KPMG

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Financial Statements

April 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Table of Contents

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Directors
Institute for Healthcare Improvement, Inc.:

Opinion

We have audited the financial statements of Institute for Healthcare Improvement, Inc. (the Institute), which comprise the statements of financial position as of April 30, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Institute as of April 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Boston, Massachusetts
September 20, 2022

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statements of Financial Position

April 30, 2022 and 2021

Assets		**2022**	**2021**
Cash and cash equivalents	$	55,144,654	33,417,059
Accounts receivable, net		6,027,657	7,727,590
Other assets		1,814,686	1,355,497
Investments		93,167,184	103,030,636
Property and equipment, at cost:			
Office furniture and equipment		2,314,944	2,928,829
Software		4,857,188	4,800,311
Leasehold improvements		5,558,294	5,039,710
		12,730,426	12,768,850
Less accumulated depreciation and amortization		(8,576,390)	(8,481,569)
Property and equipment, net		4,154,036	4,287,281
Total assets	$	160,308,217	149,818,063
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	6,223,142	5,966,166
Refundable advances – customers		7,540,734	7,698,950
Refundable advance – Paycheck Protection Plan		—	2,000,000
Deferred revenue		9,747,309	8,534,365
Deferred rent		3,125,174	3,353,055
Deferred compensation		1,361,945	1,384,312
Total liabilities		27,998,304	28,936,848
Net assets:			
Without donor restrictions:			
Board-designated endowment		93,165,792	103,967,569
Operating reserve fund		12,064,439	12,251,670
Property, Plant, and Equipment Replacement Fund		4,287,280	4,287,280
Subtotal net assets without donor restrictions		109,517,511	120,506,519
With donor restrictions		22,792,402	374,696
Total net assets		132,309,913	120,881,215
Total liabilities and net assets	$	160,308,217	149,818,063

See accompanying notes to financial statements.

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statement of Activities

Year ended April 30, 2022
(With comparative totals for the year ended April 30, 2021)

	Net assets without donor restrictions	Net assets with donor restrictions	Total 2022	Total 2021
Operating revenues and other support:				
Grant income	$ 12,154,949	—	12,154,949	13,964,413
Contract services	24,951,719	—	24,951,719	21,349,796
Participation, meeting, and conference fees	6,215,485	—	6,215,485	6,321,473
Contributions	28,098	25,456,195	25,484,293	485,390
Membership dues	3,885,058	—	3,885,058	3,643,915
Other	2,163,209	—	2,163,209	1,825,340
Endowment return utilized	755,989	—	755,989	78,375
Net assets released from restriction	2,998,070	(2,998,070)	—	—
Total operating revenues and other support	53,152,577	22,458,125	75,610,702	47,668,702
Less donated attendance fees	540,439	—	540,439	329,213
Net operating revenues and other support	52,612,138	22,458,125	75,070,263	47,339,489
Operating expenses:				
Program services	39,773,863	—	39,773,863	36,648,536
Supporting services	12,779,914	—	12,779,914	9,675,731
Total operating expenses	52,553,777	—	52,553,777	46,324,267
Increase in net assets from operations	58,361	22,458,125	22,516,486	1,015,222
Nonoperating activities:				
Net investment return	(10,291,380)	(40,419)	(10,331,799)	25,833,009
Endowment return utilized in operations	(755,989)	—	(755,989)	(78,375)
Total nonoperating activities	(11,047,369)	(40,419)	(11,087,788)	25,754,634
(Decrease) increase in net assets	(10,989,008)	22,417,706	11,428,698	26,769,856
Net assets, beginning of year	120,506,519	374,696	120,881,215	94,111,359
Net assets, end of year	$ 109,517,511	22,792,402	132,309,913	120,881,215

See accompanying notes to financial statements.

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statement of Activities

Year ended April 30, 2021

	Net assets without donor restrictions	Net assets with donor restrictions	Total 2021
Operating revenues and other support:			
Grant income	$ 13,964,413	—	13,964,413
Contract services	21,349,796	—	21,349,796
Participation, meeting, and conference fees	6,321,473	—	6,321,473
Contributions	475,390	10,000	485,390
Membership dues	3,643,915	—	3,643,915
Other	1,825,340	—	1,825,340
Endowment return utilized	78,375	—	78,375
Net assets released from restriction	362,142	(362,142)	—
Total operating revenues and other support	48,020,844	(352,142)	47,668,702
Less donated attendance fees	329,213	—	329,213
Net operating revenues and other support	47,691,631	(352,142)	47,339,489
Operating expenses:			
Program services	36,648,536	—	36,648,536
Supporting services	9,675,731	—	9,675,731
Total operating expenses	46,324,267	—	46,324,267
Increase (decrease) in net assets from operations	1,367,364	(352,142)	1,015,222
Nonoperating activities:			
Net investment return	25,832,350	659	25,833,009
Endowment return utilized in operations	(78,375)	—	(78,375)
Total nonoperating activities	25,753,975	659	25,754,634
Increase (decrease) in net assets from operations	27,121,339	(351,483)	26,769,856
Net assets, beginning of year	93,385,180	726,179	94,111,359
Net assets, end of year	$ 120,506,519	374,696	120,881,215

See accompanying notes to financial statements.

