

**Healthcare Financial  
Management Association**

**2015-2016**

# **Annual Report**



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## DEAR VALUED COLLEAGUES:

Our industry continues to be in the midst of a major transition, and healthcare finance leaders are at the epicenter. It's a situation that calls us all to go beyond our comfort zones and challenge the status quo to find new ways to lead our industry and our organizations through this time of change. As part of its mission to lead the financial management of health care, HFMA is working diligently to provide healthcare leaders with the tools and resources they need to be successful not only in today's environment but also in the years ahead.

During FY16, HFMA also demonstrated its willingness to go beyond by:

- Continuing our pursuit of the Triple Aim goals to reduce healthcare costs and improve population health and the patient experience
- Strengthening our collaboration with other key healthcare stakeholders, including physicians and health plans
- Expanding our advocacy of a more consumer-centered patient financial experience



Thank you to all of our HFMA leaders and members for taking on the challenge to go beyond. I am impressed by the innovation and creativity I've had the privilege to witness over the past year as I've traveled across the country visiting many HFMA chapters and regions. I can say with utmost confidence that HFMA and its members aren't just forging new boundaries—in many cases, we're leading the way.

Best regards,

A handwritten signature in black ink that reads "Melinda S. Hancock". The signature is fluid and cursive, with a large, stylized "M" at the beginning.

Melinda S. Hancock, FHFMA, CPA

2015-16 Chair, HFMA

# GO BEYOND

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## HFMA 2015-2016 BOARD OF DIRECTORS



HFMA is guided by the experience and vision of a dedicated Board of Directors.

The 2015-16 HFMA Board of Directors are:

**BACK ROW, LEFT TO RIGHT:**

Jonathan B. Gavras, MD, FCCP  
Tammie L. Galindez  
Edward G. Chadwick, MBA  
Carole T. Faig, CPA  
Michael J. Dewaterff, FHFMA, CPA, MBA  
Penny D. Cermak, FHFMA, CPA  
Martin Arrick, MBA, MPH

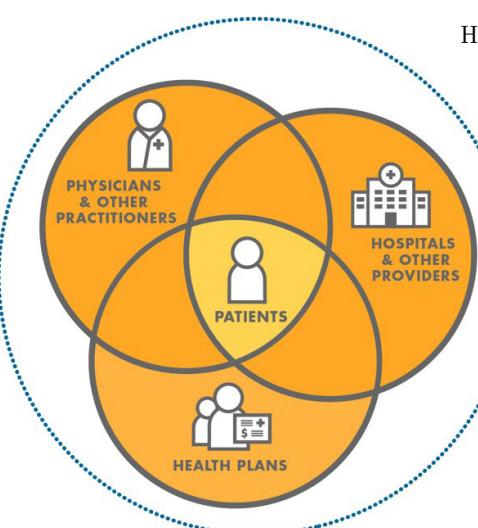
**FRONT ROW, LEFT TO RIGHT:**

Kevin F. Brennan, FHFMA, CPA  
Carol A. Friesen, FHFMA  
Melinda S. Hancock, FHFMA, CPA  
Mary Mirabelli, FHFMA  
Joseph J. Fifer, FHFMA, CPA

HFMA's status as the nation's premier membership organization for healthcare finance leaders was reflected in its membership count of 40,005 members in FY16, accompanied by a strong retention rate of 84 percent. During FY16, HFMA further demonstrated its commitment to lead the financial management of health care by continuing to reach out to, and collaborate with, other key industry stakeholders, introducing a wide variety of new events and resources designed to help healthcare leaders succeed in today's environment, and making our voice heard in the national dialogue on health care.

## CONTINUING OUTREACH TO OTHER HEALTHCARE STAKEHOLDERS

HFMA's strategic goal of promoting collaboration among the three key healthcare stakeholder groups—physicians, hospitals, and health plans—continued to be a major priority during FY16. Equally important was the organization's commitment to improving the patient financial experience.



### PHYSICIANS AND HEALTH PLANS

HFMA launched the *Physician Business Adviser*. This e-newsletter provides 40,000 physicians—chief medical officers, clinical department directors, and other physician leaders—with practical, insightful information to help them build departmental strategies, address key market trends, and better understand healthcare finance.

In addition, a content augmentation strategy was implemented to enhance HFMA's dedicated web pages for physicians and health plans with top news stories, lessons from the field, educational resources, and other helpful information.

### PATIENT FINANCIAL COMMUNICATIONS BEST PRACTICES® ADOPTER RECOGNITION PROGRAM

By the end of FY16, more than 150 hospitals and clinics had formally adopted HFMA's Patient Financial Communications Best Practices, signifying their commitment to creating a positive financial experience for patients. To achieve this recognition, the organizations attested that they had well-established processes in place to help patients understand their health insurance coverage as well as their out-of-pocket responsibility for services received. They also demonstrated that compassion, patient advocacy, and education were part of all financial discussions with patients. The Best Practices Adopter recognition program is part of HFMA's Healthcare Dollars & Sense® initiative, which is designed to help consumers make sense of prices and value in health care.

