

Colorado Health Institute

Financial Statements

December 31, 2022 and 2021

(With Independent Auditor's Report Thereon)

*Kundinger, Corder
& Montoya, P.C.*
Certified Public Accountants



Independent Auditor's Report

Board of Trustees Colorado Health Institute

Opinion

We have audited the accompanying financial statements of Colorado Health Institute, which comprise the statements of financial position as of December 31, 2022 and 2021, and 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 financial statements referred to above present fairly, in all material respects, the financial position of Colorado Health Institute as of December 31, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Colorado Health 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 accounting principles generally accepted in the United States of America, 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 Colorado Health Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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.

**Board of Trustees
Colorado Health Institute**

In performing an audit in accordance with generally accepted auditing standards, 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 Colorado Health 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 Colorado Health 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.

Kundinger, Corder & Montoya, P.C.

April 20, 2023

Colorado Health Institute
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 3,395,585	1,918,886
Accounts receivable	1,071,349	1,596,822
Prepaid expenses	101,268	74,405
Grants and contributions receivable (note 3)	1,936,372	1,936,372
Investments (note 4)	2,342,003	2,325,941
Property and equipment, net (note 5)	154,409	253,877
Operating lease right of use asset (note 6)	1,511,019	-
Deposits	100,000	110,000
Total assets	\$ 10,612,005	8,216,303
Liabilities and Net Assets		
Accounts payable	\$ 182,144	19,038
Accrued payroll liabilities	173,510	188,598
Refundable advances and unearned revenue (note 1(j))	550,000	-
Operating lease liability (note 6)	1,651,178	-
Deferred rent	-	174,262
Total liabilities	2,556,832	381,898
Net assets		
Without donor restrictions		
Board-designated (note 2)	1,000,000	1,000,000
Undesignated	4,787,247	4,190,635
Total net assets without donor restrictions	5,787,247	5,190,635
With donor restrictions (note 7)	2,267,926	2,643,770
Total net assets	8,055,173	7,834,405
Commitments and contingency (notes 6 and 8)		
Total liabilities and net assets	\$ 10,612,005	8,216,303

See the accompanying notes to the financial statements.

Colorado Health Institute
Statements of Activities
Years Ended December 31, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions		
Revenue and Support		
Contract revenue	\$ 5,015,965	3,471,670
Grants and contributions	1,913,762	1,759,809
Investment return (note 4)	16,062	1,473
Operating lease right of use asset (note 6)	130,867	586
Net assets released from restrictions (note 7)	559,190	2,549,947
Total revenue and support without donor restrictions	7,635,846	7,783,485
Expenses		
Program services		
Health information	6,009,244	6,180,879
Total program services	6,009,244	6,180,879
Supporting services		
Management and general	701,330	924,668
Fundraising	328,660	284,267
Total supporting services	1,029,990	1,208,935
Total expenses	7,039,234	7,389,814
Change in net assets without donor restrictions	596,612	393,671
Changes in net assets with donor restrictions		
Grants and contributions	183,346	327,111
Net assets released from restrictions (note 7)	(559,190)	(2,549,947)
Change in net assets with donor restrictions	(375,844)	(2,222,836)
Change in net assets	220,768	(1,829,165)
Net assets at beginning of year	7,834,405	9,663,570
Net assets at end of year	\$ 8,055,173	7,834,405

See the accompanying notes to the financial statements.

