

Colorado Health Institute

Financial Statements

December 31, 2020 and 2019

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

Board of Trustees Colorado Health Institute

Report on Financial Statements

We have audited the accompanying financial statements of Colorado Health Institute (the Institute), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 accounting principles generally accepted in the United States of America; 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.

Auditor's 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 of 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 auditor's 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 entity'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 entity'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 Colorado Health Institute as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kundinger, Corder & Engle, P.C.

April 22, 2021

Colorado Health Institute
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 2,635,910	1,373,468
Accounts receivable	953,943	740,734
Prepaid expenses	86,258	69,593
Grants and contributions receivable (note 3)	3,681,467	3,861,588
Investments (note 4)	2,324,468	2,314,794
Property and equipment, net (note 5)	336,932	153,800
Deposits	110,000	13,946
Total assets	\$ 10,128,978	8,527,923
Liabilities and Net Assets		
Accounts payable	\$ 23,834	31,503
Accrued payroll liabilities	267,172	177,382
Refundable advances (note 3)	—	294,672
Deferred rent	174,402	21,043
Deferred revenue	—	48,736
Total liabilities	465,408	573,336
Net assets		
Without donor restrictions		
Board designated (note 2)	1,000,000	1,000,000
Undesignated	3,796,964	2,504,042
Total net assets without donor restrictions	4,796,964	3,504,042
With donor restrictions (note 7)	4,866,606	4,450,545
Total net assets	9,663,570	7,954,587
Commitments and contingency (notes 6, 8 and 9)		
Total liabilities and net assets	\$ 10,128,978	8,527,923

See the accompanying notes to the financial statements.

Colorado Health Institute
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions		
Revenue and Support		
Contract revenue	\$ 3,741,560	2,589,949
Grants and contributions	2,541,282	3,864,831
Investment return (note 4)	9,960	109,234
Conference income	–	166,329
Miscellaneous income	7,929	2,848
Net assets released from restrictions (note 7)	1,906,217	2,910,044
Total revenue and support without donor restrictions	8,206,948	9,643,235
Expenses		
Program services		
Health information	5,778,315	7,495,688
Total program services	5,778,315	7,495,688
Supporting services		
Management and general	885,301	521,932
Fundraising	250,410	307,661
Total supporting services	1,135,711	829,593
Total expenses	6,914,026	8,325,281
Change in net assets without donor restrictions	1,292,922	1,317,954
Changes in net assets with donor restrictions		
Grants and contributions	2,322,278	4,994,521
Net assets released from restrictions (note 7)	(1,906,217)	(2,910,044)
Change in net assets with donor restrictions	416,061	2,084,477
Change in net assets	1,708,983	3,402,431
Net assets at beginning of year	7,954,587	4,552,156
Net assets at end of year	\$ 9,663,570	7,954,587

See the accompanying notes to the financial statements

Colorado Health Institute
Statement of Functional Expenses
Year Ended December 31, 2020

	Program	Supporting Services		Total Supporting Services	Total
	Health Information	Management and General	Fund Raising		
Salaries	\$ 2,409,286	372,630	163,780	536,410	2,945,696
Benefits	301,323	46,604	20,485	67,089	368,412
Payroll taxes	167,135	25,850	11,362	37,212	204,347
Professional fees	2,101,372	261,390	8,282	269,672	2,371,044
Rent	322,666	49,905	21,935	71,840	394,506
Depreciation and amortization	86,183	13,330	5,859	19,189	105,372
Insurance	20,269	3,135	1,378	4,513	24,782
Supplies	71,158	10,642	4,677	15,319	86,477
Telephone and internet	59,159	9,150	4,021	13,171	72,330
Printing and publications	8,694	36	16	52	8,746
Professional development and training	10,963	1,696	745	2,441	13,404
Travel and meals	17,937	2,472	1,087	3,559	21,496
Communications	3,660	6,855	—	6,855	10,515
Conferences, sponsorships and dues	38,254	3,638	1,599	5,237	43,491
Miscellaneous	160,256	77,968	5,184	83,152	243,408
	\$ 5,778,315	885,301	250,410	1,135,711	6,914,026

See the accompanying notes to the financial statements.