## BEST PRACTICES ADOPTERS

At the end of FY16, HFMA Patient Financial Communications Best Practices Adopters included 85 hospitals and 68 clinics associated with the following healthcare organizations:

Carolinas HealthCare, Charlotte, N.C.  
Duke University Health System, Durham, N.C.  
Essentia Health, Duluth, Minn.  
Geisinger Health System, Danville, Pa.  
Henry County Health Center, Mount Pleasant, Iowa  
Intermountain Healthcare, Salt Lake City, Utah

Maury Regional Medical Center, Columbia, Tenn.  
The Metro Health System of Cleveland, Cleveland, Ohio  
Novant Health, Winston-Salem, N.C.  
St. Luke's Health System, Kansas City, Mo.  
UAB Medicine, Birmingham, Ala.

## NEW OUTREACH FOCUS FOR THE BUSINESS OF HEALTH CARE

The *Business of Health Care* (Module 1 of the Certified Healthcare Financial Professional [CHFP] program) was built as a stand-alone program to educate financial, clinical, and other healthcare leaders about the financial side of health care and the shift to new payment models. In FY16, in addition to providing continuing professional education (CPE) for accounting professionals, HFMA received approval to offer continuing education credits to physicians (CME), nurses (CNE), pharmacists (CPE), and other clinicians (CE). This positions HFMA to promote the dissemination of knowledge about healthcare finance among a wide array of clinical and nonclinical groups, thereby helping to integrate clinical and financial decision-making and fostering interdisciplinary collaboration.

## POSITIONING HEALTHCARE LEADERS FOR SUCCESS

HFMA introduced or revamped a variety of new events and resources during FY16, including the Women's Leadership Initiative, certification programs, career strategies, and multimedia and digital programs.

### WOMEN'S LEADERSHIP INITIATIVE

HERe is a new HFMA initiative that aims to inspire and support women and men invested in the professional development of women leaders in the healthcare field. HFMA hosted the first national HERe conference Oct. 27-28, 2015, in Fort Lauderdale, Fla. Nearly 200 attended the successful event, coming together to be inspired, learn, and connect with colleagues across the industry. Other elements of the HERe initiative include a website, toolkit, and a monthly digital newsletter, which was launched in September 2015 to provide women leaders with ideas and insight to continuously develop their careers.

The logo for HERe, featuring the word "here." in a lowercase, rounded font. The letter "h" is red, while "ere." is in a lighter shade of red.



## CERTIFIED HEALTHCARE FINANCIAL PROFESSIONAL (CHFP) PROGRAM

The CHFP program was updated to:

- Align CHFP content with the contemporary healthcare business environment
- Incorporate HFMA's strategic vision on the nature of change in a value-based care environment
- Expand the reach of the CHFP designation within the HFMA membership
- Educate nonmembers and clinical professionals about healthcare finance concepts and terminology through the *Business of Health Care* program

As a result of this initiative, 435 individuals achieved CHFP certification in FY16, as compared with 205 in FY15.

## HFMA CAREER STRATEGIES

HFMA is committed to supporting ongoing professional development, training, and educational resources for individuals and organizations. In assuming increased career guidance and support roles, HFMA realigned its web-based career center in FY16 and expanded career support resources. Expanded resources include an active career planning guide, an "aligning for success" job screen series, a development guide for the finance function as a value-driving leadership team, a searchable job bank, and a forum for posting resumes. These new resources were created with an eye on their utility for adaptation and use by chapters. Career-focused educational sessions were also added to ANI programming, and a Career Center was offered in the exhibit hall.

## MULTIMEDIA AND DIGITAL PUBLICATIONS

HFMA continued its development of multimedia in FY16 and launched several new digital products to augment its media portfolio. In addition to *Physician Business Adviser*, these products include the *hfm Early Edition*—a member benefit and one of HFMA's most popular e-newsletters, which has showcased web-exclusive feature articles, blog posts, and a preview of select print content in its first full year of publication. Also introduced in FY16 was *Voices in Healthcare Finance*, a twice-monthly podcast featuring interviews from a wide variety of thought leaders about topics impacting healthcare finance professionals, physician leaders, and health plan executives. All episodes are available at [soundcloud.com/hfma](http://soundcloud.com/hfma).

## GUIDANCE ON HEALTHCARE ACCOUNTING AND FINANCIAL REPORTING

HFMA's Principles and Practices (P&P) Board publishes issue analyses to provide short-term practical assistance on emerging issues in healthcare. Two such analyses were published in FY16. The first, "Questions and Answers on the Affordable Care Act's Premium Stabilization Programs (The 3Rs)," was developed to provide some



clarity, as accounting for three premium stabilization programs—risk corridors, reinsurance, and risk adjustment (the 3Rs)—has been a challenge for health plans. This is due to the lack of historical data to project estimates on their financial statements. Questions addressed in the analysis consider the range of industry accounting guidance that has been published to assist with the recognition of a receivable or payable on the balance sheet and the impact of the uncertainty with the funding of the Risk Corridor program on accounting considerations.

The second issue analysis, “Risk Accounting: What Are the Issues and Trends in These Revenue Arrangements?” was developed to address providers’ accounting practices for recognizing revenue and expense, and accruing losses for risk contracts. In this emerging area, both the types of contracts and the applicable accounting guidance are changing rapidly. Developed by HFMA’s P&P Board, the analysis explores fee-for-service and capitated arrangements; revenue, expense, and loss recognition; stop-loss insurance; and financial reporting and disclosures.

