298,627

(continued on next page)

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Changes in Net Assets

Changes in Net Assets	Year Ended December 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Changes in net assets without donor restrictions				
Excess of revenues over expenses	\$ 2,168,914	\$ 129,713	\$ —	\$ 2,298,627
Donated capital	375	—	—	375
Net assets released from restrictions				
for capital purposes	63,797	18,707	—	82,504
Retirement benefits adjustment	21,493	693	—	22,186
Foreign currency translation	—	5,270	—	5,270
Transfers from (to) affiliates	294,173	(294,173)	—	—
Other	1	33,380	(40,000)	(6,619)
Increase (decrease) in net assets without donor restrictions	2,548,753	(106,410)	(40,000)	2,402,343
Changes in net assets with donor restrictions				
Gifts and bequests	188,350	28,150	—	216,500
Net investment income	122,212	6,942	—	129,154
Net assets released from restrictions used				
for operations included in other unrestricted revenues	(140,114)	(18,759)	—	(158,873)
Net assets released from restrictions for capital purposes	(63,797)	(18,707)	—	(82,504)
Change in interests in foundations	(2,515)	—	—	(2,515)
Change in value of perpetual trusts	1,715	3,224	—	4,939
Other	27,843	(22,969)	—	4,874
Increase (decrease) in net assets with donor restrictions	133,694	(22,119)	—	111,575
Increase (decrease) in net assets	2,682,447	(128,529)	(40,000)	2,513,918
Net assets at beginning of year	14,348,346	2,548,049	(72,680)	16,823,715
Net assets at end of year	\$ 17,030,793	\$ 2,419,520	\$ (112,680)	\$ 19,337,633

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Operations

Operations	Year Ended December 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Unrestricted revenues				
Net patient service revenue	\$ 11,455,815	\$ 2,678,495	\$ (431,614)	\$ 13,702,696
Other	2,003,803	456,157	(226,458)	2,233,502
Total unrestricted revenues	13,459,618	3,134,652	(658,072)	15,936,198
Expenses				
Salaries, wages, and benefits	7,622,482	1,882,833	(484,515)	9,020,800
Supplies	1,161,387	323,307	(776)	1,483,918
Pharmaceuticals	2,064,704	234,059	–	2,298,763
Purchased services and other fees	958,774	248,525	(81,932)	1,125,367
Administrative services	26,718	249,927	(31,056)	245,589
Facilities	341,285	139,396	(1,443)	479,238
Insurance	127,126	128,449	(58,250)	197,325
	12,302,476	3,206,496	(657,972)	14,851,000
Operating income (loss) before interest, depreciation and amortization	1,157,142	(71,844)	(100)	1,085,198
Interest	142,331	34,550	–	176,881
Depreciation and amortization	477,745	154,960	(100)	632,605
Operating income (loss)	537,066	(261,354)	–	275,712
Nonoperating gains and losses				
Investment return	577,736	121,037	–	698,773
Derivative gains (losses)	11,767	(161)	–	11,606
Other, net	(6,327)	588	–	(5,739)
Net nonoperating gains	583,176	121,464	–	704,640
Excess (deficiency) of revenues over expenses	1,120,242	(139,890)	–	980,352

(continued on next page)

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

Changes in Net Assets

Changes in Net Assets	Year Ended December 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Changes in net assets without donor restrictions				
Excess (deficiency) of revenues over expenses	\$ 1,120,242	\$ (139,890)	\$ —	\$ 980,352
Donated capital	461	—	—	461
Net assets released from restrictions				
for capital purposes	68,930	5,772	—	74,702
Retirement benefits adjustment	779	(1,779)	—	(1,000)
Foreign currency translation	—	(1,933)	—	(1,933)
Transfers (to) from affiliates	(403,145)	403,145	—	—
Other	(4)	15,369	(20,000)	(4,635)
Increase in net assets without donor restrictions	787,263	280,684	(20,000)	1,047,947
Changes in net assets with donor restrictions				
Gifts and bequests	215,950	27,569	—	243,519
Net investment income	72,687	5,253	—	77,940
Net assets released from restrictions used				
for operations included in other unrestricted revenues	(138,708)	(15,178)	—	(153,886)
Net assets released from restrictions for capital purposes	(68,930)	(5,772)	—	(74,702)
Change in interests in foundations	239	—	—	239
Change in value of perpetual trusts	2,595	1,844	—	4,439
Other	6,461	(502)	—	5,959
Increase in net assets with donor restrictions	90,294	13,214	—	103,508
Increase in net assets	877,557	293,898	(20,000)	1,151,455
Net assets at beginning of year	13,470,789	2,254,151	(52,680)	15,672,260
Net assets at end of year	\$ 14,348,346	\$ 2,548,049	\$ (72,680)	\$ 16,823,715

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Unaudited Consolidating Statements of Cash Flows
(\$ in thousands)

	Year Ended December 31, 2025			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Operating activities and net nonoperating gains and losses				
Increase (decrease) in net assets	\$ 2,682,447	\$ (128,529)	\$ (40,000)	\$ 2,513,918
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities and net nonoperating gains and losses:				
Gain on extinguishment of debt	(457)	-	-	(457)
Retirement benefits adjustment	(21,493)	(693)	-	(22,186)
Net realized and unrealized gains on investments	(1,440,193)	(189,064)	-	(1,629,257)
Depreciation and amortization	503,754	162,598	(100)	666,252
Foreign currency translation gain	-	(5,270)	-	(5,270)
Donated capital	(375)	-	-	(375)
Restricted gifts, bequests, and other	(187,550)	(31,374)	-	(218,924)
Transfers (from) to affiliates	(294,173)	294,173	-	-
Amortization of bond premiums and debt issuance costs	(14,153)	182	-	(13,971)
Net loss in value of derivatives	1,281	-	-	1,281
Pension funding	(18,919)	(172)	-	(19,091)
Changes in operating assets and liabilities:				
Patient receivables	(198,305)	(6,418)	5,988	(198,735)
Other current assets	(295,386)	(83,636)	(21,819)	(400,841)
Other noncurrent assets	(208,033)	45,611	39,586	(122,836)
Accounts payable and other current liabilities	249,980	59,306	14,412	323,698
Other liabilities	218,609	5,358	1,418	225,385
Net cash provided by operating activities and net nonoperating gains and losses	977,034	122,072	(515)	1,098,591
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	237,599	46,980	515	285,094
Payments for refunding of long-term debt	(20,490)	-	-	(20,490)
Principal payments on long-term debt	(104,826)	(8,200)	-	(113,026)
Debt issuance costs	(2,792)	-	-	(2,792)
Change in pledges receivables, trusts and interests in foundations	12,330	3,077	-	15,407
Restricted gifts, bequests, and other	187,550	31,374	-	218,924
Net cash provided by financing activities	309,371	73,231	515	383,117
Investing activities				
Expenditures for property, plant, and equipment	(1,014,650)	(135,171)	-	(1,149,821)
Proceeds from sale of property, plant, and equipment	10,900	-	-	10,900
Net change in cash equivalents reported in long-term investments	(447,671)	530,387	-	82,716
Purchases of investments	(7,449,815)	(859,784)	-	(8,309,599)
Sales of investments	7,376,198	846,194	-	8,222,392
Transfers from (to) affiliates	294,173	(294,173)	-	-
Net cash (used in) provided by investing activities	(1,230,865)	87,453	-	(1,143,412)
Effect of exchange rate changes on cash and cash equivalents	-	6,179	-	6,179
Increase in cash, cash equivalents and restricted cash	55,540	288,935	-	344,475
Cash, cash equivalents and restricted cash at beginning of year	990,202	36,766	-	1,026,968
Cash, cash equivalents and restricted cash at end of year	\$ 1,045,742	\$ 325,701	\$ -	\$ 1,371,443

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Unaudited Consolidating Statements of Cash Flows (continued)
(\$ in thousands)

	Year Ended December 31, 2024			
	Obligated Group	Non-Obligated Group	Consolidating Adjustments and Eliminations	Consolidated
Operating activities and net nonoperating gains and losses				
Increase in net assets	\$ 877,557	\$ 293,898	\$ (20,000)	\$ 1,151,455
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities and net nonoperating gains and losses:				
Loss on extinguishment of debt	414	-	-	414
Retirement benefits adjustment	(779)	1,779	-	1,000
Net realized and unrealized gains on investments	(736,902)	(113,019)	-	(849,921)
Depreciation and amortization	477,745	151,480	(100)	629,125
Foreign currency translation loss	-	1,933	-	1,933
Donated capital	(461)	-	-	(461)
Restricted gifts, bequests, and other	(218,784)	(29,413)	-	(248,197)
Transfers to (from) affiliates	403,145	(403,145)	-	-
Amortization of bond premiums and debt issuance costs	(10,954)	178	-	(10,776)
Net gain in value of derivatives	(10,981)	-	-	(10,981)
Pension funding	(25,790)	(338)	-	(26,128)
Changes in operating assets and liabilities:				
Patient receivables	(52,460)	30,947	30,099	8,586
Other current assets	22,012	11,329	18,337	51,678
Other noncurrent assets	151,896	5,498	(264,132)	(106,738)
Accounts payable and other current liabilities	270,596	18,373	(50,133)	238,836
Other liabilities	167,230	(56,715)	1,697	112,212
Net cash provided by (used in) operating activities and net nonoperating gains and losses	1,313,484	(87,215)	(284,232)	942,037
Financing activities				
Proceeds from long-term borrowings	503,218	1,029	(1,029)	503,218
Payments for refunding of long-term debt	(300,000)	-	-	(300,000)
Principal payments on long-term debt	(136,829)	(256,391)	285,261	(107,959)
Debt issuance costs	(3,318)	-	-	(3,318)
Change in pledges receivables, trusts and interests in foundations	33,436	2,119	-	35,555
Restricted gifts, bequests, and other	218,784	29,413	-	248,197
Net cash provided by (used in) financing activities	315,291	(223,830)	284,232	375,693
Investing activities				
Expenditures for property, plant, and equipment	(970,331)	(143,015)	-	(1,113,346)
Proceeds from sale of property, plant, and equipment	11,960	-	-	11,960
Net change in cash equivalents reported in long-term investments	(25,525)	(3,086)	-	(28,611)
Purchases of investments	(5,132,768)	(628,340)	-	(5,761,108)
Sales of investments	5,222,763	675,906	-	5,898,669
Transfers (to) from affiliates	(403,145)	403,145	-	-
Net cash (used in) provided by investing activities	(1,297,046)	304,610	-	(992,436)
Effect of exchange rate changes on cash and cash equivalents	-	(2,042)	-	(2,042)
Increase (decrease) in cash, cash equivalents and restricted cash	331,729	(8,477)	-	323,252
Cash, cash equivalents and restricted cash at beginning of year	658,473	45,243	-	703,716
Cash, cash equivalents and restricted cash at end of year	\$ 990,202	\$ 36,766	\$ -	\$ 1,026,968

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Utilization

The following table provides selected utilization statistics for the System:

