KPMG

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Financial Statements

April 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Financial Statements

April 30, 2021 and 2020

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the Institute for Healthcare Improvement, Inc. (the Institute), which comprise the statements of financial position as of April 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements 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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of April 30, 2021 and 2020, 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.

KPMG LLP

Boston, Massachusetts
September 13, 2021

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statements of Financial Position

April 30, 2021 and 2020

Assets		**2021**	**2020**
Cash and cash equivalents	$	33,417,059	27,950,190
Accounts receivable, net		7,727,590	5,202,385
Other assets		1,355,497	1,244,901
Investments		103,030,636	78,026,983
Property and equipment, at cost:			
Office furniture and equipment		2,928,829	2,939,421
Software		4,800,311	7,382,031
Leasehold improvements		5,039,710	5,043,682
		12,768,850	15,365,134
Less accumulated depreciation and amortization		(8,481,569)	(10,257,365)
Property and equipment, net		4,287,281	5,107,769
Total assets	$	149,818,063	117,532,228
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	5,966,166	2,504,153
Refundable advances-customers		7,698,950	5,854,845
Refundable advance- Paycheck Protection Plan		2,000,000	3,281,766
Deferred revenue		8,534,365	6,654,513
Deferred rent		3,353,055	3,541,569
Deferred compensation		1,384,312	1,584,023
Total liabilities		28,936,848	23,420,869
Net assets:			
Without donor restrictions:			
Board designated endowment		103,967,569	78,753,942
Operating reserve fund		12,251,670	9,523,469
Property, plant and equipment replacement fund		4,287,280	5,107,769
Subtotal net assets without donor restrictions		120,506,519	93,385,180
With donor restrictions		374,696	726,179
Total net assets		120,881,215	94,111,359
Total liabilities and net assets	$	149,818,063	117,532,228

See accompanying notes to financial statements.

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statement of Activities

Year ended April 30, 2021
(With comparative totals for the year ended April 30, 2020)

	Net assets without donor restrictions	Net assets with donor restrictions	Total 2021	Total 2020
Operating revenues and other support:				
Grant income	$ 13,964,413	—	13,964,413	11,604,569
Contract services	21,349,796	—	21,349,796	17,735,246
Participation, meeting and conference fees	6,321,473	—	6,321,473	14,819,972
Contributions	475,390	10,000	485,390	73,741
Membership dues	3,643,915	—	3,643,915	3,230,854
Other	1,825,340	—	1,825,340	1,527,163
Endowment return utilized	78,375	—	78,375	3,730,692
Net assets released from restriction	362,142	(362,142)	—	—
Total operating revenues and other support	48,020,844	(352,142)	47,668,702	52,722,237
Less donated attendance fees	329,213	—	329,213	724,856
Net operating revenues and other support	47,691,631	(352,142)	47,339,489	51,997,381
Operating expenses:				
Program services	36,648,536	—	36,648,536	46,231,863
Supporting services	9,675,731	—	9,675,731	10,266,644
Total operating expenses	46,324,267	—	46,324,267	56,498,507
Increase (decrease) in net assets from operations	1,367,364	(352,142)	1,015,222	(4,501,126)
Nonoperating activities:				
Net investment return	25,832,350	659	25,833,009	(341,431)
Endowment return utilized in operations	(78,375)	—	(78,375)	(3,730,692)
Total nonoperating activities	25,753,975	659	25,754,634	(4,072,123)
Increase (decrease) in net assets	27,121,339	(351,483)	26,769,856	(8,573,249)
Net assets, beginning of year	93,385,180	726,179	94,111,359	102,684,608
Net assets, end of year	$ 120,506,519	374,696	120,881,215	94,111,359

See accompanying notes to financial statements.