## REGULATORY RESOURCES

HFMA created a new web page ([hfma.org/policy](http://hfma.org/policy)) that features a compendium of HFMA’s regulatory resources. Included on the site are fact sheets, comment letters to regulatory agencies, P&P Board guidance, healthcare payment reform documents, and other regulatory information.

## PEER REVIEW OF RETURN-ON-INVESTMENT (ROI) CALCULATORS

HFMA added evaluation and validation of ROI calculators designed for provider organizations to its Peer Review program, which provides healthcare financial managers with an objective, third-party evaluation of products and services used in the healthcare workplace. This validation process is led by a dedicated panel of senior financial leaders, analysts, and customers evaluating these tools using the established and rigorous 11-step Peer Review process. The panel’s thorough and objective assessment ensures each calculator’s metrics are clearly defined, complete, appropriate, and relevant. The panel also verifies that customers have achieved credible value as it relates to cost.

## PAYMENT INNOVATION SUMMIT

Together with the Health Care Incentives Improvement Institute and with support from Catalyst for Payment Reform, HFMA hosted the inaugural National Payment Innovation Summit on Feb. 10-12, 2016, in Memphis, Tenn. The event brought together representatives from hospitals and health systems, physician practices, and health plans to discuss topics such as evolving alternative payment models, episode-based initiatives, and Medicare’s proposed Comprehensive Care for Joint Replacement Program. In addition to 200 onsite attendees, the summit allowed for virtual attendance, enabling

Principles & Practices Board  
ISSUE ANALYSIS

Questions and Answers  
on the Affordable  
Care Act’s Premium  
Stabilization Programs  
(The 3 Rs)

SEPTEMBER 2015

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Principles and Practices Board  
ISSUE ANALYSIS

Risk Accounting:  
What are the issues and  
trends in these revenue  
arrangements?

JANUARY 2016

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individuals to view the live-streamed keynote sessions in real time and to access other sessions on demand after the conference ended.

## MAKING OUR VOICE HEARD

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An integral component of HFMA's mission to lead the financial management of health care is contributing a realistic, unbiased, and expert perspective to the policymaking process and the public dialogue on a wide range of healthcare issues. To that end, HFMA voiced concerns and recommended a number of changes to proposed regulations during FY16:

- ***Audit and Appeal Bill.*** HFMA submitted comments to the U.S. Senate Finance Committee regarding the "Chairman's Mark of the Audit and Appeal Fairness, Integrity, and Reforms in Medicare Act of 2015," commending the Committee's efforts to put forth solutions to the challenges faced by hospitals and beneficiaries from overlapping recovery audit programs, and suggesting improvements to the proposed legislation. (June 2015)
- ***Hospital Inpatient Prospective Payment System (IPPS) Rule.*** HFMA submitted a comment letter to the Centers for Medicare & Medicaid Services (CMS) expressing members' concerns regarding the proposed rule. (July 2015)
- ***Presentation of Financial Statements of Not-for-Profit Entities.*** HFMA's P&P Board commented on the Financial Accounting Standards Board's proposed Accounting Standards Update, *Not-for-Profit Entities (Topic 958) & Health Care Entities (Topic 954): Presentation of Financial Statements of Not-for-Profit Entities*. (August 2015)
- ***Hospital Outpatient Prospective Payment System (OPPS) Proposed Rule.*** HFMA commented on CMS's FY16 Medicare OPPS proposed rule, highlighting concerns and providing recommendations on key payment policy issues. (August 2015)
- ***Physician Fee Schedule Proposed Rule.*** HFMA submitted a comment letter to CMS regarding the proposed rule that would revise payment policies under the Medicare Physician Fee Schedule and make other policy changes related to Medicare Part B payment. (September 2015)
- ***CMS Comprehensive Care for Joint Replacement (CCJR) Payment Model Proposed Rule.*** HFMA submitted a comment letter to CMS outlining concerns regarding the proposed rule for the CCJR Payment Model for Acute Care Hospitals Furnishing Lower Extremity Joint Replacement Services. (September 2015)
- ***Proposed Blending Requirements for Component Units.*** HFMA's P&P Board commented on the Governmental Accounting Standards Board's (GASB's) exposure draft of the proposed statement and suggested revisions to be included in the final document. (October 2015)

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- **Drug Pricing Program Omnibus Guidance.** HFMA submitted a comment letter to the Health Resources Services Administration regarding the 340B Drug Pricing Program Omnibus Guidance, expressing significant concerns regarding proposed changes to the program. (October 2015)
- **CMS Discharge Planning Proposed Rule.** HFMA submitted comments on CMS's proposed rule on "Medicare and Medicaid Programs: Revisions to Requirements for Discharge Planning for Hospitals, Critical Access Hospitals, and Home Health Agencies," suggesting revisions based on members' experience with improving discharge planning and patient communications. (January 2016)
- **IPPS 0.2 Percent Reduction.** HFMA submitted comments to CMS outlining why members believed the rule to reduce payments to hospitals under the IPPS by 0.2 percent was unjustified. (February 2016)
- **Medicare Shared Savings Program (MSSP) Benchmarking Rule.** HFMA submitted a comment letter to CMS regarding proposed changes to the MSSP benchmarking and trending methodologies. (March 2016)
- **Part B Drug Payment Model Proposed Rule.** HFMA commented on CMS's "Medicare Program; Part B Drug Payment Model; Proposed Rule," expressing significant concerns regarding proposed changes in payment methodology for separately payable Part B drugs. (May 2016)
- **GASB's Proposed Statement on Leases.** HFMA's P&P Board commented on the proposed statement, detailing important points to be considered regarding impact on the healthcare sector. (May 2016)