	Year Ended December 31		
	2023	2024	2025
Total Staffed Beds ⁽¹⁾	5,527	5,454	5,501
Percent Occupancy ⁽¹⁾	74.9%	77.8%	78.9%
Inpatient Admissions ⁽¹⁾			
Acute	258,731	265,459	269,144
Post-acute	9,591	9,467	9,578
Total	268,322	274,926	278,722
Patient Days ⁽¹⁾			
Acute	1,289,273	1,305,863	1,340,739
Post-acute	78,413	76,300	75,917
Total	1,367,686	1,382,163	1,416,656
Average Length of Stay			
Acute	4.90	4.93	4.97
Post-acute	8.19	8.09	7.98
Surgical Facility Cases			
Inpatient	80,049	84,213	85,266
Outpatient	232,066	241,509	250,347
Total	312,115	325,722	335,613
Emergency Department Visits	951,863	994,454	995,213
Outpatient Observations	68,572	72,956	73,513
Outpatient Evaluation and Management Visits	7,580,447	7,995,821	8,333,634
Total Encounters	13,999,363	14,448,678	14,688,252
Acute Medicare Case Mix Index - Health System	1.98	2.02	2.06
Acute Medicare Case Mix Index - Cleveland Clinic	2.99	3.09	3.20
Total Acute Patient Case Mix Index - Health System	1.91	1.95	2.00
Total Acute Patient Case Mix Index - Cleveland Clinic	2.84	2.93	3.01

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Utilization (continued)

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

	Year Ended December 31		
	2023	2024	2025
Total Staffed Beds ⁽¹⁾	4,113	4,047	4,102
Percent Occupancy ⁽¹⁾	78.1%	80.2%	80.8%
Inpatient Admissions ⁽¹⁾			
Acute	196,482	199,981	200,428
Post-acute	5,938	5,828	5,564
Total	202,420	205,809	205,992
Patient Days ⁽¹⁾			
Acute	1,002,826	1,011,531	1,029,199
Post-acute	50,874	50,192	47,230
Total	1,053,700	1,061,723	1,076,429
Surgical Facility Cases			
Inpatient	62,661	64,636	64,571
Outpatient	187,565	195,903	203,199
Total	250,226	260,539	267,770
Emergency Department Visits	697,515	733,029	732,651
Outpatient Observations	53,109	57,114	58,082
Outpatient Evaluation and Management Visits	5,965,741	6,287,043	6,590,997
Total Encounters	10,915,549	11,299,331	11,577,138
Acute Medicare Case Mix Index	2.04	2.08	2.12
Total Acute Patient Case Mix Index	1.97	2.01	2.05

⁽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.

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Payor Mix

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

**CLEVELAND CLINIC HEALTH SYSTEM
Based on Gross Patient Service Revenue**

	Year Ended December 31		
	2023	2024	2025
<u>Payor</u>			
Managed Care and Commercial	34%	34%	34%
Medicare	51%	51%	51%
Medicaid	13%	12%	12%
Self-Pay & Other	2%	3%	3%
Total	100%	100%	100%

**OBLIGATED GROUP
Based on Gross Patient Service Revenue**

	Year Ended December 31		
	2023	2024	2025
<u>Payor</u>			
Managed Care and Commercial	37%	37%	37%
Medicare	49%	49%	50%
Medicaid	12%	12%	11%
Self-Pay & Other	2%	2%	2%
Total	100%	100%	100%

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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		
	2023	2024	2025
External Grants Earned			
Federal Sources	\$ 157,489	\$ 164,172	\$ 166,203
Non-Federal Sources	145,922	171,933	180,956
Total	303,411	336,105	347,159
Internal Support	100,549	105,725	97,771
Total Sources of Support	\$ 403,960	\$ 441,830	\$ 444,930

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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		
	2023	2024	2025
Excess of revenues over expenses	\$ 1,127,365	\$ 1,120,242	\$ 2,168,914
Plus depreciation, amortization and interest	569,116	620,076	645,769
Less increase in unrealized net gains on investments and earnings on alternative investments	(729,756)	(673,845)	(910,080)
(Less) plus (increase) decrease in fair value of derivative instruments	(1,815)	(10,981)	1,281
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
Funds available for debt service	<u>\$ 994,179</u>	<u>\$ 1,061,813</u>	<u>\$ 1,924,361</u>
Maximum annual debt service**	\$ 262,828	\$ 289,198	\$ 302,039
Maximum annual debt service coverage (x)	3.78	3.67	6.37

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

**CLEVELAND CLINIC HEALTH SYSTEM
OTHER INFORMATION
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Other Key Ratios

The following table provides selected key ratios for the System:

	Year Ended December 31		
	2023	2024	2025
Liquidity ratios			
Days of cash on hand	316	315	323
Days of revenue in accounts receivable	53	48	47
Coverage ratios			
Cash to debt (%)	228.3	240.5	251.9
Interest expense coverage (x)	4.8	5.9	12.0
Leverage ratios			
Debt to cash flow (x)	6.2	5.2	2.8
Debt to capitalization (%)	27.5	26.6	25.3
Debt to revenue (%)	36.3	33.8	32.1
Profitability ratios			
Operating margin (%)	0.4	1.7	5.0
Operating cash flow margin (%)	5.5	6.8	9.6
Excess margin (%)	5.9	5.9	11.7
Return on assets (%)	3.7	3.8	7.8

Days of revenue in accounts receivable includes revenue associated with value-based contracts.

OVERVIEW

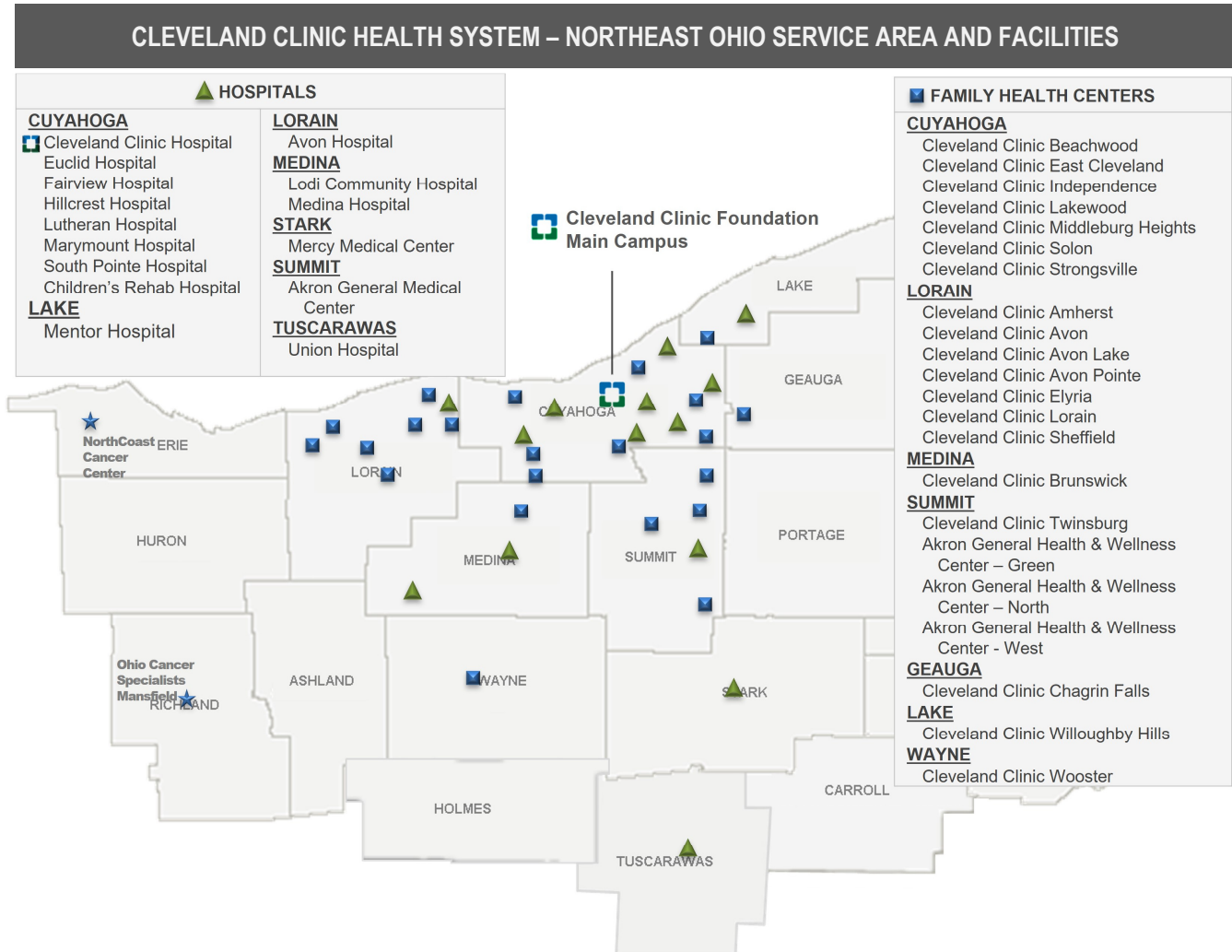
The Cleveland Clinic Health System (System) is a world-renowned provider of healthcare services that attracted patients from across the United States and from 174 other countries in 2025. As of December 31, 2025, the System operates 303 outpatient facilities and 21 hospitals, with approximately 5,500 staffed beds, globally. In the Northeast Ohio area, the System operates 15 hospitals, anchored by The Cleveland Clinic Foundation (Clinic). The System also operates 22 outpatient family health centers, nine ambulatory surgery centers, numerous physician offices located throughout Northeast Ohio, and specialized cancer centers in Sandusky and Mansfield, Ohio. In Southeast Florida, the System operates five hospitals, including an academic medical center, and 40 outpatient locations including three outpatient family health centers, an outpatient family health and ambulatory surgery center and numerous physician offices located throughout Southeast Florida. In the United Kingdom, the System operates a hospital and two outpatient facilities in the central London area. In addition, the System operates a health and wellness center and a sports medicine clinic in Toronto, Canada and a specialized neurological clinical center in Las Vegas, Nevada. Pursuant to agreements, the System also provides management services for Ashtabula County Medical Center, located in Ashtabula, Ohio, with approximately 120 staffed beds, and Cleveland Clinic Abu Dhabi, a multispecialty hospital offering a range of complex quaternary and general acute care services that is part of M42 Health's network of healthcare facilities located in Abu Dhabi, United Arab Emirates with approximately 364 staffed beds.