Colorado Health Institute
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program</u>	<u>Supporting Services</u>		Total Supporting Services	Total
	Health Information	Manage- ment and General	Fund Raising		
Salaries	\$ 2,208,987	304,388	204,375	508,763	2,717,750
Benefits	333,197	45,913	30,827	76,740	409,937
Payroll taxes	151,347	20,855	14,003	34,858	186,205
Professional fees	3,979,564	37,826	7,269	45,095	4,024,659
Rent	158,364	21,821	14,652	36,473	194,837
Depreciation and amortization	105,921	14,596	9,800	24,396	130,317
Insurance	19,391	2,672	1,794	4,466	23,857
Supplies	48,571	6,491	4,358	10,849	59,420
Telephone and internet	49,112	6,767	4,544	11,311	60,423
Printing and publications	13,328	-	-	-	13,328
Professional development and training	27,779	3,828	2,570	6,398	34,177
Travel and meals	93,372	6,998	4,699	11,697	105,069
Communications	20,463	-	-	-	20,463
Conferences, sponsorships and dues	208,357	2,323	1,560	3,883	212,240
Miscellaneous	77,935	47,454	7,210	54,664	132,599
	<u>\$ 7,495,688</u>	<u>521,932</u>	<u>307,661</u>	<u>829,593</u>	<u>8,325,281</u>

See the accompanying notes to the financial statements.

Colorado Health Institute
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ 1,708,983	3,402,431
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	105,372	130,317
Realized and unrealized loss (gain) on investments	2	(58,547)
Decrease (increase) in operating assets		
Accounts receivable	(213,209)	(319,158)
Contributions receivable	180,121	(2,215,487)
Prepaid expenses and deposits	(112,719)	(19,808)
Increase (decrease) in operating liabilities		
Accounts payable	(7,669)	(273,764)
Accrued payroll liabilities	89,790	39,840
Refundable advances	(294,672)	294,672
Deferred rent	153,359	(63,129)
Deferred revenue	(48,736)	21,117
Net cash provided by operating activities	1,560,622	938,484
Cash flows from investing activities		
Purchases of property and equipment	(288,504)	(55,574)
Net (purchases) sales of investments	(9,676)	366,233
Net cash (used in) provided by investing activities	(298,180)	310,659
Net increase in cash and cash equivalents	1,262,442	1,249,143
Cash and cash equivalents at beginning of year	1,373,468	124,325
Cash and cash equivalents at end of year	\$ 2,635,910	1,373,468
Supplemental noncash information:		
Leashold improvements acquired through lease incentive agreement	\$ 55,428	—

See the accompanying notes to the financial statements.

Colorado Health Institute

Notes to Financial Statements

December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Organization

Colorado Health Institute (the Institute) is a not-for-profit corporation established on November 12, 2002 to advance the overall health of the people of Colorado by serving as an independent and impartial source of reliable and relevant health related information to policy makers, funding organizations, health planners, the business and nonprofit communities, consumer groups, health care providers, and the media. The Institute was established through three equal grants from Caring for Colorado Foundation, The Colorado Trust, and Rose Community Foundation (collectively, the Foundations). The Foundations continue to provide funding for the Institute's operations. Additional funding is received from grants and contracts with state and local government agencies, other local foundations and nonprofits, and health system organizations.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

The Institute is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Institute. These net assets may be used at the discretion of the Institute's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Institute or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2020, there are no net assets with perpetual donor restrictions.

(d) Cash and Cash Equivalents

For purposes of the statements of cash flows, the Institute considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents and which are not part of the investment portfolio.

(e) Concentrations of Credit Risk

Financial instruments which potentially subject the Institute to concentrations of credit risk consist of cash and cash equivalents, money market accounts, insured cash sweep accounts, and investment securities. The Institute places its cash and cash equivalents, money market accounts and insured cash sweep accounts with creditworthy, high quality financial institutions. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation.

Colorado Health Institute
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Concentrations of Credit Risk, Continued

The Institute has significant investments in cash and cash equivalents. Investments are made by investment managers engaged by the Institute and the investments are monitored by management. Although the market values of investments are subject to fluctuation on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of the Institute.

The Institute receives a significant portion of its support from the Foundations. If a significant reduction in the level of this support occurs, it may have an effect on the Institute's programs and activities.

(f) Investments

Investments are recorded at cost, if purchased, or at fair value if donated. Thereafter, investments are reported at fair value in the statements of financial position. Fair value is more fully described in note 1(g). Investment return consists of interest, dividends, capital gains and losses generated from investments, as well as the change in fair value of the investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statements of activities.

