

"Our staff's extraordinary response to tough times allowed us to recover in 2009 and to flourish in 2010."

John H. Noseworthy, M.D.

Financial Report

Mayo Clinic is driven by its mission to inspire hope and contribute to health and well-being by providing the best care to every patient through integrated clinical practice, education and research. As a not-for-profit institution, Mayo invests all of its net operating income back into programs that support this mission.

Well-positioned for successful future

Mayo Clinic leaders are pleased to announce that Mayo Clinic ended 2010 in a strong financial position. "Mayo Clinic employees have done a remarkable job achieving a rapid recovery and positioning the organization well for the future," says John Noseworthy, M.D., president and chief executive officer of Mayo Clinic. "While the national and global economies are recovering slowly from the 2008 financial crisis, our staff's extraordinary response to tough times allowed us to recover in 2009 and to flourish in 2010."

Operating performance

In 2010, Mayo's income from current activities (net operating income) was \$515 million, which translates to a 6.5 percent operating margin and aligns with the clinic's long-term objectives. Because Mayo Clinic is a not-for-profit organization, all income is reinvested into Mayo Clinic patient care, education and research programs. Mayo sets its long-term operating margin objectives based on a determination of what is necessary to reinvest in these programs.

Growing revenue, holding expenses

Mayo Clinic achieved its 2010 operating margin primarily by holding expenses to a 2.5 percent increase while growing revenue by 4.7 percent over the same period. Shirley Weis, the clinic's chief administrative officer,

notes that Mayo Clinic improved on its solid 2009 financial performance in 2010 by continuing to focus on expense management, controlled growth in staffing, and practice redesign that eliminates waste and overutilization.

"Mayo Clinic employees across the enterprise continue to focus on quality while identifying and eliminating work that duplicates effort or that doesn't add value for our patients," says Weis.

Focused efforts from all parts of organization

Jeff Bolton, Mayo Clinic's chief financial officer, notes that Mayo's financial turnaround since 2008 is the result of focused efforts from all parts of the organization. "These efforts have significantly improved our operational effectiveness, and we continue to work to reduce the cost structure for delivering our services," Bolton says.

Recognizing that the road ahead is uncertain with slow economic recovery and variables surrounding health care, Mayo Clinic will continue to closely manage expenses and make measured investments in capital projects and programs.



Shirley Weis, Vice President and Chief Administrative Officer

Jeff Bolton, Chief Financial Officer

Clinical practice

The Mayo Clinic Practice represents approximately 84 percent of Mayo's total operations. Mayo Clinic hospitals admitted 123,000 patients in 2010. Mayo Clinic staff cared for 1,050,000 individual patients in 2010. This figure includes 533,000 Mayo Clinic Rochester, Florida and Arizona patients and 517,000 Mayo Clinic Health System patients, the latter number reported for the first time in 2010. Mayo Clinic Health System is a network of clinics and hospitals serving more than 70 areas in Iowa, Minnesota and Wisconsin.

Investing in research and education

Mayo Clinic's net operating income is invested to advance the science of medicine and to teach the next generation of health care professionals.

Overall funding for Mayo research and education programs was \$790 million in 2010, an increase of \$21 million over 2009. Over 8,000 active human studies were under way in 2010. Government, foundations and industry sources provided \$393 million in 2010 for Mayo research and education programs. Mayo Clinic funds and benefactor gifts for research and education totaled \$397 million in 2010.

The College of Medicine, Mayo Clinic, educated 2,014 medical and allied health program students and 1,483 residents and fellows in 2010. There were 116,814 physician and allied health participants in continuing medical education programs.

Mayo will continue to partner with foundations, benefactors, government and industry with mutual aims to support education programs that train the next generation of medical professionals and research programs that identify tomorrow's medical breakthroughs.

Support from benefactors

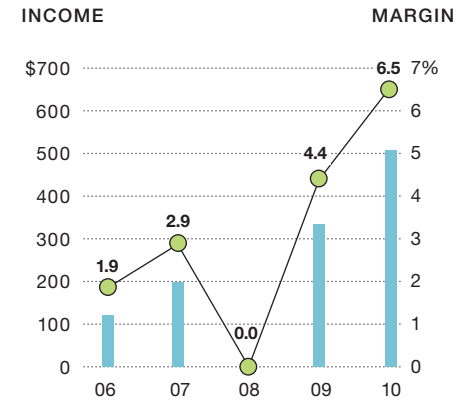
To support Mayo programs, gifts from benefactors included in Mayo Clinic's 2010 financial statements totaled \$208 million. An additional \$151 million was pledged in trusts, estates and other commitments that will be realized in the future. Support from grateful patients, foundations, corporations and other organizations is essential to Mayo Clinic's ability to carry out its mission in practice, education and research, and to provide outstanding facilities and technology.

Operating Performance (in millions)

	2010	2009	CHANGE
Total Revenue	7,942.0	7,582.1	4.7%
Total Expenses	7,426.7	7,248.9	2.5%
Income from current activities	515.3	333.2	
Percent of Revenue	6.5%	4.4%	2.1p

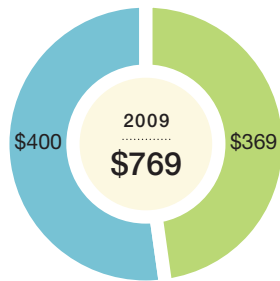
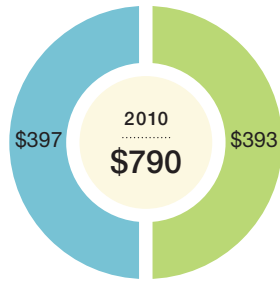
Income from Current Activities

(in millions and % of revenue)



Research & Education Funding (in Millions)

- Mayo Clinic Funds + Benefactor Gifts
- Extramural Funds



Endowment

Mayo Clinic's endowment of \$1.8 billion helps provide a stable funding source for Mayo Clinic research and education programs. Mayo's goal is to continue to increase the endowment in coming years. Mayo Clinic's endowment is a critical element in providing a long-term funding base for these programs.