## INSPIRING AT ANI



*Mary Mirabelli urges ANI attendees to "play the 'thrive' card."*

At ANI: The 2016 HFMA National Institute, HFMA's 2016-17 Chair, Mary Mirabelli, FHFMA, shared her personal experience as a patient and encouraged attendees to look at challenges as opportunities.

Mirabelli, vice president of global healthcare practice for Hewlett Packard Enterprise, said she chose to share her story because it was not about surviving, but about choosing to thrive. She explained that her personal mission for the coming year was to encourage HFMA members to do the same. Acknowledging that the healthcare industry faces a wide-ranging set of challenges, she encouraged the audience to consider their previous experiences with change.

"We've tackled new processes, new jobs, new roles, new systems, and new technologies," said Mirabelli. "The number of changes we've managed is endless. The important thing is that, in the process of dealing with all these changes, we've acquired new learning and a deeper understanding. And every time we had a choice, even if it may not have felt like we did. Each and every time, we made the choice to thrive."

Mirabelli closed by challenging the audience to make the choice to thrive in their professional and personal lives. "Whatever the hand is that you are dealt, don't play the victim card," she said. "Play the 'thrive' card."

During the closing general session at the 2016 ANI, HFMA President and CEO Joseph J. Fifer, FHFMA, CPA, moderated a lively panel discussion on



*From the Left: HFMA President and CEO Joe Fifer discusses innovation with panelists Nina Nashif, Wei-Nchih Lee, and Glenn Steele.*

innovation. Joining Fifer were Nina Nashif, founder and CEO of Healthbox, a global initiative to change the way large companies work with entrepreneurs to co-create the future of health care; Wei-Nchih Lee, MD, MPH, PhD, an internal medicine physician and senior research scientist at Hewlett Packard Enterprise Labs; and Glenn Steele, MD, PhD, chairman of xG Health Solutions, an independently operated venture launched by Geisinger Health System to help healthcare organizations create value and improve quality. The panel discussed a variety of topics, ranging from the definition of innovation to the various roles that all kinds of healthcare organizations can play in promoting the innovation needed to deliver high-value health care in today's environment.

Cardiologist and digital medicine researcher Eric Topol, MD, director of the Scripps Translational Science Institute, linked what he calls the democratization of health care with advances in technology. "Medicine is still stuck... somewhere around 1960 because we have not really used the digital infrastructure," Topol said. Citing smartphone ownership statistics, he predicted that medical devices such as stethoscopes, blood pressure cuffs, and Holter monitors will be phased out as smartphone capabilities continue to expand. He told attendees that the shifting balance of power between patients and physicians represents "the greatest inversion in the history of medicine."

Rounding out the keynote speaker line-up was Julie Williamson, author and chief growth enabler for Karrikins Group, who talked about thriving amid disruption.

## RECOGNIZING EXCELLENCE

HFMA recognized industry and professional leadership and insight with a number of awards this year.

### FREDERICK C. MORGAN INDIVIDUAL ACHIEVEMENT AWARD

This year's Frederick C. Morgan Individual Achievement Award—HFMA's highest individual honor—was presented to Richard D. "Dick" Schrock, FHFMA, CPA. He is the 58th recipient of the award, which honors career-long contributions to HFMA and to the healthcare finance profession.

Schrock began his career as a senior auditor with Coopers and Lybrand. He subsequently served as CFO at several hospitals and health systems in Ohio, Virginia, and North Dakota before accepting a position in 1990 at The Ohio State University Wexner Medical Center and Health System, where he worked until retiring as CFO and treasurer in 2008.



Eric Topol



Julie Williamson



Richard Schrock with HFMA 2016-17 Chair-Elect  
Carol Friesen

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Since joining HFMA in 1970, Schrock has served HFMA in many roles, including president of the Central Ohio Chapter in 1974-75, president of the Virginia Chapter in 1984-85, and a board member of the North Dakota Chapter from 1987-89. At the national level, Schrock is a recipient of the Follmer Bronze, Reeves Silver, and Muncie Gold awards. He was also awarded the Founder's Medal of Honor. In nominating him for this award, 2009-10 Central Ohio Chapter president Kenneth Stoll noted that Dick's "passion for teaching and facilitation, along with his dedication to his profession, has been nearly a 45-year blessing to HFMA and its membership."

## CHAPTER AWARDS

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### **ROBERT M. SHELTON AWARD FOR SUSTAINED CHAPTER EXCELLENCE**

HFMA awarded its highest chapter honor—the Robert M. Shelton Award, which recognizes five continuous years of sustained excellence—to the Rochester Regional Chapter.