(g) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. generally accepted accounting principles establish a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Colorado Health Institute
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(g) Fair Value Measurements, Continued

The carrying amount reported in the statements of financial position for cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments. Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets.

(h) Property and Equipment

The Institute follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$1,000. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets ranging from three to seven years.

(i) Deferred Rent

Deferred rent represents the unamortized portion of lessor incentives (free rent and reimbursed tenant expenses) received in conjunction with the Institute's office lease. The Institute is amortizing deferred rent over the life of the lease. See note 6.

(j) Revenue Recognition

Grants and Contributions

Contributions are recognized when cash, securities or other assets, and unconditional promises to give are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. All donor restricted support, including pledges, is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Should the Institute substantially meet the conditions in the same period that the contribution was received, and barring any further donor-imposed restrictions, the Institute has elected to recognize the revenue as net assets without donor restrictions.

Contributions receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year.

Contracts

A portion of the Institute's revenue is derived from cost-reimbursable contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with specific contract provisions. Revenue on fixed-price contracts is recognized as the performance obligations are completed. Amounts received prior to incurring qualifying expenditures or completing performance obligations are reported as deferred revenue in the statements of financial position and totaled \$0 and \$48,736 at December 31, 2020 and 2019, respectively.

Colorado Health Institute
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Revenue Recognition, Continued

Accounts receivable represents claims for reimbursements and other fees earned under contracts. Receivable balances are considered past due based on contractual terms. At December 31, 2020 and 2019, the Institute considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. Accounts deemed uncollectible are charged to bad debt expense when that determination is made.

Conference Income

Revenue derived from the annual conference is recognized when the conference is held.

(k) Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying financial statements. The Institute incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Institute also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. management and general and fund raising activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as time and effort incurred by personnel.

(l) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(m) Income Taxes

The Institute is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income in 2020 and 2019. Accordingly, the accompanying financial statements contain no provision for income taxes.

The Institute follows the *Accounting for Uncertainty in Income Taxes* accounting standard which requires the Institute to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. The Institute has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. The three previous tax years remain subject to examination by the IRS.

Colorado Health Institute
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(n) Subsequent Events

The Institute's has evaluated all subsequent events through April 22, 2021, which is the date the financial statements were available to be issued. See note 9.

(2) Availability and Liquidity of Financial Assets

The following represents the Institute's financial assets as of December 31:

Financial assets at year end:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,635,910	1,373,468
Accounts receivable	953,943	740,734
Investments	2,324,468	2,314,794
Contributions receivable	<u>3,681,467</u>	<u>3,861,588</u>
Total financial assets	9,595,788	8,290,584
Less amounts not available to be used within one year:		
Net assets with donor restrictions	4,866,606	4,450,545
Less net assets with purpose restrictions expected to be met in one year	(2,631,654)	(1,034,890)
Board designated funds requiring board approval for expenditure	<u>1,000,000</u>	<u>1,000,000</u>
	<u>3,234,952</u>	<u>4,415,655</u>
Financial assets available to meet general expenditures within one year	\$ <u>6,360,836</u>	<u>3,874,929</u>

The Institute receives substantial restricted grants and contributions annually. Based on donor restrictions and timing of receivables resources may be unavailable until a future period. The Institute maintains sufficient resources to meet the responsibilities to its donors. As part of the Institute's liquidity management, the Institute has a policy to structure financial assets to be available as expenditures, liabilities, and other obligations come due. The Institute invests cash in excess of daily requirements in short-term investments.

In addition, the Institute maintains a board designated reserve of the operating surplus, which is \$1,000,000 as of December 31, 2020. At the discretion of the board, the board designated reserve may be drawn upon in the event of financial distress, or to be used for general operations if deemed necessary.

Colorado Health Institute
Notes to Financial Statements, Continued

(3) Contributions Receivable

Contributions receivable are from certain Foundations and consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Due in less than one year	\$ 1,745,095	949,121
Due in one to five years	<u>1,936,372</u>	<u>2,912,467</u>
	\$ <u>3,681,467</u>	<u>3,861,588</u>

There is no allowance for uncollectible contributions because management believes that the pledges are fully collectible.

At December 31, 2019, the Institute recognized as a refundable advance a grant prepayment of \$294,672 since the grant agreement stipulates both a right of return and milestones that must be met before the Institute is entitled to the funds. In 2020, the milestones were met and the funds received were recorded as grant revenue.