Colorado Health Institute
Statement of Functional Expenses
Year Ended December 31, 2022

	Program	Supporting Services			Total
	Health Information	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 2,666,676	162,271	230,235	392,506	3,059,182
Benefits	298,953	51,671	18,454	70,125	369,078
Payroll taxes	177,423	30,666	10,952	41,618	219,041
Professional fees	1,353,270	268,339	6,142	274,481	1,627,751
Rent	486,088	84,016	30,005	114,021	600,109
Depreciation and amortization	82,473	14,255	5,091	19,346	101,819
Insurance	24,514	4,237	1,513	5,750	30,264
Supplies	128,279	16,445	5,871	22,316	150,595
Telephone and internet	68,255	11,797	4,214	16,011	84,266
Printing and publications	15,804	439	157	596	16,400
Professional development and training	13,253	2,291	818	3,109	16,362
Travel and meals	147,139	11,036	5,381	16,417	163,556
Communications	-	400	3,021	3,421	3,421
Conferences, sponsorships and dues	18,219	3,097	1,106	4,203	22,422
Miscellaneous	528,898	40,370	5,700	46,070	574,968
	\$ 6,009,244	701,330	328,660	1,029,990	7,039,234

See the accompanying notes to the financial statements.

Colorado Health Institute
Statement of Functional Expenses
Year Ended December 31, 2021

	Program	Supporting Services			Total
	Health Information	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 2,340,739	444,443	177,778	622,221	2,962,960
Benefits	349,949	66,447	26,578	93,025	442,974
Payroll taxes	161,678	30,699	12,279	42,978	204,656
Professional fees	2,279,053	185,248	5,296	190,544	2,469,597
Rent	491,520	93,326	37,331	130,657	622,177
Depreciation and amortization	94,365	17,917	7,167	25,084	119,449
Insurance	19,236	3,653	1,461	5,114	24,350
Supplies	84,016	15,148	6,062	21,210	105,226
Telephone and internet	60,385	11,455	4,582	16,037	76,422
Printing and publications	6,454	101	40	141	6,595
Professional development and training	19,195	3,645	1,458	5,103	24,298
Travel and meals	11,026	1,887	755	2,642	13,668
Communications	—	7,504	—	7,504	7,504
Conferences, sponsorships and dues	15,793	2,992	1,196	4,188	19,981
Miscellaneous	247,470	40,203	2,284	42,487	289,957
	\$ 6,180,879	924,668	284,267	1,208,935	7,389,814

See the accompanying notes to the financial statements.

Colorado Health Institute
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 220,768	(1,829,165)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	101,818	119,449
Operating lease asset and liability noncash expense	140,159	–
Paycheck Protection Program loan forgiveness	–	(550,765)
Decrease (increase) in operating assets		
Accounts receivable	525,473	(642,879)
Grants and contributions receivable	–	1,745,095
Prepaid expenses and deposits	(16,863)	11,853
Increase (decrease) in operating liabilities		
Accounts payable	163,106	(4,796)
Accrued payroll liabilities	(15,088)	(78,574)
Refundable advances	550,000	–
Deferred rent	(174,262)	(140)
Net cash provided by (used in) operating activities	1,495,111	(1,229,922)
Cash flows from investing activities		
Purchases of property and equipment	(2,350)	(36,394)
Net purchases of investments	(16,062)	(1,473)
Net cash used in investing activities	(18,412)	(37,867)
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loans	–	550,765
Net cash provided by financing activities	–	550,765
Net change in cash and cash equivalents	1,476,699	(717,024)
Cash and cash equivalents at beginning of year	1,918,886	2,635,910
Cash and cash equivalents at end of year	\$ 3,395,585	1,918,886
Supplemental noncash information:		
Operating lease asset and liability noncash expense	\$ 140,159	–
Operating lease right of use asset	\$ 1,511,019	–
Operating lease liability	\$ 1,651,178	–

See the accompanying notes to the financial statements.

Colorado Health Institute
Notes to Financial Statements
December 31, 2022 and 2021

(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, 2022, 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 that are not part of the investment portfolio to be cash equivalents.

(e) Concentrations

Financial instruments which potentially subject the Institute to concentrations of credit risk consist of cash and cash equivalents, receivables, and investments. The Institute places its cash and cash equivalents with creditworthy, high-quality financial institutions. At times, a portion of these cash balances may not be insured by the Federal Deposit Insurance Corporation.