**Cleveland Clinic's
Sydell and Arnold Miller Family Heart, Vascular & Thoracic Institute**
Cleveland, Ohio



**CLEVELAND CLINIC HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

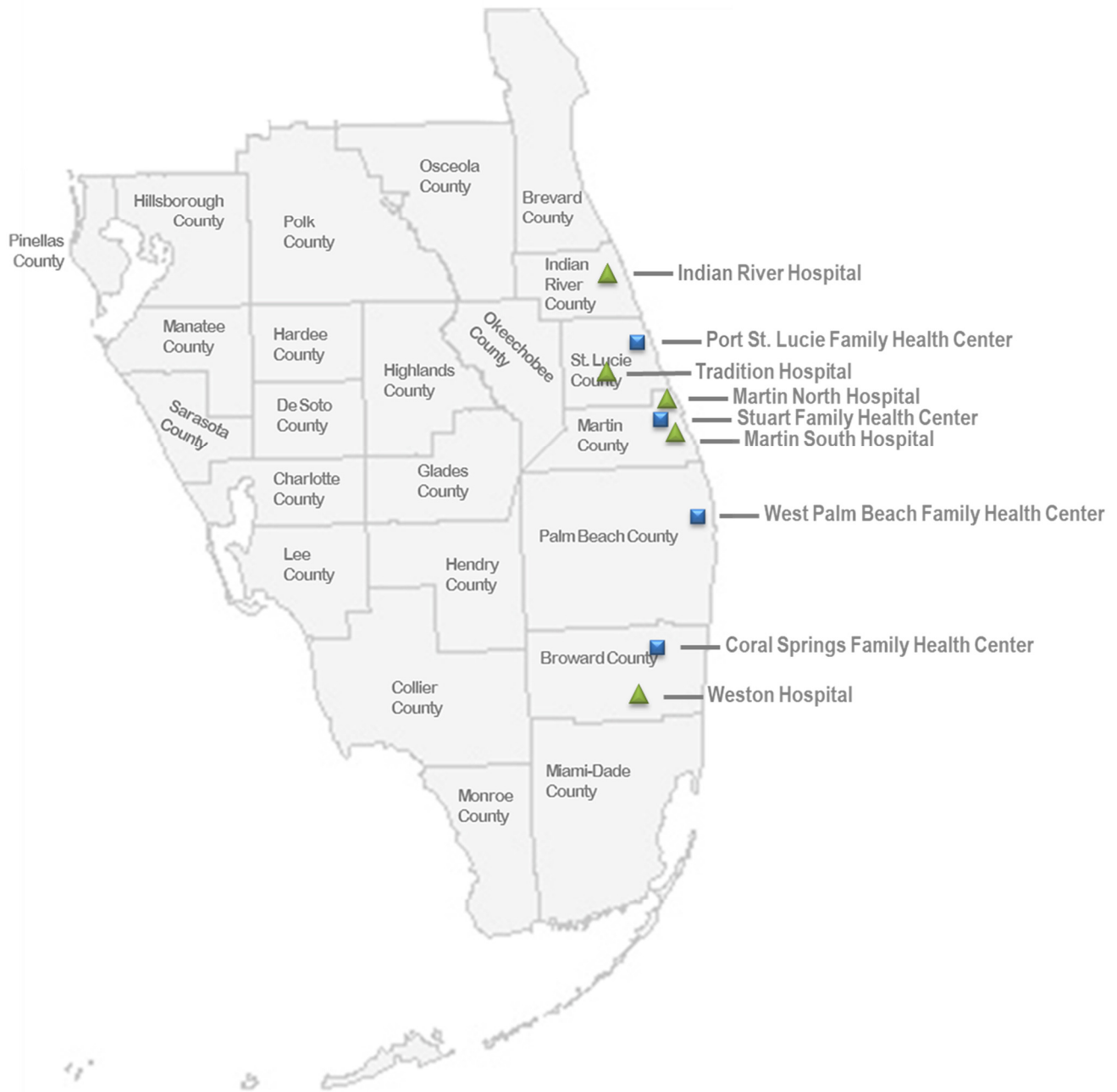
The location of the System's hospitals, its family health centers and its specialized cancer centers in the Northeast Ohio area are identified on the following map:



**CLEVELAND CLINIC HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

CLEVELAND CLINIC HEALTH SYSTEM – SOUTHEAST FLORIDA FACILITIES



**CLEVELAND CLINIC HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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 December 31, 2025:

	Staffed Beds
<u>OBLIGATED</u>	
Cleveland Clinic	1,273
Avon Hospital	126
Euclid Hospital	146
Fairview Hospital	498
Hillcrest Hospital	471
Lutheran Hospital	192
Martin North Hospital	244
Martin South Hospital	100
Marymount Hospital	263
Medina Hospital	148
Mentor Hospital	34
South Pointe Hospital	172
Tradition Hospital	177
Weston Hospital	258
	4,102
<u>NON-OBLIGATED</u>	
Akron General Medical Center	478
Children's Rehabilitation Hospital	25
Indian River Hospital	267
Lodi Hospital	20
London Hospital	184
Mercy Hospital	323
Union Hospital	102
	1,399
HEALTH SYSTEM	5,501

AWARDS & RECOGNITION

The Clinic was named by *U.S. News and World Report* to the Honor Roll in its 2025-2026 edition of “America’s Best Hospitals.” The Honor Roll recognizes 20 top-performing hospitals based on rankings in various specialties and procedures, an honor the Clinic has received for 35 consecutive years. The Clinic was nationally ranked in 14 specialties, including eight in the top ten. The following table summarizes the Clinic’s national rankings by medical specialty:



The publication also evaluated hospitals by state and metropolitan area with a methodology similar to that used to determine the national rankings. The Clinic was ranked as the best hospital in both the State of Ohio and the Cleveland metropolitan area, which includes the City of Cleveland and its surrounding counties. The report also ranked additional System hospitals in the top hospitals in the Cleveland metropolitan area and Ohio. Hillcrest Hospital ranked second in the Cleveland metropolitan area and fifth in Ohio. Fairview Hospital ranked third in the Cleveland metropolitan area and sixth in Ohio. Akron General Medical Center, located in Summit County, was ranked first in the Akron metropolitan area and seventh (tie) in the State of Ohio. In Florida, Weston Hospital was ranked first in the Miami-Fort Lauderdale metro area and sixth in the State of Florida; Martin Health was ranked 21st in the State of Florida; and Indian River Hospital was ranked 28th in the State of Florida.

Cleveland Clinic Children's Hospital located on the Clinic's main campus earned national recognition in eleven out of eleven pediatric specialties ranked by *U.S. News and World Report* in its 2025-2026 edition of "Best Children's Hospitals." For 17 consecutive years, the Cleveland Clinic Children's Hospital has ranked among the nation's top 50 pediatric hospitals. Regionally, Cleveland Clinic Children's Hospital has also been ranked as the third best (tie) pediatric hospital in the Midwest and the third best (tie) in Ohio.

In February 2026, the Clinic was named the third-best hospital in the world by *Newsweek* as part of its "World's Best Hospitals 2026" list. *Newsweek* partnered with global research data company Statista to rank the leading hospitals in 32 countries. According to *Newsweek*, its rankings are based on data sources including: opinions from global medical experts; publicly available data on patient experience and hospital quality metrics; and patient reported outcome measures. Cleveland Clinic Abu Dhabi ranked first in the United Arab Emirates. Cleveland Clinic Abu Dhabi, Fairview Hospital and Weston Hospital ranked at numbers 119, 228 and 246 respectively, in the top 250 hospitals internationally, and four other System hospitals were listed among the best hospitals in the U.S.

In June 2025, *Newsweek* announced that Cleveland Clinic Children's was nationally ranked in all eight specialties in its "America's Best Children's Hospitals 2025" list, including second for Cardiology & Cardiac Surgery. The rankings are based on four data sources: peer recommendations for healthcare professionals; hospital quality metrics; patient experience survey results; and patient-reported outcome measures.

In September 2025, the Clinic was recognized among the top hospitals in the world in *Newsweek's* "World's Best Specialized Hospitals of 2026." The Clinic was ranked as the number one hospital in the world for both cardiology and urology care and among the world's best in all twelve specialties rated by *Newsweek*. In addition to cardiology and urology, ranked specialties include cardiac surgery, endocrinology, gastroenterology, neurology, neurosurgery, obstetrics and gynecology, oncology, orthopedics, pediatrics and pulmonology. Fairview Hospital, Hillcrest Hospital and Weston Hospital were also recognized among the world's best specialized hospitals in at least one specialty.

In *Newsweek's* separate "World's Best Smart Hospitals of 2026" list, the Clinic was ranked as the number two smart hospital in the world. In its rankings, *Newsweek* identified hospitals that implement new medical technologies and fundamentally rethink how patient care is provided using some of the most advanced technologies. The list highlights hospitals that lead in their use of artificial intelligence (AI), robotic surgery, digital imaging, telemedicine, smart buildings, information technology infrastructure and electronic medical records.

In November 2025, Cleveland Clinic London was named hospital of the year by LaingBuisson for the second time. LaingBuisson is a leading United Kingdom (UK) health and social care consultancy that benchmarks quality, performance and innovation across the sector. The award represents national recognition for Cleveland Clinic London as the top private hospital in the UK and recognizes its commitment to innovation and excellence by adopting state-of-the-art procedures, demonstrating strong growth and investing in philanthropy and caregiver development.

CORPORATE GOVERNANCE

The Board of Directors of the Clinic is responsible for all of its operations and affairs and controls its property. The Board of Directors is also responsible for ensuring that the Clinic is organized, and at all times operated, consistent with its charitable mission and its status as an Ohio nonprofit corporation and tax-exempt charitable organization. The Board of Directors generally meets four times per year, including an annual meeting during which the Clinic's officers are elected and standing committees are appointed. The size of the Board of Directors can range between 15 to 30 Directors (currently there are 21 Directors). The Board of Trustees serves as an advisor to the Board of Directors. Trustees actively serve on the committees of the Board of Directors. At present, there are 75 active Trustees, two Professional Staff Trustees, 13 Emeritus Directors and six Emeritus Trustees. Directors and Trustees each serve four-year terms and are selected on the basis of their expertise and experience in a variety of areas beneficial to the Clinic.

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



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

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

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

APPOINTMENTS



Jorge Guzman, MD, was appointed Executive Vice President of the U.S. Markets, effective April 1, 2026. This newly expanded role includes overseeing the leadership for the Northeast Ohio and Florida Markets. Dr. Guzman joined the System in 2007 and has most recently served as the Executive Vice President and President of the Northeast Ohio Market since July 1, 2024. Conor Delaney, MD, PhD, will continue to serve as President of the Florida Market and report to Dr. Guzman.



Beri Ridgeway, MD, was appointed Executive Vice President, President of Cleveland Clinic London, effective June 1, 2026. Dr. Ridgeway joined the System in 2009 and has most recently served as Executive Vice President and Enterprise Chief of Staff since January 1, 2021. An internal search for a new Chief of Staff is currently underway. Robert Lorenz, MD, who currently leads the London market, will be taking a new position to manage the recently announced relationship between the System and Ellison Institute of Technology Oxford.



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



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



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



Spencer Kowal was appointed Senior Vice President, Finance and Chief Accounting Officer, effective October 26, 2025. Mr. Kowal will oversee all financial reporting activities of the System, as well as financial planning, budgeting, tax, payroll, accounts payable and internal controls. He has three decades of healthcare experience as a finance executive at organizations such as Akron Children's Hospital, Children's Hospital of Philadelphia, Geisinger Health System and Presence Health in Chicago. Most recently Mr. Kowal served as the interim Chief Financial Officer of Geisinger Health for the past year.

STRATEGY

The System's mission statement is as follows:

Caring for life
Researching for health
Educating those who serve

The System's vision is to be the best place to receive care anywhere and the best place to work in healthcare. The System strives to serve more patients with the highest quality, compassionate care and to create a rewarding experience for caregivers. The System's values, updated in 2026, reflect how the System can deliver the best possible care and guide caregivers in how to care for patients and each other:

Serve with heart: Care for patients and each other with compassion and purpose.

Succeed as one team: Achieve excellence together as One Cleveland Clinic.

Shape the future: Advance care for all through courage and innovation.

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

The System's strategy supports the mission and vision of the System, within an industry undergoing dramatic change. Anchoring the strategy is the System's belief that modern nonprofit healthcare organizations must tend to four care priorities: care for patients; care for caregivers; care for the organization; and care for the community.

The System's operating model aligns services and enhances quality, safety and patient experience across all System locations by creating organizational synergies and efficiencies needed in a challenging operating environment. The model is designed to optimize the System's footprint and provides a scalable framework to support strategic growth. In 2024, the System adopted a new enterprise, market-focused operating model to strengthen alignment, enhance performance and support disciplined growth across domestic and international markets.

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

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

The strategic focus areas are aligned with the four care priorities and the operating model. Each focus area has multi-year strategic initiatives with various goals.