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statement of Functional Expenses (With Comparative Information)

Year ended April 30, 2022

	Courses and other programs	Grants	Strategic partners and contracts	National forum	Innovation	Total program services	Supporting services	Total 2022 operating expenses	Total 2021 operating expenses
Salaries, payroll taxes, and fringe benefits	$ 3,541,631	7,137,885	7,616,468	757,200	1,380,969	20,434,153	9,785,926	30,220,079	28,925,586
Consulting	974,811	2,499,705	5,030,223	74,793	191,525	8,771,057	224,743	8,995,800	8,098,647
Meetings	92,448	90,597	132,897	904,889	350	1,221,181	36,873	1,258,054	170,901
Grants	—	2,952,694	—	—	—	2,952,694	—	2,952,694	98,541
Travel and lodging	25,716	171,293	145,007	1,954	103	344,073	55,698	399,771	184,110
Occupancy/office related	327,521	845,846	755,619	109,211	88,780	2,126,977	741,880	2,868,857	2,801,218
Technology	271,953	429,594	426,347	59,016	48,123	1,235,033	407,818	1,642,851	1,601,164
Depreciation and amortization	93,912	206,287	200,461	27,766	24,203	552,629	172,431	725,060	831,519
Marketing	107,092	22,090	2,866	78,670	5	210,723	212,202	422,925	356,964
Professional fees	370,311	464,783	479,922	40,565	56,606	1,412,187	1,098,784	2,510,971	2,720,086
Miscellaneous expense	58,663	380,028	67,575	3,681	3,209	513,156	43,559	556,715	535,531
Total functional expenses	$ 5,864,058	15,200,802	14,857,385	2,057,745	1,793,873	39,773,863	12,779,914	52,553,777	46,324,267

See accompanying notes to financial statements.

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statement of Functional Expenses (With Comparative Information)

Year ended April 30, 2021

	Courses and other programs	Grants	Strategic partners and contracts	National forum	Innovation	Total program services	Supporting services	Total 2021 operating expenses
Salaries, payroll taxes, and fringe benefits	$ 4,944,302	8,749,982	6,374,152	743,624	843,410	21,655,470	7,270,116	28,925,586
Consulting	1,005,303	2,220,872	4,405,232	76,438	77,375	7,785,220	313,427	8,098,647
Meetings	119,308	57,074	(122,316)	90,286	502	144,854	26,047	170,901
Grants	—	98,541	—	—	—	98,541	—	98,541
Travel and lodging	2,152	121,919	36,101	(3,820)	(245)	156,107	28,003	184,110
Occupancy/office related	470,241	877,283	715,663	71,655	60,026	2,194,868	606,350	2,801,218
Technology	249,058	512,227	410,144	29,782	33,344	1,234,555	366,609	1,601,164
Depreciation and amortization	135,905	252,630	228,514	21,519	19,389	657,957	173,562	831,519
Marketing	137,980	12,348	82	107,929	—	258,339	98,625	356,964
Professional fees	448,249	798,573	628,203	56,914	42,338	1,974,277	745,809	2,720,086
Miscellaneous expense	63,960	350,883	63,433	5,298	4,774	488,348	47,183	535,531
Total functional expenses	$ 7,576,458	14,052,332	12,739,208	1,199,625	1,080,913	36,648,536	9,675,731	46,324,267

See accompanying notes to financial statements.

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statements of Cash Flows

Years ended April 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Increase in net assets	$ 11,428,698	26,769,856
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Net unrealized and realized losses (gains) on investments	11,968,163	(24,023,374)
Loss on disposal of fixed assets	187,721	—
Depreciation and amortization	725,060	831,519
Changes in assets and liabilities:		
Accounts receivable, net	1,699,933	(2,525,205)
Other current assets	(459,189)	(110,596)
Accounts payable and accrued expenses	243,108	3,462,013
Deferred revenue	1,212,944	1,879,852
Refundable advances – customers	(158,216)	1,844,105
Refundable advance – Paycheck Protection Plan	(2,000,000)	(1,281,766)
Deferred compensation	(227,881)	(199,711)
Deferred rent	(22,367)	(188,514)
Net cash provided by operating activities	24,597,974	6,458,179
Cash flows from investing activities:		
Proceeds from sales of investments	106,507,152	6,747,283
Purchases of investments	(108,611,867)	(7,727,561)
Additions to property and equipment	(765,664)	(11,032)
Net cash used in investing activities	(2,870,379)	(991,310)
Net increase in cash and cash equivalents	21,727,595	5,466,869
Cash and cash equivalents, beginning of year	33,417,059	27,950,190
Cash and cash equivalents, end of year	$ 55,144,654	33,417,059

See accompanying notes to financial statements.

(1) Organization

Since 1991, the Institute for Healthcare Improvement, Inc. (IHI or the Institute) has used improvement science to advance and sustain better outcomes in health and health systems across the world. We bring awareness of safety and quality to millions, accelerate learning and the systematic improvement of care, develop solutions to previously intractable challenges, and mobilize health systems, communities, regions, and nations to reduce harm and deaths. We work in collaboration with the growing IHI community to spark bold, inventive ways to improve the health of individuals and populations. We generate optimism, harvest fresh ideas, and support anyone, anywhere who wants to profoundly change health and healthcare for the better. Learn more at ihi.org.