Colorado Health Institute
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(e) Concentrations, Continued

The Institute has significant investments in demand deposits and money market accounts. Funds in the demand deposit accounts are spread among various FDIC-insured institutions. 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 the investment policy is prudent for the long-term welfare of the Institute.

Credit risk with respect to accounts receivable and grants and contributions receivable is limited due to the number and creditworthiness of the organizations and donors from whom the amounts are due. 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, the change in fair value of the investments, and investment fees, if any. 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, investments, and accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

(h) Leases

During 2022, the Institute adopted the provisions of ASU No. 2016-02, *Leases (Topic 842)*. In accordance with the standard, the Institute has elected not to record on the statement of financial position a lease whose term is twelve months or less and does not include a purchase option that the Institute is reasonably certain to exercise. The Institute has elected to use the risk-free rate to determine the present value of the lease payments for the purpose of calculating the right of use asset and lease liability. The lease requires the payment of common area expenses (CAM), which the Institute has elected to expense. CAM expenses during the year ended December 31, 2022 totaled \$247,376. See note 1(o).

(i) 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.

(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. Payments received in advance of conditions being met are recorded as refundable advances. At December 31, 2022 and 2021, refundable advances total \$400,000 and \$0 respectively.

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.

Colorado Health Institute
Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

(j) Revenue Recognition, Continued

Contracts

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. At December 31, 2022 and 2021, deferred revenue totals \$150,000 and \$0 respectively.

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, 2022 and 2021, 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 fundraising 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 classified as an exempt operating foundation under section 4940(d)(2) of the Internal Revenue Code and is therefore exempt from excise taxes. 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 2022 and 2021, and, accordingly, the accompanying financial statements contain no provision for income taxes.

Management is required to evaluate tax positions taken by 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. Management 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 Institute is subject to routine audits by taxing jurisdictions; there are currently no audits for any tax periods in progress. 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 20, 2023, which is the date the financial statements were available to be issued.

(o) Adoption of New Accounting Pronouncement

Effective January 1, 2022, the Institute adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and its related amendments. The standard requires lessees to recognize in the statement of financial position the assets and liabilities that arise from leases. Adoption of ASU 2016-02 resulted in the recognition of operating right of use assets totaling \$1,511,019 as well as an operating lease liability totaling \$1,651,178 for the year ended December 31, 2022. The Institute elected to adopt the transition relief provisions from ASU No. 2016-02 and recorded the impact of adoption as of January 1, 2022, without restating any prior year amounts or disclosures. The related policy elections made by the Institute can be found in Note 1(h) and the additional lease disclosures can be found in Note 6. No cumulative effect adjustment to the beginning net assets was required in connection with the implementation of ASU No. 2016-02.

(2) Liquidity and Availability of Financial Assets

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

Financial assets at year-end:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 3,395,585	1,918,886
Accounts receivable	1,071,349	1,596,822
Grants and contributions receivable	1,936,372	1,936,372
Investments	<u>2,342,003</u>	<u>2,325,941</u>
Total financial assets	8,745,309	7,778,021
Less amounts not available to be used within one year:		
Net assets with donor restrictions	2,267,926	2,643,770
Less net assets with purpose restrictions expected to be met in one year	(2,267,926)	(1,661,276)
Board designated funds requiring board approval for expenditure	<u>1,000,000</u>	<u>1,000,000</u>
	<u>1,000,000</u>	<u>1,982,494</u>
Financial assets available to meet general expenditures within one year	\$ <u>7,745,309</u>	<u>5,795,527</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 its 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, 2022 and 2021. 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) Grants and Contributions Receivable

Grants and contributions receivable are from certain foundations and consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 1,936,372	953,878
Due in one to five years	<u>-</u>	<u>982,494</u>
	\$ <u>1,936,372</u>	<u>1,936,372</u>

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

At December 31, 2022, the Institute recognized as a refundable advance a grant prepayment of \$400,000 since the grant agreement stipulates both a right of return and milestones that must be met before the Institute is entitled to the funds.