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

AFFILIATIONS AND PARTNERSHIPS

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

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

universities, government, industry, startups and other relevant organizations and serve as the foundation of a new quantum ecosystem for life sciences.

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

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

In October 2024, the Clinic and Amazon One Medical announced a collaboration to expand access to high-quality coordinated care in the Cleveland area. Amazon One Medical, a hybrid virtual and in-person primary care organization, opened its first primary care office in affiliation with the Clinic in October 2025, offering same and next-day appointment availability, onsite lab services and virtual care support for members. The second Amazon One Medical location opened in January 2026. The Clinic and Amazon One Medical will determine additional locations for new facilities over the next several years. This new relationship ensures that patients have increased access to coordinated care through Amazon One Medical's innovative care model and the Clinic's network of specialists, hospitals and facilities.

In January 2025, the Clinic and Miami University announced a partnership to advance education in quantum computing. The partnership will establish Ohio's first specialized degree programs and research experiences in quantum computing. The partnership advances each institution's mission by delivering innovative, comprehensive educational offerings in quantum computing and its healthcare applications. In September 2025, the Clinic and Miami University announced an expansion of their partnership with a goal of supporting students and training the next generation of caregivers. The expanded partnership includes the naming of the Cleveland Clinic Health Sciences and Wellness facility at Miami University through a sponsorship and naming agreement.

In May 2025, the Clinic announced a partnership with Regent Surgical (Regent) to develop ambulatory surgery centers designed to enhance access, streamline care delivery and provide support for physicians and care teams. Ambulatory surgery centers offer convenient access for patients who need surgical care as an alternative to the traditional hospital setting. Regent works with health systems to develop, manage and operate surgery center partnerships with a focus on enhancing care quality, improving patient experience and driving operational excellence. The Clinic is the majority owner of the joint venture and will maintain a controlling interest in the partnership, which will offer syndication and co-investment opportunities to qualified physician investors aligned with certain centers within the partnership.

In February 2026, the PGA TOUR named the Clinic as the Official Healthcare Provider of the PGA TOUR and PGA TOUR Champions. The partnership runs through 2032, and beginning this season, Clinic clinicians and performance experts will be integrated into the PGA TOUR's Player Performance Center, which travels with the TOUR throughout the year. The Clinic will deliver integrated multi-disciplinary and performance-focused care that supports player longevity, resilience, and recovery. This partnership allows the Clinic to apply leading-edge insights, elevate wellness across the TOUR and advance the shared commitment to helping individuals perform at their highest potential on and off the course.

VALUE-BASED CARE RISK AGREEMENTS

Effective January 1, 2025, the System entered into two value-based care risk agreements to manage populations of patients attributed to Clinic employed providers and independent providers in the Quality Alliance. The Quality Alliance is a clinically integrated provider network that integrates employed Clinic providers and independent physician practices with a goal of improving clinical quality and efficiency of patient care. The agreements allow the Clinic to provide care coordination and other population health management activities for those attributed members participating in Medicare Advantage plans currently written by two national payors (the Contracted Plans).

The terms of the agreements are two years, expiring on December 31, 2026. During the term of both agreements, the Contracted Plans will allocate a percentage of premium (Delegated Premium) the Contracted Plans receive from the Centers for Medicare and Medicaid Services to the Clinic. The Delegated Premium is allocated to a Clinic-specific medical cost fund. The Delegated Premium amounts have been determined based on a target medical loss ratio of total premium. The Clinic will also receive administrative fees from the Contracted Plans to coordinate patient care and other population health management activities with providers, either through a specified administrative fee or as part of the medical-cost premium delegation. In exchange for the Delegated Premium and administrative fees, the Clinic is responsible for both providing or arranging for the provision of medical services to assigned Contracted Plan members with the Quality Alliance and the agreed upon delegated activities. The Delegated Premium is recorded as premium revenue, while related medical claims costs and related administrative expenses are recorded as operating expenses in the consolidated statements of operations. Medical claims for services provided at System facilities are eliminated from net patient service revenue and medical claims expense in the consolidated financial statements.

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

CLEVELAND INNOVATION DISTRICT

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

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

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

In November 2023, the Clinic and Canon Inc. (Canon) announced intentions to form a strategic research partnership to develop innovative imaging and healthcare technologies aimed at improving diagnosis, care and outcomes for patients. Joint research projects will focus on cardiology, neurology and musculoskeletal medicine and will have three major components – pre-clinical imaging, human imaging and image analysis. In February 2025, Canon announced its acquisition of a building in the District, which will serve as the foundation for the comprehensive imaging research center.

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

CLEVELAND CLINIC INNOVATIONS

Cleveland Clinic Innovations (CCI) encompasses commercial innovation, start-up company investments, licensing and healthcare technology partnership opportunities for the System.

CCI identifies, assesses and commercializes transformative solutions and intellectual property emulating from the System's physicians and scientists. It focuses on three domain portfolios — therapeutics and diagnostics, medical devices and digital health — and employs a unique approach to assess, protect, build, test and market the most promising ideas of System caregivers. Since its inception in 2000, CCI has transacted over 950 technology licenses, has had over 2,850 patents issued and contributed to several of the System's historical advancements.

A dedicated team within CCI focuses on investing in companies that align with organizational priorities and address healthcare white space opportunities to resolve pressing medical problems. The team transforms strategic licensed and patented solutions developed at the System into investible, stand-alone companies. Since 2000, CCI has formed a total of 108 spin-off companies, 37 of which are currently operational and 29 of which have been monetized.

CCI also supports certain outside-in partnerships and co-investment models with technology partners that advance key areas of innovation and transformation across the System's operating model.

EXPANSION AND IMPROVEMENT PROJECTS

The System is investing in buildings, equipment and technology to better serve its patients.

The Clinic recently completed a multi-year project, which began in 2022, to expand and renovate the Cole Eye building on its main campus to accommodate the expansion of patient care, research and education. The project included a new four-story addition that opened for patients in February 2025. The new addition added approximately 150,000 square feet to the existing building and features an ophthalmic surgical center with eight operating rooms, 60 new exam rooms, enhanced imaging capabilities and dedicated spaces for patient check-in and discharge. The second phase of the project opened for patients in December 2025 and included the renovation and redesign of the existing 130,000 square foot building. The renovation includes a dedicated space for pediatric ophthalmology and updated imaging services. A portion of the project costs were raised through fundraising efforts and donations.

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

Neurological Institute Building – The Clinic is currently building a new Neurological Institute building on its main campus to accommodate the expansion of patient care, research and education. The approximately one million square-foot facility will centralize all neurological care on the main campus, bringing together services currently delivered in eight locations. Construction began in 2023, and the facility is scheduled to open in the first quarter of 2027. Services are expected to include digitized patient evaluations, imaging, neuro-simulation training, infusion therapy,

neurodiagnostics and brain-mapping suites. The facility will also include research space dedicated to investigation and discovery of new therapies and will serve as the nucleus for neurology-related distance healthcare and digitized data processing and management. A portion of the construction costs are being raised through fundraising efforts and donations.

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

West Palm Beach – In December 2024, the System announced plans to build a new hospital in West Palm Beach, Florida. The plans for the new hospital include approximately 200 inpatient beds, an emergency department and a broad range of specialties, with the flexibility to adapt and add specialty care to meet the needs of the community. In addition to the new hospital, plans also include leasing space for a new outpatient location that will nearly quadruple the square footage of the existing health center in Palm Beach County. Additional outpatient services include chemotherapy and infusions, imaging, endoscopy and outpatient surgery. Construction of the hospital is expected to begin when initial fundraising goals are achieved.

Avon Campus – In June 2025, the System announced plans to expand both Avon Hospital and Richard E. Jacobs Family Health Center. The hospital expansion will include an additional bed tower, new operating rooms and expansion of imaging services, laboratory space and the emergency department. The expansion of the family health center will include more than 90 rooms for preventive and specialty care and expansion of cancer services, including radiation oncology. A new parking garage will also be added to accommodate the additional patients and caregivers accessing the campus. Construction is expected to begin in 2026 and be completed in 2029.

Fairview Hospital – In June 2025, the System announced renovation plans at Fairview Hospital that include a new cancer center, medical office building and a new parking structure to replace existing facilities. Construction began in November 2025 and is expected to be completed and open to patients and caregivers by the end of 2027.

Cleveland Clinic London – In July 2025, the System announced plans for the construction of an 81,000 square foot cancer center in London that will be located next to London Hospital. The center will offer multidisciplinary cancer care including surgical oncology, medical oncology and hematology, as well as systemic cancer therapies, such as immunotherapy, chemotherapy, targeted therapies and radiotherapy. In addition to cancer care, Cleveland Clinic London plans to introduce a wider range of clinical services at the facility in the future. Construction began in November 2025 and is expected to be completed by the end of 2027.

INTERNATIONAL GROWTH

Cleveland Clinic London Hospital (London Hospital) opened on March 29, 2022. London Hospital has 184 beds, including 29 ICU beds, eight operating theaters and a 42-bed neurological rehabilitation unit. It provides comprehensive medical and surgical services with a special focus on cardiovascular, digestive, neurological and orthopedic care utilizing the latest technology. The hospital is located in central London with two outpatient facilities located near the hospital. In 2025, London Hospital announced an expansion of cancer services in a facility next to the hospital with construction expected to be completed by the end of 2027. For additional description of the project see “EXPANSION AND IMPROVEMENT PROJECTS.” The facilities are operated by Cleveland Clinic London Ltd, a private company limited by shares that is incorporated and domiciled in England and Wales. The Clinic through a subsidiary is the sole shareholder of London Hospital.

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

CLEVELAND CLINIC CONNECTED

In 2017, the Clinic launched Cleveland Clinic Connected, a global affiliation program that aims to improve patient care delivery around the world by enabling healthcare providers both in the United States and internationally to access the Clinic's best practices. Facilities affiliated with the Clinic through the program will experience the Clinic model of care through the Clinic’s collaboration and guidance in the areas of quality, patient safety and best practices for patient care and engagement. Providers at the facilities have the option of consulting on complex cases for second opinions and guidance from the Clinic where legally permissible, and clients’ clinical and operational leaders at the facilities have access to clinical and executive education opportunities aimed at improving healthcare delivery. The Clinic also supports continuous improvement through the provision of advisory services across a spectrum of clinical and non-clinical areas.

Vinmec Healthcare System (Vinmec) in Vietnam, owned by Vingroup, currently has two Cleveland Clinic Connected member hospitals, including Vinmec Times City Hospital located in the northern city of Hanoi and Vinmec Central Park Hospital located in the southern city of Ho Chi Minh. In April 2025, the Clinic and Vingroup announced a collaboration to develop two new Vinmec hospitals designed to meet Cleveland Clinic Connected standards, incorporating the Clinic model of care, comprehensive specialties, facility design, advanced clinical centers and world-class technology. In August 2025, Central Asian University in Tashkent, Uzbekistan, became a provisional Cleveland Clinic Connected member respective to its future Central Asian University Hospital to be developed on its campus. The new hospital will be built to Cleveland Clinic Connected standards and is expected to join the program soon after completion.

In August 2025, the Clinic welcomed Radiochirurgia Zagreb in Croatia as the first European member of Cleveland Clinic Connected. Founded in 2016, Radiochirurgia Zagreb is Croatia's leading specialty hospital for early cancer diagnosis and treatment, utilizing advanced oncologic technologies.