On May 1, 2017, IHI merged with National Patient Safety Foundation (NPSF) and IHI is the surviving organization. The merger involved significant new investment from IHI in patient safety. The merged patient safety teams combined existing NPSF and IHI patient safety programs and reflect an enhanced commitment to achieve patient safety around the world. Most programs, including the Lucian Leape Institute, have continued since the merger. The Certified Professional in Patient Safety credentialing program continues and is overseen by the Certification Board for Professionals in Patient Safety.

IHI.org (www.ihi.org) is the online authority for tools, education, and resources to help improve health and healthcare. With more than 300,000 website users per month during the year ended April 30, 2022, the site contains a wealth of helpful improvement ideas, tools, and resources to support change efforts in any healthcare setting. In addition, IHI's electronic newsletter, *This Week at IHI*, is sent to more than 150,000 subscribers each week, providing updates on improvement activities and featuring the variety and breadth of IHI's work and collaboration with others. IHI also sends out bulletins specific to our projects and some regional-specific newsletters like "Ubuntu" to our African constituents.

Following are the primary programs conducted by the Institute:

(a) Grant-Funded Programs

IHI received and expended funds for a variety of purposes in the pursuit of its mission across the world. These included programs to improve maternal and newborn health services; improve the care of older adults; integrate health equity of access, treatments, and outcomes; combat burnout and increase joy in work and well-being in the workforce; enhance quality improvement skills; and encourage communication about end-of-life values and preferences. These efforts contribute to IHI's growing knowledge of responsive and resilient system designs that can dramatically improve patient care and safety.

(b) Contracts

IHI maintains a variety of closely aligned, strategic relationships with organizations in regions around the world, including the U.S., the United Kingdom, Sweden, Denmark, Qatar, Australia, Brazil, Ghana, and Ethiopia. Contracted services are focused on achieving strategic objectives, system-level improvement, and capability building.

(c) Region-Based Projects

Africa

- The Bill & Melinda Gates Foundation continued to provide substantial grant support for the following projects: Reduction of Neonatal and Maternal Mortality and the Designing Maternal and Newborn Spaces for Quality of Care-Global Goods, both in Ethiopia; and Scale-up of Tuberculosis Care in South Africa. Several projects are funded by USAID, including building quality improvement capacity in Mozambique.

Middle East/Asia-Pacific

- Safer Care Victoria (Australia) and Hamad Medical Corporation (Qatar) remain IHI's largest funders in this region. IHI continued working on a multiyear, grant-funded project in collaboration with Save the Children and funded by USAID to improve maternal and newborn care in Bangladesh.

United States of America

The four largest funded projects in the U.S. are as follows:

- National Nursing Home COVID-19 Action Network (NNHCAN): During the spring and summer of 2020, the COVID-19 pandemic devastated nursing homes across the country, disproportionately affecting residents and staff. The United States Agency for Healthcare Research and Quality (AHRQ) contracted with the University of New Mexico (UNM) and IHI to establish the National Nursing Home COVID-19 Action Network. This initiative sought to increase access to best-practice knowledge around COVID-19 infection control, answer questions about context-specific implementation, and encourage peer learning—thus providing both knowledge and emotional support for nursing home staff.

- Age Friendly Health Systems: An initiative of The John A. Hartford Foundation and IHI in partnership with the American Hospital Association (AHA) and the Catholic Health Association of the United States (CHA). As of March 2022, there are over 2,700 recognized Age-Friendly Health System participants. Age-Friendly Health Systems aim to follow an essential set of evidence-based practices; cause no harm; and align with What Matters to the older adult and their family caregivers.
- Veterans Health Administration and High Reliability: IHI has been working in partnership with Aptive Resources to assess and support sustainment of the high-reliability organization (HRO) journey across the Veterans Health Administration, both at the facility and Veterans Integrated Services Network (VISN) levels. The goal of this work is to provide a qualitative, directional, actionable, and nonpunitive assessment of each VA Medical Center's HRO-readiness, identify improvement opportunities, and generate site-specific strategies to build or improve capabilities across the three Pillars of High Reliability.
- Postsecondary Education: In partnership with the Bill & Melinda Gates Foundation and StriveTogether, IHI is leading the development of a framework related to the factors supporting U.S. postsecondary education enrollment, persistence, and success. IHI is working on an improvement initiative to support communities serving Black, Latinx, and low-income students preparing to complete their secondary education and transition to postsecondary institutions.

Latin America

- Through Abt Associates, Inc., IHI is working on the Local Health System Sustainability (LHSS) project funded by USAID in Colombia. IHI is implementing an approach to advance the quality of migrant healthcare, and to improve healthcare delivery processes in order to prevent and alleviate health worker stress.
- IHI continues to support the PROADI-SUS hospitals to provide instructional support and coaching for a large national initiative to increase patient safety and build capability for improvement in Brazil's public hospitals (Saúde em Nossas Mãos).
- IHI continues to support St. Jude Children's Research Hospital to support a scale-up collaborative to spread best practices in antibiotic treatment of febrile pediatric oncology patients in 80 hospitals in Mexico.