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statement of Activities

Year ended April 30, 2020

	Net assets without donor restrictions	Net assets with donor restrictions	Total 2020
Operating revenues and other support:			
Grant income	$ 11,604,569	—	11,604,569
Contract services	17,735,246	—	17,735,246
Participation, meeting and conference fees	14,819,972	—	14,819,972
Contributions	12,236	61,505	73,741
Membership dues	3,230,854	—	3,230,854
Other	1,527,163	—	1,527,163
Endowment return utilized	3,730,692	—	3,730,692
Net assets released from restriction	879,928	(879,928)	—
Total operating revenues and other support	53,540,660	(818,423)	52,722,237
Less donated attendance fees	724,856	—	724,856
Net operating revenues and other support	52,815,804	(818,423)	51,997,381
Operating expenses:			
Program services	46,231,863	—	46,231,863
Supporting services	10,266,644	—	10,266,644
Total operating expenses	56,498,507	—	56,498,507
Decrease in net assets from operations	(3,682,703)	(818,423)	(4,501,126)
Nonoperating activities:			
Net investment return	(362,298)	20,867	(341,431)
Endowment return utilized in operations	(3,730,692)	—	(3,730,692)
Total nonoperating activities	(4,092,990)	20,867	(4,072,123)
Decrease in net assets	(7,775,693)	(797,556)	(8,573,249)
Net assets, beginning of year	101,160,873	1,523,735	102,684,608
Net assets, end of year	$ 93,385,180	726,179	94,111,359

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	Total 2020 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	30,629,259
Consulting	1,005,303	2,220,872	4,405,232	76,438	77,375	7,785,220	313,427	8,098,647	6,709,854
Meetings	119,308	57,074	(122,316)	90,286	502	144,854	26,047	170,901	4,615,526
Grants	—	98,541	—	—	—	98,541	—	98,541	935,038
Travel and lodging	2,152	121,919	36,101	(3,820)	(245)	156,107	28,003	184,110	3,029,266
Occupancy/office related	470,241	877,283	715,663	71,655	60,026	2,194,868	606,350	2,801,218	2,859,993
Technology	249,058	512,227	410,144	29,782	33,344	1,234,555	366,609	1,601,164	1,520,436
Depreciation and amortization	135,905	252,630	228,514	21,519	19,389	657,957	173,562	831,519	927,485
Marketing	137,980	12,348	82	107,929	—	258,339	98,625	356,964	755,527
Professional fees	448,249	798,573	628,203	56,914	42,338	1,974,277	745,809	2,720,086	3,739,158
Miscellaneous expense	63,960	350,883	63,433	5,298	4,774	488,348	47,183	535,531	776,965
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	56,498,507

See accompanying notes to financial statements.

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statement of Functional Expenses (With Comparative Information)

Year ended April 30, 2020

	Courses and other programs	Grants	Strategic partners and contracts	National forum	Innovation	Total program services	Supporting services	Total 2020 operating expenses
Salaries, payroll taxes and fringe benefits	$ 7,445,887	7,242,515	5,741,896	1,490,821	857,553	22,778,672	7,850,587	30,629,259
Consulting	1,275,142	2,275,163	2,549,997	104,989	157,200	6,362,491	347,364	6,709,855
Meetings	1,501,764	305,325	457,827	2,244,945	2,990	4,512,851	102,674	4,615,525
Grants	30,071	882,971	—	—	—	913,042	21,996	935,038
Travel and lodging	666,777	544,981	1,104,444	483,746	2,233	2,802,181	227,085	3,029,266
Occupancy/office related	738,599	706,374	544,026	245,570	55,490	2,290,059	569,934	2,859,993
Technology	450,197	352,927	239,688	148,575	25,193	1,216,580	303,856	1,520,436
Depreciation and amortization	240,464	221,706	188,384	89,285	19,108	758,947	168,538	927,485
Marketing	215,406	11,894	9,710	382,148	103	619,261	136,266	755,527
Professional fees	1,948,451	592,545	536,077	175,561	35,848	3,288,482	450,676	3,739,158
Miscellaneous expense	135,307	369,018	103,531	73,204	8,238	689,298	87,667	776,965
Total functional expenses	$ 14,648,065	13,505,419	11,475,580	5,438,844	1,163,956	46,231,864	10,266,643	56,498,507

See accompanying notes to financial statements.

INSTITUTE FOR HEALTHCARE IMPROVEMENT, INC.