Cleveland Clinic Connected has three domestic members, including Parrish Medical Center located on Florida's Space Coast in Brevard County, which became a member in March 2024, Columbus Regional Health, a health system that serves a ten-county region in southeastern Indiana, which became a member in January 2025, and Barton Health, a non-profit, community health system in the Lake Tahoe region, which became a member in July 2025.

SUSTAINABLE OPERATIONS

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

Areas of focus for the System's sustainable operations initiatives include:

- **Energy Efficiency**: Using energy efficiently reduces operational expenses and supports the System's commitment to human and environmental health. With support from its 29 facility-level CREW (Caregiver Reducing Energy and Waste) Teams, the System actively engages caregivers in stewardship behaviors across the enterprise.
- **Waste Reduction**: The System strives to identify and embed operational processes that reduce waste and implement programs that divert waste from landfills via reusing, reprocessing, recycling and composting.
- **Better Buying**: The System is committed to selecting non-hazardous, efficient and low-waste alternatives and engaging its suppliers in stewardship practices.

The System is committed to designing and constructing safe, efficient buildings in which to work and heal and has incorporated stewardship practices from leading frameworks in its design guidelines, such as the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) criteria. Currently, the System has 20 LEED-certified buildings covering more than six million square feet, including seven projects that are certified LEED-Gold.

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 \$1.49 billion in community benefits in 2024, 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 benefits for the System:

2024 CLEVELAND CLINIC HEALTH SYSTEM COMMUNITY BENEFIT *

dollars in millions

Medicaid Shortfall**	\$ 608.2
Education***	357.9
Financial Assistance	337.7
Research***	147.3
Subsidized Health Services	28.7
Community Health	12.7
	<u>\$ 1,492.5</u>

* Includes all System operations in Ohio, Florida and Nevada

** Includes net Hospital Care Assurance Program receipts of \$7.2 million

*** Research and Education are reported net of externally sponsored funding of \$329.8 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 broad interest of the community, including those with special knowledge or expertise in public health.

Key CHNA needs identified throughout the System include:

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

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

Addressing Hunger in Greater Cleveland

In December 2023, in collaboration with the City of Cleveland, Greater Cleveland Food Bank, University Hospitals Health System and The MetroHealth System, the Clinic announced a commitment to donate \$10.4 million over the next five years toward new programs that will help address food insecurity in Greater Cleveland communities. The Clinic's commitment will also be used to support local food partners, including donations to Greater Cleveland Food Bank and Children's Hunger Alliance and a grant to the Nourishing Power Network. In November 2025, the Clinic announced an additional \$2 million gift to support hunger relief efforts across the communities it serves in Ohio, Florida and Nevada. The funding will benefit nine Feeding America member food banks that share the Clinic's commitment to addressing social drivers of health, including food insecurity. In February 2026, the System announced a five-year, \$50 million commitment to reduce hunger and improve access to nutritious food across Ohio, Florida and Nevada through direct support to local food banks and community-based organizations that are providing food to those in need,

CONFLICT OF INTEREST

The System maintains policies that require internal reporting of outside financial and fiduciary interests to ensure that potential conflicts of interests do not inappropriately influence research, patient care, education, business or professional decision making. In connection with these policies, the System developed the Innovation Management and Conflict of Interest Program, which is designed to promote innovation while at the same time reducing, eliminating or managing real or perceived bias either

due to System personnel consulting with pharmaceutical, medical device and diagnostic companies (industry) or the commercialization efforts undertaken by the System to develop discoveries and make them accessible to patients. The program works with physicians, managers and other caregivers who interact with industry to manage any conflicts. Provisions related to whether or not “compelling circumstances” are required to justify conducting research in the presence of related financial interests have been modified in policies that went into effect in 2013, consistent with the value the System places on beneficial relationships with industry. The System is committed to a process that maintains integrity in innovation and places the interests of its patients first. The Innovation Management and Conflict of Interest Program reviews situations in which a physician or other clinician prescribes or uses products of a company in their practice and has a financial relationship with that company. When appropriate, the program will put management plans in place to address any conflict (for example, by disclosure). The goal of this policy is not to interfere with the practice of medicine.

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

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

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

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 AI.

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.

**CLEVELAND CLINIC HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

PATIENTS SERVED

The following table summarizes patient utilization statistics for the System:

	For the quarter ended December 31				For the year ended December 31			
	2025	2024	Variance	%	2025	2024	Variance	%
Inpatient admissions ⁽¹⁾								
Acute admissions	67,276	64,918	2,358	3.6%	269,144	265,459	3,685	1.4%
Post-acute admissions	2,337	2,322	15	0.6%	9,578	9,467	111	1.2%
	69,613	67,240	2,373	3.5%	278,722	274,926	3,796	1.4%
Patient days ⁽¹⁾								
Acute patient days	335,489	320,973	14,516	4.5%	1,340,739	1,305,863	34,876	2.7%
Post-acute patient days	18,379	18,428	-49	-0.3%	75,917	76,300	-383	-0.5%
	353,868	339,401	14,467	4.3%	1,416,656	1,382,163	34,493	2.5%
Surgical cases								
Inpatient	21,283	20,478	805	3.9%	85,266	84,213	1,053	1.3%
Outpatient	64,266	60,615	3,651	6.0%	250,347	241,509	8,838	3.7%
	85,549	81,093	4,456	5.5%	335,613	325,722	9,891	3.0%
Emergency department visits	245,367	252,484	-7,117	-2.8%	995,213	994,454	759	0.1%
Observations	18,421	19,326	-905	-4.7%	73,513	72,956	557	0.8%
Clinic outpatient evaluation and management visits	2,072,926	2,015,532	57,394	2.8%	8,333,634	7,995,821	337,813	4.2%
Total Encounters	3,683,332	3,635,824	47,508	1.3%	14,688,252	14,448,678	239,574	1.7%
⁽¹⁾ Excludes newborns								

Utilization statistics for London Hospital are included in the above table. In 2025, London Hospital reported approximately 150,000 patient encounters, a 13.5% increase compared to 2024.

Inpatient acute admissions for the System increased 3.6% in the fourth quarter of 2025 and 1.4% in 2025 compared to the same periods in 2024. In 2025, acute admissions for the System in Ohio increased 2.5%, while the Florida facilities decreased 2.8% compared to 2024.

Total surgical cases for the System increased 5.5% in the fourth quarter of 2025 and 3.0% in 2025 compared to the same periods in 2024. In 2025, total surgical cases for the System in Ohio increased 2.1%, while the Florida facilities increased 4.8% compared to 2024.

Evaluation and management visits for the System increased 2.8% in the fourth quarter of 2025 and 4.2% in 2025 compared to the same periods in 2024. In 2025, evaluation and management visits for the System in Ohio increased 3.7%, while the Florida facilities increased 6.5% compared to 2024.

LIQUIDITY

Cash and Investments

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

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

Investments are primarily maintained in a master trust fund administered using a bank as custodian. The Cleveland Clinic Investment Office is charged with the day-to-day management of the System's 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.

**CLEVELAND CLINIC HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

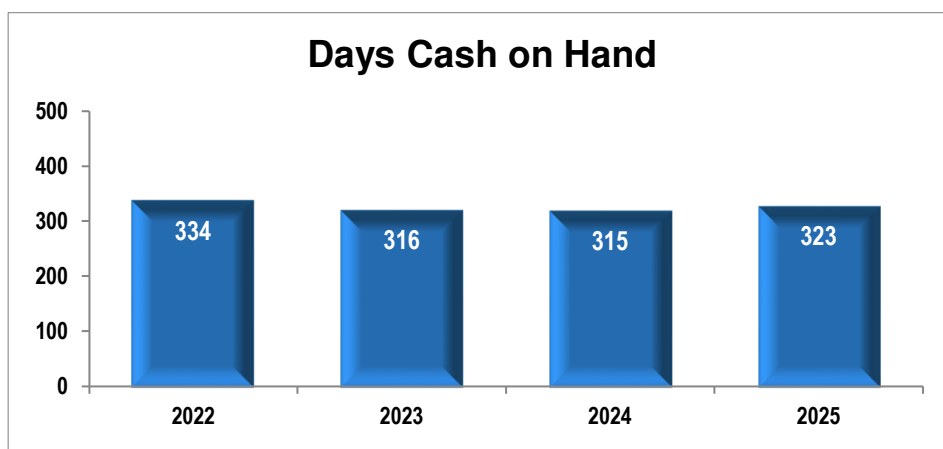
The following table sets forth the allocation of the System's cash and investments in its operating accounts, general investment portfolios and captive insurance fund at December 31, 2025 and December 31, 2024:

**Cash and Investments
(Dollars in thousands)**

	December 31, 2025		December 31, 2024	
Cash and cash equivalents	\$ 1,784,787	11%	\$ 1,523,028	10%
Fixed income securities*	3,365,025	20%	2,829,198	19%
Marketable equity securities*	3,003,637	18%	3,131,218	21%
Alternative investments	8,624,783	51%	7,316,565	50%
Total cash and investments	\$ 16,778,232	100%	\$ 14,800,009	100%
Less restricted investments**	(2,015,155)		(1,833,154)	
Unrestricted cash and investments	\$ 14,763,077		\$ 12,966,855	
Days cash on hand	323		315	

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

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



At December 31, 2025, total cash and investments for the System (including restricted investments) were \$16.8 billion, an increase of approximately \$2.0 billion from \$14.8 billion at December 31, 2024. This includes a \$1.8 billion increase in unrestricted cash and investments in 2025. Since 2018, unrestricted cash and investments have increased from \$8.0 billion at December 31, 2018 to \$14.8 billion at December 31, 2025.

Included in the System's cash and investments are investments held for self-insurance. These investments totaled \$281.4 million at December 31, 2025, with an asset mix of 5% cash and short-term investments, 33% fixed income securities, 25% equity investments and 37% alternative investments. The asset mix reflects the need for liquidity and the objective to maintain stable returns utilizing a lower tolerance for risk and volatility consistent with insurance regulatory requirements.

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

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

**Alternative Investments
(Dollars in thousands)**

	December 31, 2025		December 31, 2024			
Hedge funds	\$	4,494,681	52%	\$	3,677,767	50%
Private equity/venture capital		4,130,102	48%		3,638,798	50%
Total alternative investments	\$	8,624,783	100%	\$	7,316,565	100%

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

Investment Return

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

**CLEVELAND CLINIC HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

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

The System's long-term investment portfolio, which excludes assets held for self-insurance, reported preliminary investment gains of 12.8% in 2025 compared to gains of 7.7% in 2024. The preliminary investment returns do not include all of the valuation adjustments of private equity investments that have not yet issued their final earnings reports.