Europe

- IHI maintains a vibrant portfolio of leadership- and improvement-focused work with a range of health trusts within the English National Health Service (NHS). Additional U.K.-based work is occurring in Scotland and Wales. Smaller quality improvement and leadership projects are occurring in Denmark, Greece, and Sweden.

(d) Conferences, Courses, and Other Programs

Professional Development Programs

- Professional development programs, conferences, and other educational offerings support individuals and organizations to develop internal capacity and infrastructure for quality improvement, patient safety, leadership, joy in work and well-being, and health equity. IHI's programs offer healthcare and other professionals many opportunities to learn the latest improvement ideas, connect with like-minded colleagues, and generate momentum for change in their organizations.

IHI Forum

- Held each December, this major conference on improvement in healthcare draws nearly 5,000 participants from around the world who attend hundreds of workshops, spotlight and keynote sessions, and special interest meetings. In December 2021 and 2020, this program was offered 100% virtually.

IHI Patient Safety Congress

- This annual conference brings together people who are passionate about ensuring that safe care is equitably provided for all. The Congress is designed for committed healthcare professionals who continue to shape smarter, safer care for patients wherever it's provided—from the hospital to outpatient settings to the home. In May 2021, this program was offered 100% virtually. The program was cancelled in May 2020 due to COVID-19.

International Forums on Quality and Safety in Healthcare

- IHI partners with organizations in different regions of the world to bring large conferences to healthcare leaders, clinicians, and improvers. IHI, sometimes in partnership with local organizations, currently holds Forums in Africa, Europe, the Middle East, Asia, and Latin America. Participants of International Forums take part in a multitude of sessions that range from the basic disciplines of quality improvement to the latest thinking on how to improve quality and safety. During the years ended April 30, 2022 and 2021, all International Forums were held virtually.

IHI Open School for Health Professions

- The IHI Open School is an interprofessional educational community that offers students, trainees, and professionals the skills and support network to become leaders in healthcare. A growing catalog of 30+ online, self-paced courses in quality improvement, health equity, patient safety, leadership, population health, and other key topics in healthcare transformation have been completed more than 5 million times by learners around the world. Select courses have been translated into Spanish, Portuguese, and French, and have been integrated into more than 1,500 university and healthcare organizational training programs. More than 1,000 in-person Open School Chapters have been started in more than 100 countries, with the aim of spreading quality and safety awareness and improving the health of patients and communities.

IHI Leadership Alliance and Health Improvement Alliance Europe

- An exclusive leadership initiative for ambitious healthcare leaders and their teams, the U.S.-based and Europe-based Alliances aims to deliver great healthcare and high value today and innovate for the emerging health and healthcare models of tomorrow.

(e) Other IHI Initiatives

Lucian Leape Institute

- Composed of international thought leaders with a common interest in patient safety, the Lucian Leape Institute functions as a think tank to identify new approaches to improving patient safety and encourage the innovation necessary to expedite progress. Recent work includes development of a resource to help leaders create and sustain safety cultures in their organizations and research into the public’s view of patient safety.

Certified Professional in Patient Safety™ Credential Program

- The CPPS credential recognizes expertise in patient safety. In addition to the exam, interested participants can obtain information about the exam, practice tests, and self-paced and synchronous review courses.

The Conversation Project

- Providing guidance to health professionals and laypeople alike on how to articulate and express one’s preferences for care through the end of life.

(Continued)

Research and Development

- At the center of IHI's work is the creation and testing of new ideas—novel concepts for improving patient care. IHI works intensely with cutting-edge organizations to test and prototype unique models and new solutions to old problems. This is the innovation engine that fuels much of IHI's content development work.
- IHI's 90-Day Innovation Cycle is one of the Institute's primary engines for research and development. This process is designed to provide a reliable and efficient way to research innovative ideas, assess their potential for advancing quality and safety in healthcare, and bring them to action. IHI has built a small Innovation Team with dedicated resources to support the 90-Day Innovation Cycle process. The team begins approximately four new projects every 90 days.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Net assets and changes therein are classified as follows:

(i) Net Assets without Donor Restrictions

These net assets are not subject to donor-imposed stipulations. The IHI board of directors has discretionary control over these resources and can designate such net assets for particular purposes.

(ii) Net Assets with Donor Restrictions

These net assets are subject to donor-imposed stipulations that will be satisfied by the actions of IHI and/or by the passage of time.

(b) Statement of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses.

(c) Revenue Recognition

(i) Revenue from Contracts with Customers

IHI recognizes revenue when it satisfies performance obligations under the terms of its contracts in an amount that reflects the consideration IHI expects to receive from its customers in exchange for those services. This process involves identifying the customer contract, determining the performance obligations in the contract, determining the contract price, allocating the contract price to the distinct performance obligations in the contract, and recognizing revenue when the performance obligations have been satisfied. A performance obligation is considered distinct from other obligations in the contract when it (a) provides a benefit to the customer either on its own or together with other resources that are readily available to the customer and (b) is separately identified in the contract. IHI considers a performance obligation to be satisfied once it has provided the services specified in the contract.