Statements of Cash Flows

Years ended April 30, 2021 and 2020

		2021	2020
Cash flows from operating activities:			
Increase (decrease) in net assets	$	26,769,856	(8,573,249)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:			
Net unrealized and realized (gains) losses on investments		(24,023,374)	2,513,367
Depreciation and amortization		831,519	927,485
Changes in assets and liabilities:			
Accounts receivable, net		(2,525,205)	5,629,469
Other current assets		(110,596)	(88,868)
Accounts payable and accrued expenses		3,462,013	(2,184,270)
Deferred revenue		1,879,852	(113,028)
Refundable advances-customers		1,844,105	3,473,711
Refundable advance- Paycheck Protection Plan		(1,281,766)	3,281,766
Deferred compensation		(199,711)	(199,219)
Deferred rent		(188,514)	(48,689)
Net cash provided by operating activities		6,458,179	4,618,475
Cash flows from investing activities:			
Proceeds from sales of investments		6,747,283	5,196,753
Purchases of investments		(7,727,561)	(2,082,479)
Additions to property and equipment		(11,032)	(1,174,378)
Net cash (used in) provided by investing activities		(991,310)	1,939,896
Cash flows from financing activities:			
Drawdown on line of credit		—	2,000,000
Repayments on line of credit		—	(2,000,000)
Net cash provided by financing activities		—	—
Net increase in cash and cash equivalents		5,466,869	6,558,371
Cash and cash equivalents, beginning of year		27,950,190	21,391,819
Cash and cash equivalents, end of year	$	33,417,059	27,950,190

See accompanying notes to financial statements.

(1) Organization

For 30 years, 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 health care for the better. Learn more at ihi.org.

On May 1, 2017, IHI merged with National Patient Safety Foundation and IHI is the surviving organization. The merger involves 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 health care. With an average of 10,260 website users per day in 2020, the site contains a wealth of helpful improvement ideas, tools, and resources to support change efforts in any health care setting. In addition, the Institute'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

The Institute received and expended funds for a variety of purposes in the pursuit of its mission. These included programs to bring about 100 million healthier lives; improve maternal and newborn health services in several regions and across multiple projects; improve the care of older adults; integrate behavioral health services into the continuum of health care; enhance quality improvement skills in various regions of the world; and encourage communication about end-of-life values and preferences. These efforts contribute to IHI's growing knowledge of optimal system designs that can dramatically improve patient care. Some highlights include:

(b) Regionally Based Projects

- *Africa Region*

  The Bill and Melinda Gates Foundation continued to provide substantial support: Reduction of Neonatal and Maternal Mortality and the Designing Maternal and Newborn Spaces for Quality of Care-Global Goods both in Ethiopia; Scale up of Tuberculosis Care in South Africa Several new projects in fiscal year 2021 were funded by USAID including building quality improvement capacity in Mozambique.

- *Middle East/Asia Pacific Region*

  Hamad Medical Corporation (Qatar) remained IHI's largest funder in the region, followed by a new strategic partnership with Safer Care Victoria (Australia). IHI continued working on a multi-year grant-funded project in collaboration with Save the Children and funded by USAID to improve maternal and newborn care in Bangladesh.

- *North America*

  The four largest funded projects in North America are:

  Age Friendly Health Systems

  – Older adults in the US deserve safe, effective, and patient centered care in the settings in which they receive their care. To achieve this aim, The John A. Hartford Foundation and IHI are partnering on the Age Friendly Health Systems initiative. In 2020, the initiative surpassed their goal of spreading the 4Ms model to over 2,000 sites of care.

  – Scaling Implementation of Obstetric Safety Bundles in the US Supported by a grant from Merck for Mothers, this initiative aims to scale up evidence-based obstetric safety bundles to reduce maternal mortality in the US. The work has two tracks: (1) a dissemination network to accelerate existing national efforts to scale up four validated best practice "care bundles" for expectant mothers; and (2) a Collaborative to support intensive improvement and scale up of maternal care in ten US states with above-average maternal mortality rates and a higher proportion of African American women.