Over the past five years, the Rochester Regional Chapter has provided exemplary service, sustaining high performance levels not only in education but also in overall member satisfaction. During this time, the chapter has earned a total of 10 awards in education, certification, and membership as well as three Henry C. Hottum Awards for educational performance improvement. The chapter also has maintained an average of 19.3 education hours per member for the past five years and an average of 17.4 percent of its members are certified. In addition, the chapter earned a total of 20 Yerger awards for outstanding chapter performance—both single and multiple entries—over the five-year period.



*Mary Mirabelli congratulates the Rochester Regional Chapter president and past presidents on receiving the 2016 Shelton Award: [left to right] Mirabelli, Geoffrey Bernhardt, Alicia Dockrell, Paula Tinch, and Christopher Harris.*

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### **C. Henry Hottum Awards for Educational Performance Improvement**

<i>Alabama Chapter</i>	<i>Montana Chapter</i>
<i>Arizona Chapter</i>	<i>New Mexico Chapter</i>
<i>Central New York Chapter</i>	<i>Northeast Ohio Chapter</i>
<i>Central Pennsylvania Chapter</i>	<i>Northern California Chapter</i>
<i>Colorado Chapter</i>	<i>Northwest Ohio Chapter</i>
<i>Connecticut Chapter</i>	<i>Oregon Chapter</i>
<i>First Illinois Chapter</i>	<i>Puerto Rico Chapter</i>
<i>Florida Chapter</i>	<i>San Diego-Imperial Chapter</i>
<i>Great Lakes Chapter</i>	<i>Tennessee Chapter</i>
<i>Greater St. Louis Chapter</i>	<i>Texas Gulf Coast Chapter</i>
<i>Idaho Chapter</i>	<i>Washington-Alaska Chapter</i>
<i>Iowa Chapter</i>	<i>West Virginia Chapter</i>
<i>Louisiana Chapter</i>	<i>Western Michigan Chapter</i>
<i>Maine Chapter</i>	<i>Western New York Chapter</i>
<i>McMahon-Illini Chapter</i>	<i>Wisconsin Chapter</i>
<i>Metropolitan Philadelphia Chapter</i>	<i>Wyoming Chapter</i>
<i>Mississippi Chapter</i>	

### **Awards of Excellence for Education**

#### **Platinum Awards of Excellence for Education**

*Alabama Chapter*  
*Iowa Chapter*  
*Montana Chapter*  
*Puerto Rico Chapter*

#### **Charles F. Mehler Gold Awards of Excellence for Education**

*Arkansas Chapter*  
*Central New York Chapter*  
*Central Pennsylvania Chapter*  
*Eastern Michigan Chapter*  
*Georgia Chapter*  
*Greater St. Louis Chapter*  
*Hudson Valley NY Chapter*  
*Mississippi Chapter*  
*Nebraska Chapter*  
*Nevada Chapter*  
*Rochester Regional Chapter*  
*South Dakota Chapter*  
*Sunflower (Kansas) Chapter*  
*Tennessee Chapter*  
*West Virginia Chapter*  
*Western New York Chapter*  
*Wyoming Chapter*

#### **John M. Stagl Silver Awards of Excellence for Education**

*Arizona Chapter*  
*Colorado Chapter*  
*Florida Chapter*  
*Kentucky Chapter*  
*Louisiana Chapter*  
*New Mexico Chapter*  
*North Dakota Chapter*  
*Northeast Ohio Chapter*  
*Oregon Chapter*  
*San Diego-Imperial Chapter*  
*South Texas Chapter*  
*Washington-Alaska Chapter*  
*Western Pennsylvania Chapter*

#### **Sister Mary Gerald Bronze Awards of Excellence for Education**

*Central Ohio Chapter*  
*Idaho Chapter*  
*Indiana Pressler Memorial Chapter*  
*Maine Chapter*  
*Maryland Chapter*  
*Metropolitan New York Chapter*  
*New Jersey Chapter*  
*North Carolina Chapter*  
*Northeastern New York Chapter*

*Northern California Chapter  
Northwest Ohio Chapter  
Oklahoma Chapter  
Show-Me of Missouri Chapter*

*South Carolina Chapter  
Southern Illinois Chapter  
Virginia-Washington DC Chapter  
Western Michigan Chapter*

### **Awards of Excellence for Membership Growth and Retention**

#### **Platinum Awards**

*Central Ohio Chapter  
Iowa Chapter  
Nevada Chapter  
New Mexico Chapter  
North Dakota Chapter  
Northeastern Pennsylvania Chapter  
San Diego-Imperial Chapter  
Southwestern Ohio Chapter  
Virginia-Washington DC Chapter*

#### **Bronze Awards**

*Alabama Chapter  
Arizona Chapter  
Central New York Chapter  
Colorado Chapter  
First Illinois Chapter  
Florida Chapter  
Greater St. Louis Chapter  
Hudson Valley NY Chapter  
Kentucky Chapter  
Lone Star Chapter  
Maryland Chapter  
Metropolitan Philadelphia Chapter  
Montana Chapter  
Nebraska Chapter  
North Carolina Chapter  
Northeastern New York Chapter  
Rochester Regional Chapter  
South Dakota Chapter  
South Texas Chapter  
Southern California Chapter  
Southern Illinois Chapter*