Contracts with customers generally state the terms of the sales. Payment terms and conditions may vary by contract, although terms generally include a requirement of payment within a range of 30 to 60 days after the performance obligation has been satisfied. As a result, contracts do not include a significant financing component. Due to the nature of IHI's billing arrangements, IHI has no contract assets or liabilities. In addition, contracts typically do not contain variable consideration as contracts include stated prices.

(ii) Contributions and Grants

Contributions and grants are either conditional or unconditional based on the agreement terms. A contribution or grant is considered conditional if the award contains both a specific barrier that must be overcome for IHI to be entitled to the funds and a right to return or release to the grantor's obligation to provide the promised funds. If both conditions are not present, the award is unconditional. An unconditional contribution or grant is recognized as either without donor restriction or with donor restriction, based on the terms of the award.

The Institute had approximately $15,011,083 and $15,337,902 in unrecognized conditional grants as of April 30, 2022 and 2021, respectively. The revenue related to these agreements is conditioned on requirements, such as the Institute incurring allowable expenditures under the terms of the agreements or the agreement of continued funding.

(d) Expense Allocations

Directly identifiable expenses are charged to programs and supporting services, as applicable. Expenses related to more than one function are charged to programs and supporting services using an allocation method based on program direct expenses in relation to total direct expenses. Supporting services include those expenses that are not directly identifiable with any other specific function, but provide the overall support and direction of IHI.

(e) Cash and Cash Equivalents

For purposes of the statements of cash flows, IHI considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. These funds are reported as fair value and considered Level 1 in the fair value hierarchy.

(f) Accounts Receivable

Accounts receivable are stated at their estimated net realizable value. An allowance for doubtful accounts is estimated based upon historical experience and management's evaluation of outstanding accounts receivable. As of April 30, 2022 and 2021, the allowance for doubtful accounts was $179,248 and $214,729, respectively.

(g) Investments

All investments are stated at fair value, as described further in note 5(c). Investment income is credited to net assets without restrictions unless otherwise restricted by the donor.

(Continued)

(h) Property and Equipment

Property and equipment are stated at cost or, if donated, at estimated fair value at the date of the donation. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which are three to five years for office furniture and equipment, and the shorter of the life of the lease or the asset for leasehold improvements.

(i) Software

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs in cloud computing arrangements (CCA) with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. IHI adopted this standard on May 1, 2021, using the prospective-adoption approach. The impact to IHI's financial statements as a result of the adoption was not material.

Internally produced software is developed to be utilized for the Institute's operations. Software developed and utilized consists primarily of the Institute's website, events registration system, association management system, learning management system, and other operations support systems. Costs of the application development stage of internally developed software are capitalized while training and maintenance costs are expensed. When upgrades and enhancements provide additional functionality, they are capitalized. Amortization is computed using the straight-line method over the estimated useful life of the related assets, which is three years.

Implementation costs incurred by the Institute in a cloud computing arrangement is capitalized over the noncancellable term of the CCA, if these costs would be capitalized by the Institute in a software licensing agreement.

(j) Deferred Revenue

Contract services, course fees, participation fees, and membership dues collected in advance have been included in deferred revenue in the accompanying statements of financial position and are recognizable within one year.

(k) Refundable Advances

Customer payments collected in advance have been included in refundable advances in the accompanying statements of financial position and are recognized as conditions of the related grants are met.

(i) Paycheck Protection Plan

The PPP, established in the U.S. as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the business uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the period the funds are being used. The unforgiven portion of the PPP loans is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. IHI used the proceeds for purposes consistent with the PPP. Payments received are recognized as revenue when the conditions are met. IHI recognized $2,000,000 and $3,281,766 for the years ended April 30, 2022 and 2021, respectively, which is included in grants income in the accompanying statements of activities. As of April 30, 2022, the Small Business Administration has approved IHI's application for loan forgiveness for both PPP loans awarded.

(l) Designation of Net Assets without Donor Restrictions

IHI believes that a strong financial position is essential to its ability to achieve its mission to improve healthcare for patients all over the world. It is the policy of IHI's board of directors to review its plans for future operating needs and strategic initiatives from time to time and to designate appropriate sums of net assets without restrictions to assure adequate financing for these purposes.

The Board-Designated Endowment Fund was established to support IHI programmatic "investments" that are deemed critical to achieving IHI's long-term strategic plan. The Board-Designated Endowment Fund is a board-approved quasi-endowment fund consisting of a voluntary segregation of unrestricted net assets. The Board-Designated Endowment Fund is more fully described in note 6.

The Operating Reserve Fund was established to provide for an adequate reserve to cover what management has deemed annual program revenue risk related to large conferences and major partnerships.

The Property, Plant, and Equipment Replacement Fund was established to provide for capital replacement and future capital needs.

(m) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

(n) Income Tax Status

IHI is a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from federal income taxes pursuant to Section 501(a) of the Code. Accordingly, no provision for federal and state income taxes has been made.