The Institute had \$458,479 and \$527,577 in conditional cost-reimbursement-based government grants as of December 31, 2022 and 2021, respectively, that were not yet recognized as revenue. In addition, at December 31, 2022 and 2021, amounts totaling \$750,000 and \$9,568, respectively, pursuant to certain conditional grants are not recognized as revenue since they depend on certain milestones being reached. The grants will be recorded as revenue when the conditions are met.

(4) Investments

At December 31, 2022 and 2021, the Institute's investments, stated at fair value, consisted of the following:

	<u>2022</u>	<u>2021</u>
Demand deposit account	\$ 1,837,724	1,822,197
Money market funds	<u>504,279</u>	<u>503,744</u>
	\$ <u>2,342,003</u>	<u>2,325,941</u>

At December 31, 2022 and 2021, all of the Institute's investments are considered Level 1 investments.

Investment return consisted of interest and dividends totaling \$16,062 and \$1,473, respectively, for the years ended December 31, 2022 and 2021.

(5) Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 31,676	31,676
Furniture and fixtures	431,656	431,625
Office equipment and computer software	882,183	879,864
Website	<u>58,475</u>	<u>58,475</u>
	1,403,990	1,401,640
Less accumulated depreciation	<u>(1,249,581)</u>	<u>(1,147,763)</u>
Property and equipment, net	\$ <u>154,409</u>	<u>253,877</u>

Colorado Health Institute
Notes to Financial Statements, Continued

(6) Operating Lease Right of Use Asset and Operating Lease Liability

The Institute leases office space and facilities under a long-term non-cancelable operating lease through August 31, 2027. The Institute includes in the determination of the right of use asset and lease liability any renewal options when the options are reasonably certain to be exercised. The Institute's operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreements requires the Institute to pay utilities and repairs.

The weighted-average discount rate is based on the discount rate implicit in the lease. The Institute has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable. The Institute has applied the risk-free rate option to the property and equipment class of assets.

The total operating lease costs, including CAM, for the years ended December 31, 2022 and 2021 were \$600,109 and \$622,177, respectively, and is included with rent on the statements of functional expenses.

The weighted-average term and discount rates for the operating lease outstanding as of December 31, 2022 are as follows:

Weighted-average term (years)	4.67
Weighted-average discount rate	4.17%

Future payments due under the operating leases are as follows for the years ending December 31:

Undiscounted cash flows due in:	
2023	\$ 372,599
2024	381,837
2025	391,075
2026	400,314
2027	<u>270,982</u>
Total undiscounted cash flows	1,816,807
Impact of present value discount	<u>(165,629)</u>
Lease liability recognized	\$ <u>1,651,178</u>

Colorado Health Institute
Notes to Financial Statements, Continued

(7) Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes:		
CHAS	\$ 331,554	575,550
Others	<u>-</u>	<u>131,848</u>
	331,554	707,398
Subject to the passage of time:		
Promises to give that are not restricted by donor, but which are unavailable for expenditure until due	<u>1,936,372</u>	<u>1,936,372</u>
Total net assets with donor restrictions	\$ <u>2,267,926</u>	<u>2,643,770</u>

Net assets were released upon the following during the years ended December 31:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
CHORDS	\$ -	61,361
CHAS	243,996	1,051,084
Others	315,194	511,407
Core operations	<u>-</u>	<u>926,095</u>
Total net assets released	\$ <u>559,190</u>	<u>2,549,947</u>

(8) Retirement Plan

The Institute has a defined contribution plan that covers substantially all full-time employees who are at least twenty-one years old. Employer contributions were 7% of employee compensation for 2022 and 2021. Plan benefits vest 100% after three years of service. The Institute's contributions to the plan totaled \$205,556 and \$204,407 in 2022 and 2021, respectively.