  100 million Healthier Lives

  – IHI is a convener and partner in a global, multi sector movement to create better health, wellbeing, and equity for 100 million people by the end of calendar 2020. To facilitate this effort, IHI worked alongside partners to engage individuals and communities in the work of health improvement; co-develop and share useful tools to support action; and teach empowering skills in leadership and improvement. IHI's goal is to make it easy, inspiring, and joyful for anyone to begin or accelerate their journey towards improving health.

  Project ECHO

  – The Agency for Healthcare Research and Quality (AHRQ) is partnering with the University of New Mexico's ECHO Institute in Albuquerque and IHI in Boston to establish a National Nursing Home COVID Action Network. The network will provide free training and mentorship to nursing homes across the country to increase the implementation of evidence-based infection prevention and safety practices to protect residents and staff.

- *Latin America*

  MSD, a charity of the Merck Company, continues to fund IHI's work to bring about higher rates of natural births (and corresponding lower rates of caesarian section deliveries) in Brazil and this work is now focusing on scale-up of successful approaches. In fiscal year 2021, IHI also embarked on work in Mexico with the St. Jude health system to improve care of pediatric cancer patients.

- *Europe:*

  IHI maintains a vibrant portfolio of leadership and improvement-focused work with a range of health trusts within the English National Health Service. Additional UK-based work is occurring in Scotland, Wales, and Northern Ireland. Smaller amounts of project work are occurring in Denmark and Sweden.

(c) Strategic Partners and Contracts

IHI maintains a variety of closely aligned, strategic relationships with organizations in regions around the world, including the US, the United Kingdom, Europe, Middle East, Asia, Latin America, and Africa. Contracted services are focused on achieving strategic objectives, system level improvement, and capability building.

(d) Courses and Other Programs

Professional Development Programs

- Professional development programs, conferences, and shorter two-day seminars are offered to help organizations develop their internal capacity and infrastructure for safety and improvement. IHI's programs offer health care professionals many opportunities to learn the latest improvement ideas, connect with like-minded colleagues, and generate momentum for change in their organizations. In 2020, we pivoted to offer all of our in-person professional development programs virtually instead due to the COVID-19 pandemic.

IHI Forum on Quality Improvement in Health Care

- Held each December, this major US conference on improvement in health care draws nearly 6,000 participants from around the world who attend hundreds of workshops, spotlight and keynote sessions, and special interest meetings. In 2020, we offered this program 100% virtually.

IHI Patient Safety Congress

- The IHI Patient Safety Congress brings together people who are passionate about ensuring safe care equitably for all. This annual meeting is designed for committed health care professionals who continue to shape smarter, safer care for patients wherever it's provided — from the hospital to outpatient settings to the home. Due to COVID 19 the Congress was cancelled in fiscal year (FY) 2021.

Global Forums on Quality and Safety in Healthcare

- IHI partners with organizations in different regions of the world to bring large conferences to health care 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 global 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. Due to COVID 19 in person conferences were cancelled in FY2021. One virtual international conference was held in FY2021.

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 health care. A growing catalog of 30+ online, self-paced courses in quality improvement, patient safety, leadership, person- and family-centered care, and other key topics in health care 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 health care 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 health care leaders and their teams, the Alliance aims to deliver great health care and high value today and innovate for the emerging health and health care models of tomorrow.

IHI Virtual Trainings

- IHI offers a variety of virtual training opportunities for anyone who wants to improve health and health care.

(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.

Certification Program for Professionals in Patient Safety

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

The Conversation Project

- Providing guidance to health professionals and laypeople alike on how to articulate and express ones preferences for care and support at the end of life, or during serious illness.

Research & Development

- At the center of IHIs work is the creation and testing of new ideas — novel concepts for improving patient care. Here, 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.

(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 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 may or will be satisfied by the actions of the Institute and/or the passage of time.

(b) Statement of Activities

For purposes of display, 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

Effective May 1, 2019 with the adoption of the Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*.