#### **Gold Awards**

*Eastern Michigan Chapter  
Great Lakes Chapter  
Maine Chapter  
Puerto Rico Chapter  
Show-Me of Missouri Chapter  
West Virginia Chapter  
Western New York Chapter*

#### **Silver Awards**

*Heart of America Chapter  
Idaho Chapter  
Oregon Chapter  
Wisconsin Chapter*

### **Awards of Excellence for Certification**

#### **Gold Awards**

*Central Pennsylvania Chapter  
Iowa Chapter  
Maine Chapter  
Nebraska Chapter  
New Hampshire-Vermont Chapter  
Oregon Chapter  
Rochester Regional Chapter  
South Carolina Chapter  
Western Pennsylvania Chapter*

#### **Silver Awards**

*Alabama Chapter  
Arkansas Chapter  
Eastern Michigan Chapter  
Great Lakes Chapter  
Greater St. Louis Chapter  
Mississippi Chapter  
North Carolina Chapter  
Oklahoma Chapter  
South Texas Chapter  
Virginia-Washington DC Chapter  
Western New York Chapter  
Wyoming Chapter*

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### Bronze Awards

*Colorado Chapter*  
*First Illinois Chapter*  
*Florida Chapter*  
*Georgia Chapter*  
*Hudson Valley NY Chapter*  
*Idaho Chapter*  
*Indiana Pressler Memorial Chapter*  
*Kentucky Chapter*  
*Louisiana Chapter*  
*Maryland Chapter*  
*McMahon-Illini Chapter*  
*Nevada Chapter*  
*New Mexico Chapter*  
*North Dakota Chapter*  
*Northeastern Pennsylvania Chapter*  
*San Diego-Imperial Chapter*  
*Show-Me of Missouri Chapter*  
*South Dakota Chapter*  
*Southern Illinois Chapter*  
*Southwestern Ohio Chapter*  
*Sunflower (Kansas) Chapter*  
*Tennessee Chapter*  
*Washington-Alaska Chapter*  
*Wisconsin Chapter*

### Awards of Excellence for Improved Chapter Performance

*Idaho Chapter*  
*Mississippi Chapter*  
*New Mexico Chapter*  
*Southwestern Ohio Chapter*

### Helen M. Yerger Special Recognition Awards

#### Multichapter Recipients

Connecticut Chapter, Maine Chapter, Massachusetts-Rhode Island Chapter, and New Hampshire-Vermont Chapter: *HFMA Region 1 Conference*  
Central New York Chapter, Hudson Valley NY Chapter, Metropolitan New York Chapter, Northeastern New York Chapter, Puerto Rico Chapter, Rochester Regional Chapter, and Western New York Chapter: *Annual Region 2 Institute*  
Central New York Chapter, Hudson Valley NY Chapter, Metropolitan New York Chapter, Northeastern New York Chapter, Puerto Rico Chapter, Rochester Regional Chapter, and Western New York Chapter: *Certification Review Session at the Region 2 Fall Conference*  
Central New York Chapter, Hudson Valley NY Chapter, Metropolitan New York Chapter, Northeastern New York Chapter, Puerto Rico Chapter, Rochester Regional Chapter, and Western New York Chapter: *Region 2 Webinar Committee*  
Metropolitan Philadelphia Chapter and New Jersey Chapter: *Utilizing LinkedIn and Email Blasts to Increase Sponsorship and Registration Revenues*  
Alabama Chapter, Florida Chapter, Georgia Chapter, South Carolina Chapter, and Tennessee Chapter: *2016 Dixie Institute*  
Alabama Chapter, Florida Chapter, Georgia Chapter, South Carolina Chapter, and Tennessee Chapter: *Region 5 Event Calendar*  
Alabama Chapter, Florida Chapter, Georgia Chapter, South Carolina Chapter, and Tennessee Chapter: *2015 Dixie Conference—“Destination Charleston: Sometimes It’s the Journey, Sometimes It Really Is the Destination”*  
Central Ohio Chapter, Eastern Michigan Chapter, Great Lakes Chapter, Northeast Ohio Chapter, Northwest Ohio Chapter, Southwestern Ohio Chapter, and Western Michigan Chapter: *Regional Webinar Series for 2016 Chapter Year*  
Great Lakes Chapter, Western Michigan Chapter, and Eastern Michigan Chapter: *Michigan 62nd Annual Fall Conference*  
Eastern Michigan Chapter, Great Lakes Chapter, and Western Michigan Chapter: *2015 Michigan HFMA Spring Conference*  
Arkansas Chapter, Lone Star Chapter, Louisiana Chapter, Mississippi Chapter, Oklahoma Chapter, South Texas Chapter, and Texas Gulf Coast Chapter: *Collaborating with sponsors to improve Region 9 Conference attendance at networking event*  
San Diego-Imperial Chapter and Southern California Chapter: *Southern California and San Diego-Imperial Chapters 2015 Fall Conference*  
Hawaii Chapter, Nevada Chapter, Northern California Chapter, Oregon Chapter, San Diego-Imperial Chapter, Southern California Chapter, and Washington-Alaska Chapter: *Region 11 Lunch and Learn Webinars*  
Hawaii Chapter, Nevada Chapter, Northern California Chapter, Oregon Chapter, San Diego-Imperial Chapter, Southern California Chapter, and Washington-Alaska Chapter: *18th Annual Region 11 Symposium*  
Oregon Chapter and Washington-Alaska Chapter: *The Power of TWO—Joint Oregon and WA/AK Conference*  
Oregon Chapter and Washington-Alaska Chapter: *First Annual Women’s Leadership Luncheon*

