

Understanding IHI's IRS Form 990

The Institute for Healthcare Improvement (IHI) is pleased to present our Internal Revenue Service Form 990. The Form 990 is a publicly available document, provided for those interested in learning about IHI's programs, accomplishments, finances, policies, and procedures. As an IRS-certified, tax-exempt, not-for-profit charitable organization (section 501(c)(3)), IHI files the Form 990 annually. Our Audit Committee reviews the Form 990, and then the entire IHI Board approves it prior to filing with the IRS. IHI's financial year runs from May 1 to April 30, and we post the year-end financial statements the following fall. The Form 990 is accessible on our website as well as on www.guidestar.org, a nonprofit organization that collects and publicizes data on over 1.5 million nonprofit organizations nationwide. The Guidestar website provides guidance on how to use and interpret the information contained in Forms 990. Our full financial statements, which provide another rich resource for learning about IHI, are also available on our website at <http://www.ihi.org/about/Pages/Finances.aspx>.

We present our Form 990 in the spirit of transparency which is one of IHI's core values. We hope that you find it informative, and that it allows you to better understand IHI and compare the results of our work to those of other comparable public charities. If you have any questions about the information contained in the Form 990 or our audited financial statements, please forward your questions to IHI's Chief Financial Officer, Amy Hosford-Swan, at ahosford-swan@ihi.org. We appreciate your interest in IHI and our mission of improving health and health care worldwide.

Here's a brief guide to understanding some of the key information on the Form 990:

Form 990, Part I – Revenues, Expenses, and Changes in Net Assets or Fund Balances

Part I details IHI's sources of revenue and summarizes IHI's expenditures.

- **Line 8, Contributions and grants** – These are contributions received directly from foundations and some individuals. Foundation awards include support for our work in low- and middle-income countries, the IHI Open School, our Triple Aim initiative, readmissions, and various other programs.
- **Line 9, Program service revenue** – These are fees earned through various IHI public programs, including our seminars, the National Forum, contract services, and membership dues. The majority of IHI's revenue comes from program services.
- **Line 10, Investment income** – These are earnings from IHI's investments, including unrestricted and restricted investments (more information below). This includes the realized gains, dividends, and interest.
- **Line 11, Other revenue** – This includes revenues received by IHI for other services, such as honoraria for speaking engagements, and non-student subscriptions to the Open School.
- **Line 13, Grants and similar amounts paid** – This consists primarily of sub grants made to our partners in Ghana and Malawi for exempt activities. Small sub grants were made to various US partners for project work.
- **Line 22, Net assets or fund balances** – This represents IHI's excess of assets over liabilities, or IHI's equity. IHI's net assets are classified as either restricted or unrestricted:
 - **Unrestricted** – These net assets are not subject to donor-imposed stipulations. IHI's Board of Directors ultimately decides how these resources should be utilized in accordance with IHI's tax exempt purpose.
 - **Restricted** – These net assets are subject to donor-imposed stipulations related to work in specific areas or work accomplished within a defined period of time.

Designation of unrestricted net assets

IHI believes that a strong financial position is essential to its ability to achieve its mission to improve health and health care worldwide. At the discretion of IHI's Board of Directors, unrestricted net assets are allocated based on need to the following funds:

- The Operating Fund provides an estimated 15 months of operating reserves for IHI, to ensure the future viability of the organization.
- The Building Fund maintains resources for space and building needs that may change over time. These expenditures potentially include the leasing/purchasing new facilities or the expansion of current facilities.
- The Innovation and Strategic Initiatives Fund supports innovation, research and development initiatives, as well as new program development and implementation when external funding is unavailable. These activities are designed to cultivate promising ideas for health care improvement throughout the world.
- The Low and Middle Income Countries Fund supports the Institute's work in low- and middle-income countries to improve health care when external funding is unavailable or does not provide for all of the necessary program expenditures.

Form 990, Part IX – Statement of Functional Expenses

Part IX lists IHI's expenditures by category and major function (program services, management and general, and fundraising).

- **Line 25, Column B, Program services expenses** – These are expenses incurred by IHI while performing its tax-exempt activities.
- **Line 25, Column C, Management and general expenses** – These are expenses related to the general oversight, business management, general recordkeeping, budgeting, financing, and related administrative activities. IHI spends 23% of total expenses on management and general expenses.
- **Line 25, Column D, Fundraising Expenses** – These are the costs of soliciting the contributions reported in Line 8 (Contributions and grants).