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

**Investment Return
(Dollars in thousands)**

	For the quarter ended December 31		For the year ended December 31	
	2025	2024	2025	2024
Other unrestricted revenue:				
Interest income and dividends	\$ 1,127	\$ 3,665	\$ 4,366	\$ 7,693
Investment return designated for current operations	62,500	62,500	250,000	212,500
	63,627	66,165	254,366	220,193
Nonoperating gains and losses, net:				
Interest income and dividends	47,289	38,891	167,747	160,846
Net realized gains (losses) on sales of investments	70,118	(17,364)	457,632	42,605
Net change in unrealized gains (losses) on investments	41,798	(147,718)	215,680	185,109
Equity method income on alternative investments	263,849	136,667	843,518	555,600
Investment management fees	(9,998)	(7,900)	(33,722)	(32,887)
Investment return designated for current operations	(62,500)	(62,500)	(250,000)	(212,500)
	350,556	(59,924)	1,400,855	698,773
Other changes in net assets:				
Investment income on restricted investments	24,889	2,681	129,154	77,940
Total investment return	\$ 439,072	\$ 8,922	\$ 1,784,375	\$ 996,906

Operating Lines of Credit

As of December 31, 2025, 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 December 31, 2025, outstanding current and long-term debt for the System totaled \$5.9 billion, comprised of \$5,043 million in bonds and notes, \$283 million related to proceeds from sale-leaseback transactions, \$378 million in finance leases and \$189 million in unamortized net premium, offset by \$32 million of unamortized debt issuance costs. Bonds and notes are structured with approximately 80% fixed-rate debt and 20% variable-rate debt. The System utilizes various interest rate swap derivative contracts to manage the risk of increased debt service resulting from rising market interest rates on variable-rate bonds. The total notional amount on the System's interest rate swap contracts at December 31, 2025 was \$267.5 million. Using an interest rate benchmark based on the Secured Overnight Financing Rate, the swap contracts convert variable-rate debt to a fixed-rate, which further reduces the System's exposure to variable interest rates. The interest rate swap contracts can be unwound by the System at any time, whereas the counterparty has the option to unwind the contracts only upon an event of default as defined in the contracts. In February 2026, the System terminated all of the remaining outstanding interest rate swap agreements. The System did not have a significant gain or loss on the termination of the swaps.

In March 2026, pursuant to certain agreements between the System and the State of Ohio (State) acting by and through the Ohio Higher Education 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 program.

As of December 31, 2025, approximately \$592 million of variable-rate debt are bonds secured by irrevocable direct pay letters of credit or standby bond purchase agreements. Debt supported by letters of credit or standby bond purchase agreements that expire within one year, require repayment of a remarketing draw within one year, or contain a subjective clause that would allow the lender to declare an event of default and cause immediate repayment of such bonds are classified as current liabilities. In March 2026, the System refunded \$130.4 million of bonds that were secured by a standby bond purchase agreement.

As of December 31, 2025, the System maintains \$401 million of variable-rate bonds supported by the System's self-liquidity program. Debt supported by self-liquidity includes the Cleveland Clinic Taxable Hospital Revenue Commercial Paper Notes, Series 2026 (described below), the Series 2014A CP Notes (described below) and certain variable-rate bonds that are remarketed in commercial paper or weekly mode. Bonds and notes supported by self-liquidity are classified as current liabilities. The System has sufficient liquidity within its investment portfolio to support the self-liquidity program. The Series 2026B Bonds mentioned previously added \$131.1 million to the System's self-liquidity program in March 2026.

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The System previously maintained the Cleveland Clinic Health System Obligated Group Commercial Paper Program (CP Program). As of December 31, 2025, the CP Program provided for the issuance of taxable Series 2014A CP Notes in a principal amount of up to \$100 million, none of which were outstanding. Effective March 31, 2026, the System terminated the CP Program and replaced it with the Cleveland Clinic Taxable Hospital Revenue Commercial Paper Notes, Series 2026, which may be issued in a principal amount of up to \$250 million, none of which are currently outstanding.

In September 2025, the System entered into a sale-leaseback transaction to sell 24 off campus properties and immediately lease those properties back from the buyer. The leases for each property are for an initial term of twelve and a half years and include two five-year renewal options as well as an option to purchase the properties at the end of the initial term. The System accounted for the transaction as a financing arrangement because it did not transfer control of the underlying assets. Accordingly, the proceeds from the financing arrangement totaling \$285 million were recorded as long-term debt in the consolidated balance sheets.

In connection with the sale-leaseback transaction, the System redeemed or defeased \$19.2 million of certain outstanding bonds. As a result, the System recorded a \$0.5 million gain on extinguishment of debt, which is recorded in other nonoperating gains and losses in the consolidated statements of operations and changes and net assets.

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

The System through a United Kingdom subsidiary issued £665 million of sterling notes (2018 Sterling Notes) in 2018 pursuant to a private placement agreement. The proceeds of the 2018 Sterling notes were used to support expansion in London. The outstanding 2018 Sterling Notes have been converted to U.S. dollars in the consolidated balance sheet using exchange rates of \$1.35 and \$1.26 at December 31, 2025 and December 31, 2024, respectively.

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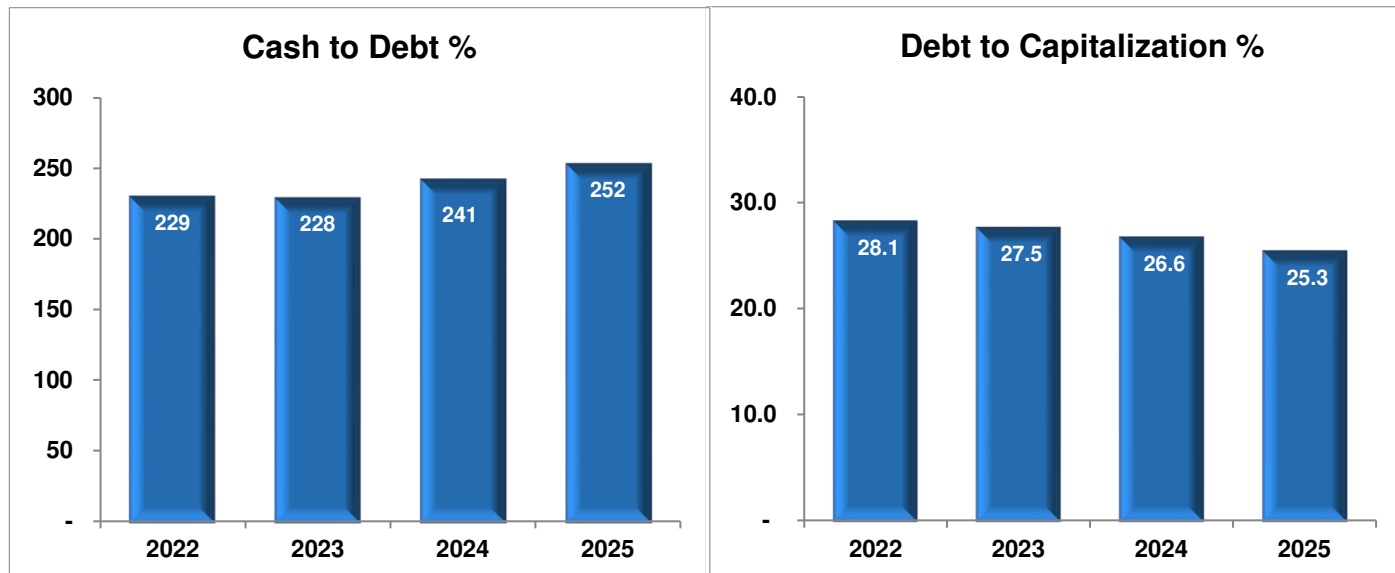
Outstanding long-term debt (including current portion) for the System as of December 31, 2025 and December 31, 2024 consist of the following:

**Hospital Revenue Bonds and Notes
(Dollars in thousands)**

Series	Type	Final Maturity	December 31 2025	December 31 2024
2024A Bonds	Fixed	2035	\$ 435,470	\$ 440,420
2021A Bonds	Fixed	2049	83,810	83,810
2021B Bonds	Fixed	2039	167,160	179,595
2021 Term Loan	Fixed	2025	—	16,460
2020 Term Loan	Fixed	2025	—	1,160
2019A Bonds	Fixed	2046	247,045	247,045
2019B Bonds	Fixed	2046	244,790	250,320
2019C Bonds	Fixed	2052	89,000	89,000
2019D Bonds	Variable	2052	119,340	119,340
2019E Bonds	Variable	2052	130,405	130,405
2019F Bonds	Variable	2052	130,405	130,405
2019G Bonds	Fixed	2042	240,185	241,835
2018 Sterling Notes ¹	Fixed	2068	897,229	835,648
2017A Bonds	Fixed	2043	662,765	696,160
2017B Bonds	Fixed	2043	157,735	160,030
2017C Bonds	Fixed	2032	5,455	6,080
2016 Private Placement	Fixed	2046	325,000	325,000
2014 Taxable Bonds	Fixed	2114	400,000	400,000
2013A Bonds	Fixed	2042	34,955	34,955
2013B Bonds	Variable	2039	201,160	201,160
2013 Keep Memory Alive Bonds	Variable	2037	42,260	44,960
2011B Bonds	Fixed	2031	14,300	16,295
2011C Bonds	Fixed	2032	44,155	61,345
2008B Bonds	Variable	2042	327,575	327,575
2003C Bonds	Variable	2035	41,905	41,905
Notes Payable	Varies	Varies	592	896
Financing arrangement	Varies	Varies	283,391	—
Finance Leases	Varies	Varies	378,349	133,825
			\$ 5,704,436	\$ 5,215,629

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

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



BOND RATINGS

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

In March 2026, S&P affirmed its AA rating on the obligated group's outstanding debt and maintained its stable outlook. S&P cited various reasons to support the rating, including a very strong enterprise and financial profile, growing and diversifying operations in three states and internationally, trend of improving margins, healthy unrestricted reserves and a growing clinical capacity with continued high demand for services. S&P also noted that the System has a national and international reputation for quality, innovation and integrated patient care. Challenges to the current rating include slightly elevated leverage metrics for the rating level, Northeast Ohio's unfavorable demographic trends, the System's robust capital spending program and a highly competitive service areas throughout the System.

In March 2026, Moody's affirmed its Aa2 rating on the obligated group's outstanding debt and maintained its stable outlook. Moody's cited various factors to support this rating and outlook, including a national and international reputation in highly complex care and research, a centralized governance model, strong liquidity, strong patient demand, durable improvement in operating performance and exceptional fundraising abilities. In its report, Moody's indicated that these strengths compensate for challenges such as moderately high debt levels, the ongoing integration and improvement strategies in Florida, weak demographic trends in Northeast Ohio and heavy competition in the Florida market.

CONSOLIDATED RESULTS OF OPERATIONS

For the Quarters ended December 31, 2025 and 2024

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

Operating income for the System in the fourth quarter of 2025 was \$398.8 million, resulting in an operating margin of 8.0%, as compared to operating income of \$136.8 million and an operating margin of 3.3% in the fourth quarter of 2024. The higher operating margin was due to a 20.0% increase in operating revenues, which outpaced a 14.2% increase in operating expenses. The System experienced nonoperating gains of \$345.9 million in the fourth quarter of 2025 compared to losses of \$51.9 million in the fourth quarter of 2024. The increase from the prior year was primarily due to higher investment returns in the fourth quarter of 2025 compared to the same period in 2024. Overall, the System reported an excess of revenues over expenses of \$744.7 million, a 14.0% total excess margin, in the fourth quarter of 2025 compared to \$85.0 million, a 2.1% total excess margin, in the fourth quarter of 2024.

The System's net patient service revenue increased \$590.0 million (16.7%) in the fourth quarter of 2025 compared to the same period in 2024. Total patient encounters increased 1.3% in the fourth quarter of 2025 compared to the same period in 2024, driven by a 3.6% increase in acute admissions, a 5.5% increase in total surgical cases and a 2.8% increase in outpatient evaluation and management visits. Expansion of the Ohio Medicaid supplemental payment programs increased net patient service revenue in the fourth quarter of 2025 and inpatient activity was favorably impacted by a strong case mix. The System also implemented annual rate increases on the System's managed care contracts that became effective in 2025.

Premium revenue was \$160.0 million in the fourth quarter of 2025. Premium revenue relates to new Medicare Advantage delegated premium and risk agreements that were effective January 1, 2025. The System also records related medical claim expenses on the new agreements. See "VALUE-BASED CARE RISK AGREEMENTS" for additional details.