The Institute recognizes revenue when it satisfies performance obligations under the terms of its contracts in an amount that reflects the consideration the Institute 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. The Institute considers a performance obligation to be satisfied once it has provided the service 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, the contracts do not include a significant financing component. Due to the nature of the Institute’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

Effective May 1, 2019 with the adoption of Accounting Standards Update (ASU) No. 2018-18, *Not- for-Profit Entities (Topic 958)-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Contributions are either conditional or unconditional based on the agreement terms. A contribution is considered conditional if the award contains both a specific barrier that must be overcome for the Institute to be entitled to the funds and a right-of-return to the grantor's obligation to provide the promised funds. If both conditions are not present, the award is unconditional. An unconditional contribution is recognized as either without donor restriction or with donor restriction, based on the terms of the gift. Contracts that include both a barrier and a right-of- return (or right of release) are considered conditional contributions and revenue is recognized once the conditions are met. Indirect costs related to certain grants and contracts are reimbursed at negotiated rates.

(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 the Institute.

(e) Cash and Cash Equivalents

For purposes of the statements of cash flow, the Institute 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 net realizable value. An allowance for doubtful accounts is provided based upon historical experience and management's evaluation of outstanding accounts receivable. The allowance for doubtful accounts was $214,729 and $248,981 as of April 30, 2021 and 2020, 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.

(h) Property and Equipment

Property and equipment is 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.

(Continued)

(i) Software

Cloud based software that is purchased as a service, without a license to the software, is expensed as incurred. 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 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.

(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

On April 22, 2020, the Institute received loan proceeds in the amount of $3,990,800 under the Paycheck Protection Plan (PPP). The PPP, established 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 period the funds are being used. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Institute intends to use the proceeds for purposes consistent with the PPP. Payments received are recognized as revenue when the conditions are met. As of April 30, 2021, the Institute has recognized approximately $3,281,766 in revenue during FY2021 and $709,034 in FY2020, which is included in grants income in the accompanying statement of activities. On June 10, 2021, the Small Business Administration approved IHI's application for loan forgiveness.

On February 19, 2021, the institute received a second loan in the amount of $2,000,000 under the PPP. These funds have been deposited, are not yet been spent and are included in our deferred revenue balance as of April 30, 2021.

(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 health care for patients all over the world. It is the policy of the Board of Directors of the Institute to review its plans for future operating needs and strategic initiatives from time to time and to designate appropriate sums of nets 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 as 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

The Institute 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 the Institute to evaluate uncertain tax positions. Management concluded as of and for the years ended April 30, 2021 and 2020, that the Institute did not have any liabilities for any uncertain tax positions.

(3) Grants Receivable

Grants receivable, which is included in accounts receivable, net in the accompanying statements of financial position, totaled $1,299,769 and $945,585 as of April 30, 2021 and 2020, respectively. All grants receivable are due within one year.

(4) Concentration of Credit Risk

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

Additionally, accounts receivable, net includes approximately $4,400,000 and $635,000 due from two customers as of April 30, 2021 and one customer as of 2020. The Institute 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'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.

The following tables summarize the Institute's investments by major category in the fair value hierarchy as of April 30, 2021 and 2020, as well as related strategy. All holdings are Level 1 and may be liquidated on a daily basis.

	2021	2020
International stock	$ 33,267,418	24,548,755
Bond market index funds	27,493,148	21,843,975
Stock market index	41,194,238	30,257,304
Bond funds	94,830	212,762
Equity mutual funds	981,002	1,164,187
	$ 103,030,636	78,026,983

The Institute has no investments classified in Level 3 for the years ended April 30, 2021 and 2020. There were no transfers of investments between Level 1 and Level 2 during the years ended April 30, 2021 and 2020.

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

	2021	2020
Investment income	$ 1,919,262	2,231,665
Net realized gains	1,904,659	980,695
Net change in unrealized appreciation	22,055,818	(3,494,062)
	25,879,739	(281,702)
Less management fees	46,730	59,729
Total investment returns	$ 25,833,009	(341,431)

(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, 2021 and 2020 are as follows:

		2021	2020
Beginning balance	$	78,753,943	82,971,153
Investment return:			
Investment income, net		1,773,908	1,933,474
Net unrealized and realized gains on investment		23,518,093	(2,419,992)
Total return		25,292,001	(486,518)
Endowment return utilized in operations		(78,375)	(3,730,692)
Ending balance of endowment	$	103,967,569	78,753,943

(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. Strategies Employed for Achieving Objectives.