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Central New York Chapter, Hudson Valley NY Chapter,  
Metropolitan New York Chapter, Metropolitan  
Philadelphia Chapter, New Jersey Chapter,  
Northeastern New York Chapter, Puerto Rico Chapter,  
Rochester Regional Chapter, and Western New York  
Chapter: *Creation of a Study Group to Assist Members  
Desiring to Take the New HFMA Certification Exam*  
Central Ohio Chapter, Indiana Pressler Memorial  
Chapter, Kentucky Chapter, and Southwestern Ohio  
Chapter: *2015 Tri-State Conference Receives a Makeover*  
Colorado Chapter, First Illinois Chapter, Georgia  
Chapter, Iowa Chapter, and Wisconsin Chapter:  
*Chapter Mobile App*

**Individual Chapter Recipients**

*Alabama Chapter (4)*  
*Arizona Chapter (3)*  
*Arkansas Chapter (2)*  
*Central Ohio Chapter (4)*  
*Colorado Chapter (3)*  
*Connecticut Chapter (1)*  
*Eastern Michigan Chapter (2)*  
*First Illinois Chapter (4)*  
*Florida Chapter (1)*  
*Georgia Chapter (4)*  
*Greater St. Louis Chapter (1)*  
*Heart of America Chapter (2)*  
*Hudson Valley NY Chapter (4)*  
*Iowa Chapter (4)*  
*Kentucky Chapter (4)*  
*Maine Chapter (1)*  
*Maryland Chapter (1)*  
*Massachusetts-Rhode Island Chapter (2)*  
*McMahon-Illini Chapter (2)*

*Metropolitan New York Chapter (3)*  
*Metropolitan Philadelphia Chapter (3)*  
*Montana Chapter (1)*  
*Nebraska Chapter (3)*  
*Nevada Chapter (4)*  
*New Jersey Chapter (4)*  
*North Carolina Chapter (2)*  
*Northeast Ohio Chapter (2)*  
*Northeastern Pennsylvania Chapter (1)*  
*Northern California Chapter (4)*  
*Oklahoma Chapter (1)*  
*Oregon Chapter (3)*  
*Puerto Rico Chapter (1)*  
*Rochester Regional Chapter (1)*  
*Show-Me of Missouri Chapter (1)*  
*South Carolina Chapter (4)*  
*South Dakota Chapter (1)*  
*South Texas Chapter (1)*  
*Southern California Chapter (4)*  
*Southern Illinois Chapter (2)*  
*Tennessee Chapter (4)*  
*Texas Gulf Coast Chapter (3)*  
*Virginia-Washington DC Chapter (4)*  
*Washington-Alaska Chapter (1)*  
*Western Michigan Chapter (2)*  
*Western New York Chapter (1)*  
*Wisconsin Chapter (2)*



**hfma**<sup>™</sup>

healthcare financial management association

The management of Healthcare Financial Management Association (HFMA) is responsible for the integrity and objectivity of the financial statements of HFMA and all of its affiliates. The annual financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and include amounts that are based on our best judgments with due consideration given to materiality.

Management is responsible for establishing and maintaining a system of internal controls over financial reporting and safeguarding assets against unauthorized acquisition, use, or disposition. This system is designed to provide reasonable assurance as to the integrity and reliability of financial reporting and safeguarding of assets. The concept of reasonable assurance is based on the recognition that there are inherent limitations in all systems of internal controls, and that the cost of such systems should not exceed the benefits to be derived from them.

Management believes that the foundation of an appropriate system of internal controls is a strong ethical company culture and climate. It has always been the policy and practice of HFMA to conduct its affairs in a highly ethical manner. This responsibility is characterized and reflected in HFMA's Code of Ethics that is distributed throughout HFMA and its affiliates.

The Audit and Finance Committee of the Board of Directors, which is composed of seven directors, six of whom are independent directors who are not employees, meets periodically with management and the independent auditors to review the manner in which these groups are performing their responsibilities and to carry out the Audit and Finance Committee's oversight role with respect to auditing, internal controls, and financial reporting matters. The independent auditors periodically meet privately with the Audit and Finance Committee and have access to its individual members.

HFMA engaged RSM US LLP, independent auditors, to audit its financial statements in accordance with auditing standards generally accepted in the United States of America. Their report follows.