Other unrestricted revenues increased \$81.3 million (13.0%) in the fourth quarter of 2025 compared to the same period in 2024. The increase in other unrestricted revenues was primarily due to an \$84.1 million increase in outpatient pharmacy revenue primarily due to higher utilization of outpatient and specialty drugs.

Total operating expenses increased \$569.3 million (14.2%) in the fourth quarter of 2025 compared to the same period in 2024. The growth in expenses was primarily due to the growth in patient volumes and inflationary trends that increased personnel, supplies and pharmaceutical expenses, as well as costs related to the new delegated risk premium contracts in 2025 and increases to Ohio hospital franchise fees. The System continues to develop and implement cost reduction and containment initiatives designed to make a more affordable care model for patients and to enable investments in key strategic initiatives.

Salaries, wages and benefits increased \$175.7 million (7.8%) in the fourth quarter of 2025 compared to the same period in 2024. Salaries, excluding benefits, increased \$161.3 million (8.3%) due primarily to

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annual salary adjustments averaging 3% across the System that were awarded in the second quarter of 2025 and a 0.8% increase in full-time equivalent employees in the fourth quarter of 2025 compared to the same period in 2024. Benefit costs increased \$14.3 million (4.6%) during the same period primarily due to the growth in salaries and full-time equivalent employees.

Supplies expense increased \$110.4 million (33.8%) in the fourth quarter of 2025 compared to the same period in 2024. The increase in supplies is primarily due to increases in total patient encounters and recent inflationary trends for many supplies. Additionally, the System reclassified certain instrument costs from expense to capital and inventory in 2024. Management determined that certain supply instruments qualified for capitalization under the System's capitalization policies based on the useful lives of the instruments.

Pharmaceutical costs increased \$92.5 million (14.6%) in the fourth quarter of 2025 compared to the same period in 2024. The increase in pharmaceuticals was primarily due to recent inflationary trends and increased utilization in outpatient areas including retail and specialty pharmacy. The System also experienced a corresponding increase in outpatient pharmacy revenues related to the increased utilization.

Medical claims expenses were \$70.5 million in the fourth quarter of 2025. Medical claims expenses relate to new Medicare Advantage delegated premium and risk agreements that were effective January 1, 2025. 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 statement of operations. See "VALUE-BASED CARE RISK AGREEMENTS" for additional details.

Purchased services and other fees increased \$127.0 million (44.4%) in the fourth quarter of 2025 compared to the same period in 2024. The increase in purchased services was primarily due to increases in hospital franchise fee expenses. Hospital franchise fee expenses increased due to expanded Medicaid supplemental and support programs in Ohio, which also resulted in additional supplemental payment revenues.

Administrative services expenses increased \$6.0 million (8.4%) in the fourth quarter of 2025 compared to the same period in 2024. The increase in administrative services was related to increases in professional services and consulting fees for various strategic initiatives.

Facilities expense increased \$11.5 million (9.4%) in the fourth quarter of 2025 compared to the same period in 2024. The increase in facilities expense was primarily due to a \$4.7 million increase in lease costs and \$4.1 million increase utilities expenses.

Insurance expense decreased \$6.4 million (7.8%) in the fourth quarter of 2025 compared to the same period in 2024. The decrease related to the timing of recording actuarial adjustments to insurance reserves based on updated analysis of outstanding claims. Actuarial adjustments recorded in the fourth quarter of 2025 were lower or better than the fourth quarter of 2024; however, insurance expense for the full year of 2025 was higher or worse than 2024. The increase in insurance expense for the full year was due to an increase in malpractice claim payments and related settlements the System has experienced

over the last few years. The System's medical professional insurance program has been influenced by the impact of both regular and social inflation that has resulted in higher settlement amounts.

Interest expense increased \$3.4 million (7.9%) in the fourth quarter of 2025 compared to the same period in 2024. The increase in interest expense was primarily due to interest expense related to a sale-leaseback transaction in September 2025. See "Long-term Debt" for additional details.

Depreciation and amortization expenses decreased \$21.2 million (11.3%) in the fourth quarter of 2025 compared to the same period in 2024. Changes in depreciation included property, plant and equipment that was fully depreciated in 2024, offset by depreciation for property, plant and equipment that was acquired and placed into service in 2024 and 2025.

Gains and losses from nonoperating activities resulted in net gains to the System of \$345.9 million in the fourth quarter of 2025 compared to losses of \$51.9 million in the fourth quarter of 2024. Investment returns, net of appropriations from the board-designated endowment fund, were \$350.6 million in the fourth quarter of 2025 compared to losses of \$59.9 million in the same period in 2024 driven by changes in financial markets. Derivative gains were \$0.1 million in the fourth quarter of 2025 compared to gains of \$5.7 million in the fourth quarter of 2024. Derivative gains and losses result from changes in interest rate benchmarks associated with the System's interest rate swap agreements, including net interest paid or received under the swap agreements. Other nonoperating gains and losses were unfavorable by \$7.1 million in the fourth quarter of 2025 compared to the same period in 2024 due primarily to an unfavorable variance in the portion of net periodic pension cost recognized in the statement of operations.

For the Years ended December 31, 2025 and 2024

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

Operating income for the System during 2025 totaled \$913.2 million, resulting in an operating margin of 5.0%, as compared to operating income of \$275.7 million and an operating margin of 1.7% in 2024. The higher operating margin was due to a 14.7% increase in operating revenues, which outpaced a 10.9% increase in operating expenses. Nonoperating gains for the System totaled \$1.4 billion during 2025 compared to gains of \$704.6 million in 2024. The increase from the prior year was primarily due to higher investment returns in 2025 compared to the same period in 2024. Overall, the System reported an excess of revenues over expenses of \$2.3 billion, an 11.7% total excess margin, in 2025 compared to \$980.4 million, a 5.9% total excess margin, in 2024.

The System's net patient service revenue increased \$1.3 billion (9.6%) in 2025 compared to 2024. Total patient encounters increased 1.7% in 2025 compared to 2024, driven by a 1.4% increase in acute admissions, a 3.0% increase in total surgical cases and a 4.2% increase in outpatient evaluation and management visits. Expansion of the Ohio Medicaid supplemental payment programs increased net patient service revenue in 2025 and inpatient activity was favorably impacted by a strong case mix, which increased 2.5% in 2025 compared to 2024. The System also implemented annual rate increases on the System's managed care contracts that became effective in 2025.

Premium revenue totaled \$616.7 million in 2025. Insurance premium revenue relates to new Medicare Advantage delegated premium and risk agreements that were effective January 1, 2025. The System also records related medical claim expenses on the new agreements. See "VALUE-BASED CARE RISK AGREEMENTS" for additional details.

Other unrestricted revenues increased \$402.9 million (18.0%) in 2025 compared to 2024. The increase in other unrestricted revenues was primarily due to a \$345.2 million increase in outpatient pharmacy revenue primarily due to higher utilization of outpatient and specialty drugs, a \$37.5 million increase in investment return designated for current operations, a \$29.1 million increase in management advisory revenue and a \$9.4 million increase in unrestricted gifts and assets released from restriction. Partially offsetting the increase was a \$28.7 million decrease in grants earned primarily due to Federal Emergency Management Agency (FEMA) grants that were received in 2024 to reimburse the System for pandemic-related costs.

Total operating expenses increased \$1.7 billion (10.9%) in 2025 compared to 2024. The growth in expenses was primarily due to the growth in patient volumes and inflationary trends that increased personnel, supplies and pharmaceutical expenses, as well as costs related to the new delegated premium and risk agreements in 2025, increases in Ohio hospital franchise fees and growth in malpractice insurance costs. The System continues to develop and implement cost reduction and containment initiatives designed to make a more affordable care model for patients and to enable investments in key strategic initiatives.

Salaries, wages and benefits increased \$478.7 million (5.3%) in 2025 compared to 2024. Salaries, excluding benefits, increased \$439.7 million (5.7%) due primarily to annual salary adjustments averaging 3% across the System that were awarded in the second quarter of 2025 and a 0.8% increase in full-time equivalent employees in 2025 compared to 2024. Benefit costs increased \$38.9 million (2.9%) during the same period primarily due to the growth in salaries and full-time equivalent employees. The System experienced a \$26.5 million increase in defined contribution plan expenses, a \$19.4 million increase in FICA expenses and a \$9.6 million increase in other benefits including long term disability, tuition reimbursement, parental leave benefits and workers compensation costs. The increases were partially offset by a \$33.1 million decrease in employee health plan expenses due to a shift in health care services from external providers to providers within the System.

Supplies expense increased \$187.4 million (12.6%) in 2025 compared to 2024. The increase in supplies is primarily due to increases in total patient encounters, including a 3.0% increase in surgical cases, and recent inflationary trends for many implantables and other medical supplies.

Pharmaceutical costs increased \$466.1 million (20.3%) in 2025 compared to 2024. The increase in pharmaceuticals was primarily due to recent inflationary trends and increased utilization in outpatient areas including retail and specialty pharmacy. The System also experienced a corresponding increase in outpatient pharmacy revenues related to the increased utilization.

Medical claims expenses totaled \$267.4 million in 2025. Medical claims expenses relate to new Medicare Advantage delegated premium and risk agreements that were effective January 1, 2025. The System also records premium revenue on the new agreements. Medical claims for services provided at System

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facilities are eliminated from both net patient service revenue and medical claims expense on the consolidated statement of operations. See "VALUE-BASED CARE RISK AGREEMENTS" for additional details.

Purchased services and other fees increased \$183.0 million (16.3%) in 2025 compared to 2024. The increase in purchased services was comprised of a \$187.4 million increase in purchased nonmedical services, offset by a \$4.5 million decrease in purchased medical services. The increase in purchased nonmedical services was primarily due to a \$162.6 million increase in hospital franchise fee expenses and an \$11.4 million increase in hardware and software costs. Hospital franchise fee expenses increased due to expanded Medicaid supplemental and support programs in Ohio, which also resulted in additional supplemental payment revenues.

Administrative services expenses increased \$9.9 million (4.0%) in 2025 compared to 2024. The increase in administrative services was related to increases in professional services for various strategic initiatives and travel and education expenses.

Facilities expense increased \$31.5 million (6.6%) in 2025 compared to 2024. The increase in facilities expense was primarily due to an \$18.1 million increase in utilities expenses and a \$12.6 million increase in operating and short-term lease costs.

Insurance expense increased \$45.2 million (22.9%) in 2025 compared to 2024. The increase in insurance expense was due to an increase in malpractice claim payments and related settlements over the last few years. Total incurred claims at the System's captive insurance subsidiary increased \$39.9 million in 2025 compared to 2024, which includes unfavorable development of claims related to prior years. In addition, unasserted claims liabilities increased \$15.6 million in 2025 compared to increases of \$10.7 million in 2024. The System's medical professional insurance program has been influenced by the impact of both regular and social inflation that has resulted in higher settlement amounts.

Interest expense decreased \$2.6 million (1.5%) in 2025 compared to 2024. The decrease in interest expense was primarily due to the reduction in debt from regularly scheduled principal payments in 2025, a lower average interest rate on the System's variable-rate bonds in 2025 compared to 2024 and a lease modification in the third quarter of 2024 that reclassified certain finance leases to operating leases. The decrease was partially offset by interest expense resulting from bonds issued in June 2024 and a sale-leaseback transaction in September 2025.