GAAP requires IHI to evaluate uncertain tax positions. Management concluded as of April 30, 2022 and 2021, IHI did not have any liabilities for any uncertain tax positions.

(o) Upcoming Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02), which supersedes FASB Accounting Standards Codification (ASC) Topic 840, *Leases*, and requires lessees to recognize most leases on balance sheet via a right-of-use asset and a lease liability and additional qualitative and quantitative disclosures. Leases will be classified as either finance or operating leases, which will impact expense recognition of such leases over the lease term. The ASU also modifies the lease classification criteria for lessors and eliminates some of the real estate leasing guidance previously applied for certain leasing transactions. ASU 2016-02 is effective for the Institute for the year ending April 30, 2023. Management is currently evaluating the impact of adopting ASU 2016-02 on the Institute's financial statements.

In March 2020, the FASB issued (ASU 2020-04), *Reference Rate Reform*, to ASC Topic 848, *Facilitation of the Effects of Reference Rate Reform on the Financial Reporting*. ASU 2020-04 provides temporary optional guidance to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. ASU 2020-04 is effective for a limited time for all entities through December 31, 2022. Management is currently evaluating the impact of adopting ASU 2020-04 on the Institute's financial statements.

(3) Grants Receivable

Grants receivable, which is included in accounts receivable, net in the accompanying statements of financial position, totaled $833,403 and $1,299,769 as of April 30, 2022 and 2021, respectively.

(4) Concentration of Credit Risk

IHI maintains its cash and cash equivalents in accounts held by a bank and an investment company, which at times may exceed insurers' limits.

Accounts receivable, net includes approximately $950,000 due from one customer as of April 30, 2022 and approximately $4,400,000 due from two customers as of April 30, 2021. IHI has not experienced any losses in such accounts.

(5) Investments

(a) Overall Investment Objective

The overall investment objective of the Institute is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The Institute diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board of Director's Finance Committee, which oversees the Institute's investment program in accordance with established guidelines.

(b) Allocation of Investment Strategies

In addition to traditional stocks and fixed income securities, the Institute may also hold shares or units in traditional institutional funds, as well as in alternative investment funds involving hedged strategies, private equity, and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held. Moreover, the fair values of the Institute's interests in shares or units of these funds, because of liquidity and capital commitment terms that vary depending on the specific fund or partnership agreement, may differ from the fair value of the funds' underlying net assets.

(c) Basis of Reporting

Investments are reported at estimated fair value. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. Level 1 includes debt and equity securities that trade in an active exchange market, as well as U.S. Treasury securities;
- Level 2 – observable prices that are based on inputs not quoted in active markets but corroborated by market data. This category generally includes certain U.S. governmental and agency mortgage-backed securities, corporate debt securities, and some alternative investments; and
- Level 3 – unobservable inputs are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the Institute utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Levels are determined based on the aforementioned hierarchy, except for investments utilizing net asset value (NAV) as a practical expedient to estimate fair value of the Institute's interest therein, as discussed below. Such NAV measured investments are classified in the hierarchy based on whether the investment may be redeemed at or near the statement of financial position date.

If an investment is held directly by the Institute and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in registered mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. Fixed income securities are primarily valued using market quotations or prices obtained from independent pricing sources, which may employee various pricing methods to value the investments, including matrix pricing.

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 Institute 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 fair value measurement at the reporting date.

(Continued)

The following tables summarize the Institute's investments by major category in the fair value hierarchy as of April 30, 2022 and 2021, as well as related strategy. All holdings are classified as Level 1 and may be liquidated on a daily basis.

	2022	2021
International stock	$ 28,645,991	33,267,418
Bond market index funds	27,596,789	27,493,148
Stock market index	35,237,889	41,194,238
Balanced index funds (U.S.)	813,668	—
Bond funds	141,152	94,830
Equity mutual funds	731,695	981,002
	$ 93,167,184	103,030,636

There were no transfers of investments between Level 1 and Level 2 during the years ended April 30, 2022 and 2021.

The following summarizes the investment (loss) return for all investments for the years ended April 30:

	2022	2021
Investment income	$ 1,734,790	1,919,262
Net realized gains	31,136,728	1,904,659
Net change in unrealized (depreciation) appreciation	(43,106,910)	22,055,818
	(10,235,392)	25,879,739
Less management fees	96,407	46,730
Total investment (loss) return	$ (10,331,799)	25,833,009

(6) Board-Designated Endowment Fund

The Institute's endowment solely consists of unrestricted funds designated by the board of directors to function as an endowment. Changes in endowment net assets for the years ended April 30, 2022 and 2021 are as follows:

		2022	2021
Beginning balance	$	103,967,569	78,753,943
Investment return:			
Investment income, net		1,718,145	1,773,908
Net unrealized and realized (losses) gains on investment		(11,763,933)	23,518,093
Total (loss) return		(10,045,788)	25,292,001
Endowment return utilized in operations		(755,989)	(78,375)
Ending balance of endowment	$	93,165,792	103,967,569

(a) Return Objectives and Risk Parameters

The Institute 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 preserve the purchasing power of the endowment assets. To achieve these objectives, the Institute's board of directors has approved an investment policy whereby endowment assets are invested in a manner that is intended to achieve a return that is reasonable relative to an above average risk tolerance that positions the endowment assets for long-term capital appreciation. It has been determined that the investment objective of the endowment fund is "Growth with Income," which is to intended to be competitive in relation to a "blended" benchmark consisting of the Standard & Poor's 500 Index, Barclays Aggregate Bond Index, and the money market.