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 $78,376 and $3,730,692 for the years ended April 30, 2021 and 2020, respectively. These amounts are classified as operating revenue in the statement 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 at April 30, 2021 and 2020 have been restricted by donors for the following purposes:

		2021	2020
Kaiser Permanente Fund	$	174,990	488,395
Denham Fellowship		52,345	52,345
Other		147,361	185,439
	$	374,696	726,179

As of April 30, 2021 and 2020, respectively, cash and cash equivalents include $908,890 and $908,231 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 the Institute’s net assets with donor restrictions in fiscal 2021 and 2020 were purpose restricted by funders for IHI fellowship programs, attendance at IHI events, and the Conversation Project. Net assets released from donor restrictions during the years ended April 30, 2021 and 2020 of $362,142 and $879,928, respectively, were released 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 twelve-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 five years. As part of the lease agreement the landlord offered a leasehold improvement allowance amounting to $2,172,150 which is included in deferred rent and is 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. The sublease payments are not included in the minimum lease payment schedule below.

On February 1, 2019, IHI amended their lease agreement with 53 State Street adding space on the 18th floor for an eleven-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 five years. As part of the lease agreement the landlord offered a leasehold improvement allowance amounting to $297,885 which is included in deferred rent and is being amortized as a reduction to rent expense on a straight-line basis over the life of the lease.

As of April 30, 2021, the noncancelable lease commitments under operating lease arrangements with initial or remaining terms of one year or more are as follows:

		Operating leases
Fiscal year ending April 30:		
2021	$	2,509,923
2022		2,296,172
2023		2,466,332
2024		2,311,302
2025		2,295,063
Thereafter		11,453,641
Minimum lease payments	$	23,332,433

Rent expense under these leases was $2,200,495 and $2,196,993 for each of the years ended April 30, 2021 and 2020, respectively.

(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 $216,000 and $367,000 for the years ended April 30, 2021 and 2020, 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 Board of Directors of the Institute 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, 2021 and 2020 related to the capital accumulation accounts was approximately $121,883 and $30,132, respectively. The capital accumulation accounts investments are invested with the Institute's investments. As of April 30, 2021, and 2020, the related deferred compensation liability was approximately $1,384,312 and $1,584,000, respectively.

(10) Line of Credit

On January 19, 2021, IHI increased a $5,588,000 revolving line of credit 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 .11% as of April 30, 2021. Funds in the amount of $0 and $2,000,000 were advanced to IHI during the years ended April 30, 2021 and 2020, respectively.

In March 2020, the FASB issues ("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.

(a) Letter of Credit – Security Deposit

On June 27, 2017, IHI entered into $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 (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.

(b) Letter of Credit – Performance Bond

As of December 9, 2019, the performance bond is now pledged against the IHI line of credit as described above. The deposit account was released as collateral and utilized for general operating purposes.

(11) Related Party Transactions

Following is a summary of related party transactions during the years ended April 30, 2021 and 2020:

		2021	2020
The Institute paid an organization that employs a Board member of the Institute for services rendered on various projects.	$	275,000	308,333
The Institute earned revenues from an organization which employs a Board member of the Institute.		169,187	354,846
The Institute has receivables from an organization which employs a Board member of the Institute.		71,125	27,544

(12) Financial Assets and Liquidity Resources

As of April 30, 2021, 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:

Financial assets:		
Cash and cash equivalents	$	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 (see footnote 10). The Institute has no outstanding borrowings under the line of credit at April 30, 2021. The Institute has $103,030,636 in other board designated funds, which could be made available to the Institute but are not reflected in the table as they are designated for other purposes.

(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 13, 2021, the date on which the financial statements were available for issuance.