At December 31, 2020 the Institute has a \$452,400 grant that is conditioned upon incurring allowable qualifying expenditures. This amount will be recorded as revenue when the conditions are met.

(4) Investments

At December 31, 2020 and 2019, the Institute's investments, stated at fair value, consisted of the following:

	<u>2020</u>	<u>2019</u>
Demand deposit account	\$ 1,821,076	1,252,672
Money market funds	503,392	511,054
Exchange-traded and mutual funds invested in equities	—	337,477
Exchange-traded and mutual funds invested in fixed income	<u>—</u>	<u>213,591</u>
	\$ <u>2,324,468</u>	<u>2,314,794</u>

Investment return is summarized as follows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 9,962	50,687
Net realized and unrealized gains (losses)	<u>(2)</u>	<u>58,547</u>
Total investment return	\$ <u>9,960</u>	<u>109,234</u>

At December 31, 2020 and 2019, all of the Institute's investments are considered Level 1 investments.

Colorado Health Institute
Notes to Financial Statements, Continued

(5) Property and Equipment

Property and equipment consists of the following at years ended December 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 31,676	212,478
Furniture and fixtures	431,625	334,049
Office equipment and computer software	844,970	691,619
Website	<u>56,975</u>	<u>51,075</u>
	1,365,246	1,289,221
Less accumulated depreciation	<u>(1,028,314)</u>	<u>(1,135,421)</u>
Property and equipment, net	\$ <u>336,932</u>	<u>153,800</u>

(6) Lease

The Institute has a non-cancelable operating lease for office space that expires August 31, 2027. Additionally, the Institute has a non-cancelable operating lease for a copier that expires May, 31, 2025. Total rent expense for operating leases was \$423,890 in 2020 and \$226,201 in 2019.

Future minimum lease payments at December 31 were:

2021	\$ 381,843
2022	391,081
2023	400,319
2024	409,557
2025	402,625
Thereafter	<u>671,296</u>
	\$ <u>2,656,721</u>

(7) Net Assets With Donor Restrictions

At December 31, net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purposes:		
CHORDS (cash and promises to give)	\$ 61,361	530,058
CHAS (cash and promises to give)	1,626,634	-
Others	<u>316,144</u>	<u>158,899</u>
	2,004,139	688,957
Subject to the passage of time:		
Promises to give that are not restricted by donor, but which are unavailable for expenditure until due	<u>2,862,467</u>	<u>3,761,588</u>
Total net assets with donor restrictions	\$ <u>4,866,606</u>	<u>4,450,545</u>

Colorado Health Institute
Notes to Financial Statements, Continued

(7) Net Assets With Donor Restrictions, Continued

In 2020 and 2019, net assets were released upon the following.

	<u>2020</u>	<u>2019</u>
Satisfaction of purpose restrictions:		
CHORDS	\$ 468,696	818,517
CHAS	50,366	1,027,473
Others	488,034	191,122
Core operations	<u>899,121</u>	<u>872,932</u>
Total net assets released	\$ <u>1,906,217</u>	<u>2,910,044</u>

(8) Retirement Plan

The Institute has a defined contribution plan (the Plan) that covers substantially all full-time employees who are at least twenty-one years old. Employer contributions were 7% of employee compensation for 2020 and 2019. Plan benefits vest 100% after three years of service. The Institute's contributions to the Plan totaled \$188,037 and \$183,821 in 2020 and 2019, respectively.

(9) Impact of COVID-19

The COVID-19 pandemic has caused business disruption and economic uncertainties in numerous sectors of the economy. The related financial impact and duration cannot be reasonably estimated at this time. As a precautionary safeguard, during the year ended December 31, 2020, the Institute applied for and received a \$526,000 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, these loans may be partially or fully forgiven if certain eligibility requirements are met, including that 60% of the loan proceeds must be spent on payroll. The Institute initially recorded this loan as a refundable advance and subsequently recognized grant revenue of \$526,000 in 2020 in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed.

Subsequent to year end, in February 2021, the Institute received a second PPP loan in the amount of \$550,765. In the case this loan is not forgiven in its entirety, the unforgiven balance will be payable in equal amounts required to fully amortize the principal amount outstanding on the note by the maturity date of February 12, 2026. The loan is unsecured and interest is charged at 1% per annum.