To satisfy its long-term objectives, the Institute utilizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a portfolio consisting of approximately 80% equity, and 20% fixed income and cash equivalents to achieve its long-term return objectives within prudent risk constraints.

(b) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Institute has a policy of appropriating for distribution each year a fixed dollar amount to support the strategic program and operational investments. The board of directors elected to appropriate distributions for operations of $755,989 and $78,375 for the years ended April 30, 2022 and 2021, respectively. These amounts are classified as operating revenue in the statements of activities. Accordingly, the Institute expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned distributions plus inflation, defined as the Consumer Price Index. Additional real growth will be provided through future additional funds designated by the board of directors and any excess investment return.

(Continued)

(7) Net Assets with Donor Restrictions

Net assets with donor restrictions during fiscal years ended April 30, 2022 and 2021 have been restricted by donors for the following purposes:

	2022	2021
Blue Cross Blue Shield	$ 22,200,161	—
IHI Scholarship Fund	387,634	—
Other	152,262	147,361
Denham Fellowship	52,345	52,345
Kaiser Permanente Fund	—	174,990
	$ 22,792,402	374,696

As of April 30, 2022 and 2021, respectively, cash and cash equivalents include $23,825,290 and $908,890 related to these funds.

(a) Kaiser Permanente Fund

In fiscal 2005, Kaiser Permanente (Kaiser) established a fund at the Institute for scholarships to be provided over 15 years for teams to participate in IHI programs in designated areas of interest. Half of the scholarships will be available for Kaiser teams and half for teams from public hospitals or clinics in the communities that Kaiser serves. The portion of total annual returns not distributed after the annual spending distribution has been made is reinvested in the fund. Net assets are released from restrictions as scholarship recipients enroll in programs.

(b) Net Assets with Donor Restrictions Released from Restrictions

All of IHI's net assets with donor restrictions in fiscal years 2022 and 2021 were purposely restricted by funders for participation in equity initiatives, attendance at IHI events, and The Conversation Project. During fiscal year 2022, IHI received a $25,000,000 donation from Blue Cross Blue Shield to support a program to improve health equity outcomes. IHI will lead the program and the program administration, including subgrants to eligible participants. This program is estimated to run for two years.

Net assets of $2,998,070 and $362,142 during the fiscal years ended April 30, 2022 and 2021, respectively, were released from donor restrictions by incurring expenses or providing services satisfying the restricted purposes specified by the donors.

(8) Lease Commitments

(a) Operating Lease Commitments

The Institute relocated its headquarters in 2018 from Cambridge to Boston, Massachusetts. On June 29, 2017, IHI entered into a lease agreement for a 12-year term at a fixed annual rental payment, not including operating costs related to the office space. The lease includes an extension option for an additional 5 years. As part of the lease agreement, the landlord offered a leasehold improvement allowance being amortized as a reduction to rent expense on a straight-line basis over the life of the lease.

As a result of the merger with the National Patient Safety Foundation on May 1, 2017, IHI acquired a lease agreement for 4,930 square feet of office space in Boston, Massachusetts. This lease is for five years and seven months with an additional five-year renewal option. Lease payments consist of a fixed annual base rent, plus additional charges for the proportionate share (initially 3.79%) of the increase over the landlord's base year 2016 real estate taxes and operating expenses. In acquiring the new space, the Institute entered into a sublease agreement in which the Institute will receive escalating rent payments from its subtenant until July 2023. Rental income under this sublease was $269,000 and $264,000 for the years ended April 30, 2022 and 2021, respectively.

On February 1, 2019, IHI amended their lease agreement with 53 State Street to add space on the 18th floor for an 11-year term at a fixed annual rental payment, not including operating costs related to the office space. The lease includes an extension option for an additional 5 years. As part of the lease agreement, the landlord offered a leasehold improvement allowance being amortized as a reduction to rent expense on a straight-line basis over the life of the lease.

Future minimum payments under operating leases with terms of one year or more are as follows:

Fiscal year ending April 30:		
2023	$	2,466,332
2024		2,311,302
2025		2,295,063
2026		2,335,452
2027		2,376,095
Thereafter		6,742,095
Minimum lease payments	$	18,526,339

For the years ended April 30, 2022 and 2021, rent expense was $2,244,401 and $2,200,495, respectively.

During fiscal year 2022, IHI reevaluated the need for office space. The Institute entered into a sublease agreement for the 19th floor of 53 State Street, effective December 15, 2021 for the remainder of the lease period. The Institute will receive escalating rent payments of $123,576 to $141,932 from its subtenant beginning in September 2022 through January 2030. Rental income recognized on a straight-line basis under this sublease was $541,539 for the year ended April 30, 2022.