Depreciation and amortization expenses increased \$33.7 million (5.3%) in 2025 compared to 2024. Changes in depreciation included property, plant and equipment that was fully depreciated in 2024, offset by depreciation for property, plant and equipment that was acquired and placed into service in 2024 and 2025.

Gains and losses from nonoperating activities resulted in net gains to the System of \$1.4 billion in 2025 compared to gains of \$704.6 million in 2024. Investment returns, net of appropriations from the board-designated endowment fund, totaled \$1.4 billion in 2025 compared to \$698.8 million in 2024 driven by financial markets. Derivative losses totaled \$2.8 million in 2025 compared to gains of \$11.6 million in 2024. Derivative gains and losses result from changes in interest rate benchmarks associated with the

System's interest rate swap agreements, including net interest paid or received under the swap agreements. Other nonoperating gains and losses were unfavorable by \$6.9 million in 2025 compared to 2024 due primarily to an unfavorable variance in the portion of net periodic pension cost recognized in the consolidated statement of operations.

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

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

Cash and cash equivalents increased \$340.8 million (33.3%) from December 31, 2024 to December 31, 2025. The majority of the System's cash and cash equivalents are held in operating bank accounts for general expenditures. The increase in cash equivalents related to the timing of operating and financing cash flows and transfers to or from the investment portfolio to manage the liquidity needs of the System.

Patient accounts receivable increased \$203.6 million (11.0%) from December 31, 2024 to December 31, 2025. The increase in patient receivables was primarily attributable to the increase in net patient revenue in 2025 compared to 2024 and rate increases on the System's managed care contracts that became effective in January 2025. Payment delays and initial claim denials from managed care payors as well as billing delays with third-party billing/coding vendors, particularly for medical imaging services, have also contributed to the increase in patient accounts receivable. 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 47 days at December 31, 2025 and 48 days at December 31, 2024.

Investments for current use increased \$11.2 million (12.5%) from December 31, 2024 to December 31, 2025. Investments for current use include assets held for self-insurance that will be used to pay the current portion of estimated claim liabilities. The increase in assets held for self-insurance from December 31, 2024 to December 31, 2025 was due to the increase in self-insured malpractice reserves.

Other current assets increased \$380.0 million (44.0%) from December 31, 2024 to December 31, 2025. The increase in other current assets was primarily due to a \$356.8 million increase in third-party receivables driven primarily by expansion of Ohio supplemental payment programs that provide assistance to hospitals due to the timing of payments for the programs and a \$63.0 million increase in inventories. The increase in other current assets was partially offset by a \$22.7 million decrease in the current portion of pledges receivable and a \$21.4 million decrease in receivables related to management service agreements.

Unrestricted long-term investments increased \$1.5 billion (12.2%) from December 31, 2024 to December 31, 2025. The increase in long-term investments was primarily due to \$1.7 billion of unrestricted investment gains experienced in the System's investment portfolio that reported preliminary investment returns of 12.8% in 2025. Other changes in unrestricted investments include transfers to operating cash to support the liquidity needs of the System.

Funds held by trustees increased \$31.3 million (507.8%) from December 31, 2024 to December 31, 2025. The increase in funds held by trustees was primarily due to a \$31.5 million increase in collateral posted for commodity future holdings in the System's investment portfolio. Funds held by trustees also include collateral posted with counterparties on various initiatives and programs of the System and unexpended bond proceeds that will be used to reimburse the System for future eligible capital expenditures.

Assets held for self-insurance increased \$14.8 million (8.9%) from December 31, 2024 to December 31, 2025. The increase in self-insurance assets was primarily due to insurance premiums and capital contributions 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. The increase in assets held for self-insurance was partially offset by a reclassification of \$11.2 million to investment for current use due to the increase in self-insured malpractice reserves.

Donor-restricted assets increased \$124.6 million (7.9%) from December 31, 2024 to December 31, 2025. The increase in restricted assets was primarily from the receipt of donor-restricted gifts and investment gains on restricted investments in excess of expenditures from restricted funds.

Net property, plant and equipment increased \$820.7 million (11.9%) from December 31, 2024 to December 31, 2025. The System had expenditures for property, plant and equipment of \$1,150 million, offset by depreciation expense of \$666.3 million. Other increases in property, plant and equipment resulted from \$56.7 million of foreign currency translation gains, offset by \$10.9 million of proceeds from the sale of property, plant and equipment. Capital expenditures in 2025 include amounts paid on retainage liabilities recorded at December 31, 2024 and exclude assets acquired through finance leases and other financing arrangements. Retainage liabilities decreased \$3.9 million, and new finance leases totaled \$274.3 million in 2025. Expenditures for property, plant and equipment were incurred at numerous facilities across the System and included expenditures for strategic construction, expansion and technological investment, as well as replacement of existing facilities and equipment. For a description of a few of the System's current projects, refer to "EXPANSION AND IMPROVEMENT PROJECTS."

Pledges receivable increased \$4.2 million (3.0%) from December 31, 2024 to December 31, 2025. The increase in pledges receivable was due to new pledges received in 2025, offset by the reclassification of pledges receivable, due within one year, from long-term to current.

Trusts and interests in foundations increased \$3.1 million (3.2%) from December 31, 2024 to December 31, 2025. The increase in trusts and interests in foundations was comprised of a \$5.6 million increase in perpetual and charitable trusts offset by a \$2.5 million decrease in interests in community foundations.

Operating lease right-of-use assets decreased \$5.4 million (1.4%) from December 31, 2024 to December 31, 2025. The decrease in operating lease right-of-use assets was primarily due to the termination of an operating lease that was replaced with a lease for expanded space and a longer term that qualified for finance lease accounting treatment. Also contributing to the decrease is the reduction in value of future lease payments through the recognition of operating lease expenses. These decreases were partially offset by the addition of new operating leases recorded during 2025 and changes in foreign currency exchange rates related to leases at London Hospital.

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Other noncurrent assets increased \$146.8 million (13.2%) from December 31, 2024 to December 31, 2025. The increase in other noncurrent assets was due to a \$101.5 million increase in deferred compensation plan assets driven by changes in investment markets (corresponding increase in noncurrent liabilities), a \$44.6 million increase in investments in affiliates including investments in joint venture rehabilitation and long-term acute care hospitals and a \$24.6 million increase in prepaid pension costs. The increases were partially offset by a \$13.8 million decrease in cloud computing assets primarily due to amortization.

Accounts payable increased \$30.0 million (3.7%) from December 31, 2024 to December 31, 2025. The increase in accounts payable was primarily attributable to the timing of payment processing for trade payables offset by a \$3.9 million decrease in retainage liabilities for current construction projects.

Compensation and amounts withheld from payroll increased \$107.7 million (15.2%) from December 31, 2024 to December 31, 2025. The increase 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 decreased \$6.8 million (6.3%) from December 31, 2024 to December 31, 2025. Changes in the current portion of long-term debt include the reclassification of regularly scheduled principal payments from long-term to current that are due within one year, offset by principal payments made in 2025. The decreases were partially offset by a \$5.5 million increase related to proceeds from a sale-leaseback transaction in 2025.

Variable-rate debt classified as current decreased \$187.1 million (26.7%) from December 31, 2024 to December 31, 2025. Variable-rate debt classified as current consists of long-term variable-rate bonds supported by the System's self-liquidity program and bonds with letters of credit or standby bond purchase agreements that expire within one year, require repayment of a remarketing draw within one year or contain a subjective clause that would allow the lender to declare an event of default and cause immediate repayment of such bonds. The System does not expect to make principal payments on these bonds in the next year but classifies them as current for accounting purposes. The decrease in variable-rate debt classified as current was primarily due to the reclassification of \$260.8 million from current to long-term for bonds supported by standby bond purchase agreements that were scheduled to expire in 2025. The System entered into amended agreements that allowed the bonds to be classified as long-term at December 31, 2025. The decrease was partially offset by the reclassification of \$75.4 million from long-term to current for bonds supported by standby bond purchase agreements that are scheduled to expire in 2026.

Other current liabilities increased \$185.8 million (23.6%) from December 31, 2024 to December 31, 2025. The increase in other current liabilities was primarily due to a \$122.3 million increase in Ohio hospital franchise fee liabilities due to the timing of payments, a \$25.7 million increase in deferred revenue related primarily to management contracts, an \$11.2 million increase in the current portion of professional and general insurance liability reserve and a \$9.6 million increase in deferred revenue related to research projects.

**CLEVELAND CLINIC HEALTH SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED DECEMBER 31, 2025**

Long-term debt increased \$663.8 million (14.5%) from December 31, 2024 to December 31, 2025. The increase in long-term debt was primarily due to \$277.9 million of outstanding long-term proceeds from a sale-leaseback transaction in 2025, \$274.3 million of new finance leases recorded in 2025 and the reclassification of \$260.8 million from current to long-term for bonds supported by standby bond purchase agreements that were scheduled to expire in 2025. The System entered into amended agreements that allowed the bonds to be classified as long-term at December 31, 2025. Also contributing to the increase was \$61.6 million of foreign currency translation losses on the 2018 Sterling Notes. These increases were partially offset by the reclassification of \$75.4 million from long-term to current for bonds supported by standby bond purchase agreements that are scheduled to expire in 2026 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 \$83.8 million (32.2%) from December 31, 2024 to December 31, 2025. The System had total incurred claims of \$201.3 million in 2025 offset by \$116.4 million in paid claims. Additional increases in professional and general liability reserves include a \$15.6 million increase in unasserted claim liabilities. These increases were offset by a \$5.5 million decrease related to changes in ceded reinsurance reserves and reinsurance recoveries and an \$11.2 million decrease due to the reclassification of reserves from long-term to current.

Accrued retirement benefits decreased \$5.4 million (2.7%) from December 31, 2024 to December 31, 2025. The decrease in accrued retirement benefits was comprised of a \$5.8 million decrease in other postretirement benefit liabilities offset by a \$0.3 million increase in certain defined benefit pension plan liabilities.

Operating lease liabilities decreased \$13.9 million (4.2%) from December 31, 2024 to December 31, 2025. The decrease in operating lease liabilities was primarily due to the termination of an operating lease that was replaced with a lease for expanded space and a longer term that qualified for finance lease accounting treatment. Also contributing to the decrease was the reclassification of operating lease payments from long-term to short-term. Partially offsetting the increase was the addition of new operating leases recorded in 2025 and changes in foreign currency exchange rates related to leases at London Hospital.

Other noncurrent liabilities increased \$159.5 million (20.0%) from December 31, 2024 to December 31, 2025. The increase in other noncurrent liabilities was primarily due to a \$101.5 million increase in deferred compensation plan liabilities (corresponding increase in noncurrent assets) primarily due to changes in investment markets, a \$40.3 million increase in third party reserves and a \$20.0 million increase related to deferred grants. These increases were partially offset by a \$15.4 million decrease in pledge liabilities primarily due to reclassification to from long-term to current.

Total net assets increased \$2.5 billion (14.9%) from December 31, 2024 to December 31, 2025. Net assets without donor restrictions increased \$2.4 billion (16.1%) primarily due to an excess of revenues over expenses of \$2.3 billion, net assets released from restriction for capital purposes of \$82.5 million, retirement benefit adjustments of \$22.2 million and foreign currency translation gains of \$5.3 million. Net assets with donor restrictions increased \$111.6 million (5.8%), primarily due to restricted gifts of \$216.5 million and investment gains of \$129.2 million, offset by assets released from restrictions of \$241.4 million.

FORWARD-LOOKING STATEMENTS

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

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

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

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



Every life deserves world class care.