Investment performance

Mayo's investments in the financial markets made significant gains, returning 11.5 percent. Each year, a portion of the investment return is used to fund research and education programs. However, because there is significant variability of results from year to year, Mayo cannot rely on strong stock market performance as a source of funding for the long term.

Mayo contributed \$223 million to its employee pension plans to keep them strong and secure for the future.

Investments in clinical infrastructure

Despite constrained capital spending during 2009 and 2010, Mayo Clinic made important investments in clinical infrastructure and a number of critical information technology projects to enhance its clinical practice, such as institution-wide radiology and laboratory systems, electronic medical records system installation in the Mayo Clinic Health System and electronic medical record system replacement in Arizona. Given stronger operating performance, Mayo is now in a position to make significant investments in strategic new diagnostic and therapeutic equipment and facilities. At the end of 2010, Mayo committed to invest in the Mayo Clinic Proton Beam Therapy Program (page 8), and is planning additional commitments in 2011.

Investment Performance (Annualized Return)

	ONE-YEAR	THREE-YEAR	FIVE-YEAR
General Fund	11.5%	1.0%	6.9%
Benchmark	11.9%	-0.4%	5.1%

Consolidated Statements of Activities Years Ended Dec. 31, 2010 & 2009 (in Millions)

Revenue, gains, and other support:	2010	2009
Net medical service revenue	\$6,735.7	\$ 6,473.7
Grants and contracts	344.6	324.9
Investment return allocated to current activities	122.8	101.2
Contributions available for current activities	178.7	106.0
Premium revenue	108.6	105.9
Other	451.6	470.4
Total revenue, gains, and other support	7,942.0	7,582.1
Expenses:		
Salaries and benefits	4,911.8	4,796.7
Supplies and services	1,725.0	1,677.4
Facilities	590.7	574.8
Provision for uncollectible accounts	160.1	161.1
Finance and investment	39.1	38.9
Total expenses	7,426.7	7,248.9
Income from current activities	515.3	333.2
Non-current and other items:		
Contributions not available for current activities, net	24.0	78.3
Unallocated investment return, net	274.5	315.4
Change in net deferred tax asset	(27.3)	(4.0)
Other	6.3	(5.2)
Total non-current and other items	277.5	384.5
Increase (decrease) in net assets before other changes in net assets	792.8	717.7
Pension and other postretirement benefit adjustments	(250.0)	1,227.6
Increase (decrease) in net assets	542.8	1,945.3
Net assets at beginning of year	4,271.0	2,325.7
Net assets at end of year	\$4,813.8	\$4,271.0

Consolidated Statements of Financial Position Years Ended Dec. 31, 2010 & 2009 (in Millions)

Assets	2010	2009	CHANGE
Cash and cash equivalents	\$ 73.8	\$ 41.0	\$ 32.8
Accounts receivable for medical services – net	1,221.0	1,106.8	114.2
Investments – at market	3,963.0	3,428.8	534.2
Other assets	831.6	900.0	(68.4)
Property, plant, and equipment – net	3,489.6	3,511.9	(22.3)
Total assets	\$9,579.0	\$8,988.5	\$590.5
Liabilities and Net Assets			
Accounts payable and current liabilities	\$1,635.8	\$1,542.3	\$ 93.5
Long-term debt	1,360.4	1,244.4	116.0
Other long-term liabilities	1,769.0	1,930.8	(161.8)
Net assets	4,813.8	4,271.0	542.8
Total liabilities and net assets	\$9,579.0	\$8,988.5	\$590.5

Mayo Clinic Services and People	2010
Measures of Service	
Total clinic patients*	1,050,000
Hospital admissions	123,000
Hospital days of patient care	571,000
Number of Personnel (including temporary and supplemental employees)	
Staff physicians and medical scientists	3,700
Allied health	49,100
Residents, fellows and students	3,300
Total	56,100

This summary is intended to present a brief review of Mayo Clinic's financial condition and activities for 2010 compared with 2009. The Consolidated Financial Statements of Mayo Clinic for the years ended Dec. 31, 2010 and 2009 were examined by *McGladrey & Pullen, LLP*.

A copy of their report and Mayo Clinic's financial statement can be obtained by writing to:

Treasurer
Mayo Clinic
200 First Street SW
Rochester, MN 55905

*Individual patients are counted once annually.

Community Benefit Summary: Benefits to those in need and the broader community¹ Year Ended Dec. 31, 2010 (in Millions)

Cost of benefit provided to those in need	2010
Charity care	\$ 64.4
Unpaid portions of Medicaid and other indigent care programs	215.5
Total quantifiable benefit to those in need	\$ 279.9
Cost of benefit provided to the broader community	
Non-billed services and cash and in-kind donations	\$ 3.1
Education and Research ²	790.1
Total quantifiable benefit to the broader community	\$ 793.2
Total estimated cost of quantifiable benefit to those in need	\$1,073.1
Unpaid portions of Medicare and other senior programs	\$ 810.0

¹ The estimated cost of benefits to those in need and the broader community were calculated in accordance with the guidelines set forth by CHA/VHA.

² IRS guidelines for reportable education and research funding were expanded in 2010. This amount includes externally sponsored funding that totaled \$392.8 million in 2010.

Positive Economic Impact of Mayo Clinic

Battelle Memorial Institute, 2010