(9) Employee Benefits

(a) Retirement Plan

The Institute has a 401(k) plan, which covers substantially all full-time employees. The plan requires the Institute to make certain matching contributions in relation to employee voluntary contributions and also allows for an additional contribution to be made at the discretion of management. The Institute's matching and discretionary contributions to the plan totaled approximately $335,132 and $216,000 for the years ended April 30, 2022 and 2021, respectively.

(b) Management Team Benefits

The Institute provides certain executives benefits under its Management Team Flexible Benefit Plan. Covered executives are provided with a percentage of their salary as a flexible benefit allowance. The percentage of their salary allocated is determined by the IHI board of directors and can vary by executive level. This flexible benefit allowance can be used to select among various benefits, including a capital accumulation account. The capital accumulation accounts are maintained by the Institute.

The executives are unsecured creditors of the Institute for the amount of their capital accumulation accounts once they have vested after being employed by the Institute for five years. The amount expensed by the Institute for the years ended April 30, 2022 and 2021 related to the capital accumulation accounts was $223,804 and $121,883, respectively. The capital accumulation accounts investments are invested with the Institute's investments. As of April 30, 2022 and 2021, the related deferred compensation liability was $1,361,945 and $1,384,312, respectively.

(10) Line of Credit

On January 19, 2021, IHI increased a $5,588,000 revolving line-of-agreement with Citizens Bank to $7,588,000 to be used for working capital purposes and for providing a performance bond as required under specific service contracts. The agreement is subject to an annual credit check. The loan bears a variable interest rate of 2.25% plus LIBOR, which equated to 3.05% as of April 30, 2022. No funds were advanced in fiscal year 2022 or 2021.

On June 27, 2017, IHI entered into a $943,670 unconditional, irrevocable, transferable letter-of-credit agreement with a commercial bank for the purpose of providing a security deposit as required under the new office lease. Beginning on February 1, 2021, and on each two-year (2-year) anniversary of such date up to and including February 1, 2027, IHI shall have the right to reduce the then current amount of the letter of credit by $135,000 in each instance, provided that certain criteria are met by IHI per the lease agreement. The amount of the letter of credit shall never be reduced below $404,000. On April 15, 2021, IHI invoked the right to reduce the letter of credit down to $859,217.

(11) Related-Party Transactions

Following is a summary of related-party transactions as of and for the year ended April 30:

		2022	2021
The Institute paid an organization that employs a Board of Director member of the Institute for services rendered on various projects.	$	275,000	275,000
The Institute paid for services rendered to the Institute by an organization, which employs a Board of Director member of the Institute. These services were provided on various projects by other staff at the organization.		1,000	—
The Institute earned revenues from an organization, which employs a Board of Director member of the Institute.		204,093	169,187
The Institute has receivables from an organization, which employs a Board of Director member of the Institute.		33,491	71,125

There were no material amounts outstanding as of April 30, 2022 and 2021 related to these transactions.

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(12) Financial Assets and Liquidity Resources

Financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled principal payments on debt, were as follows.

As of April 30, 2022:

Financial assets:		
Cash and cash equivalents (without donor restrictions)	$	31,319,364
Accounts receivable, net		5,194,254
Receivables due for costs incurred on grants and contracts		833,403
Board designations:		
Fiscal 2022 endowment payout		755,989
Total financial assets available within one year		38,103,010
Liquidity resources:		
Bank line of credit		7,588,000
Total financial assets and liquidity resources available within one year	$	45,691,010

As of April 30, 2021:

Financial assets:		
Cash and cash equivalents (without donor restrictions)	$	33,417,059
Accounts receivable, net		6,427,821
Receivables due for costs incurred on grants and contracts		1,299,769
Total financial assets available within one year		41,144,649
Liquidity resources:		
Bank line of credit		7,588,000
Total financial assets and liquidity resources available within one year	$	48,732,649

The Institute's cash flows have seasonal variations during the year attributable to participation, meeting, and conference fee payments, and contract billings. To manage liquidity, the Institute maintains a line of credit with a bank (note 9). The Institute has no outstanding borrowings under the line of credit as of April 30, 2022 and 2021. The Institute had $93,165,792 and $103,967,569 in other board-designated funds as of April 30, 2022 and 2021, respectively, which could be made available to the Institute, but are not reflected in the table as they are designated for other purposes.

(Continued)

(13) COVID-19

The Institute, as with many other nonprofit organizations, has experienced and may continue to experience operational and financial challenges related to the current worldwide outbreak of the novel coronavirus. The outbreak has resulted in impacts to global financial markets, travel, and commerce generally. The continued spread of COVID-19 or any other similar outbreaks in the future may adversely affect (i) programs offered by the Institute, (ii) the ability of the Institute to conduct its operations and/or the cost of its operations, (iii) the availability of grants, and (iv) the returns on and value of the Institute's investment.

Because of the evolving nature of the COVID-19 pandemic, its full impact and the scope of the adverse impacts on the Institute's finances and operations cannot be fully determined.

(14) Subsequent Events

Management has evaluated subsequent events through September 20, 2022, the date on which the financial statements were available for issuance.