Joseph J. Fifer, FHFMA, CPA  
President and CEO

Edwin P. Czopek, FHFMA, CPA, CAE, CGMA  
Executive Vice President and CFO

Three Westbrook Corporate Center, Suite 600  
Westchester, Illinois 60154-5732  
tel 708.531.9600 • fax 708.531.0032  
web: [hfma.org](http://hfma.org)

**Consolidated Statements of Financial Position**

Years Ended May 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 14,841,077	\$ 16,521,674
Accounts receivable, less allowances for doubtful accounts of \$709,945 in 2016; \$593,363 in 2015	3,311,828	1,737,419
Convention and meeting deposits	1,282,177	1,024,753
Prepaid expenses and other	309,719	757,694
<b>Total current assets</b>	<b>19,744,801</b>	<b>20,041,540</b>
Investments	28,173,679	29,016,601
Investments held for deferred compensation	931,483	443,377
Fixed assets, net	1,204,416	864,568
Chapter-restricted funds	71,958	72,007
<b>Total assets</b>	<b>\$ 50,126,337</b>	<b>\$ 50,438,093</b>
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,368,448	\$ 4,728,650
Deferred membership dues, net of related chapter rebates of \$622,746 in 2016; \$596,265 in 2015	6,107,504	5,914,809
Deferred registration, subscription and other revenue	11,295,169	11,906,738
<b>Total current liabilities</b>	<b>21,771,121</b>	<b>22,550,197</b>
Deferred lease obligation	583,690	617,244
Deferred compensation liability	931,483	443,377
<b>Total liabilities</b>	<b>23,286,294</b>	<b>23,610,818</b>
Unrestricted net assets	26,840,043	26,827,275
<b>Total liabilities and unrestricted net assets</b>	<b>\$ 50,126,337</b>	<b>\$ 50,438,093</b>

See Notes to Consolidated Financial Statements.

**Consolidated Statements of Activities**

Years Ended May 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>REVENUE:</b>		
Membership dues	\$ 8,222,301	\$ 7,978,106
<i>hfm</i> magazine	5,271,168	6,121,323
ANI registration, exhibits and fees	4,892,331	4,842,529
Sponsorship	3,609,273	3,693,917
Benchmarking and metrics	3,082,061	3,001,201
Royalties	1,450,307	1,512,670
Education	1,450,710	1,030,940
Certification	1,089,609	817,658
Forums	661,318	533,022
Other products and services	360,733	478,512
Newsletters	430,802	416,922
Training	365,182	369,922
Miscellaneous	106,471	134,641
<b>Total revenue</b>	<b>\$ 30,992,266</b>	<b>\$ 30,931,363</b>
<b>EXPENSES:</b>		
Personnel	14,817,957	15,544,743
Professional services	2,697,422	2,345,926
Meal functions	1,759,010	2,041,268
Marketing	1,756,474	1,781,277
Travel	1,723,661	1,627,223
Printing	1,117,735	1,222,361
Commissions	953,310	1,089,975
Equipment	1,023,114	912,535
Administrative	927,805	776,395
Occupancy	686,443	676,096
Taxes	529,600	657,189
Postage	346,237	439,960
Speaker honoraria	257,250	380,400
Depreciation and amortization	272,588	320,142
Telephone and internet	285,164	239,078
Other	944,439	793,500
<b>Total expenses</b>	<b>30,098,209</b>	<b>30,848,068</b>
<b>Operating income</b>	<b>894,057</b>	<b>83,295</b>
Net investment (loss) income	(881,289)	1,524,892
<b>Change in net assets</b>	<b>12,768</b>	<b>1,608,187</b>
Unrestricted net assets, beginning of year	26,827,275	25,219,088
Unrestricted net assets, end of year	<b>\$ 26,840,043</b>	<b>\$ 26,827,275</b>

See Notes to Consolidated Financial Statements.

**Consolidated Statements of Cash Flows**

Years Ended May 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 12,768	\$ 1,608,187
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	272,588	320,142
Decrease in deferred lease obligation	(33,554)	(16,449)
Realized losses on sales of investments	--	69,552
Change in unrealized losses (gains) on investments	1,643,618	(853,335)
Changes in assets and liabilities:		
Accounts receivable	(1,574,409)	652,164
Convention and meeting deposits	(257,424)	635,374
Prepaid expenses and other	447,975	(387,595)
Chapter-restricted funds	49	37
Accounts payable and accrued expenses	(360,202)	(1,959,510)
Deferred dues and revenue	(418,874)	(138,634)
Deferred compensation liability	480,944	29,464
<b>Net cash provided by (used in) operating activities</b>	<b>213,479</b>	<b>(40,603)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(612,436)	(198,166)
Proceeds from sale of investments	--	11,278,070
Purchase of investments	(800,696)	(12,053,766)
Proceeds from sale of investments held for deferred compensation	26,000	31,200
Purchase of investments held for deferred compensation	(506,944)	(110,151)
<b>Net cash used in investing activities</b>	<b>(1,894,076)</b>	<b>(1,052,813)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,680,597)</b>	<b>(1,093,416)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>Beginning</b>	<b>16,521,674</b>	<b>17,615,090</b>
<b>Ending</b>	<b>\$ 14,841,077</b>	<b>\$ 16,521,674</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid for taxes	\$ 675,234	\$ 2,457,836

See Notes to Consolidated Financial Statements.

### **Note 1. Nature of Organization and Significant Accounting Policies**

Healthcare Financial Management Association (HFMA) is an association of healthcare financial management professionals with approximately 40,000 members. HFMA's operations include membership activities, publications, meetings, conventions and benchmarking and metrics. Operating support is derived primarily from membership dues, publications, meetings and benchmarking and metrics. HFMA is affiliated with Healthcare Financial Management Association Educational Foundation (the Foundation), a not-for-profit entity, through common membership of their respective Boards of Directors and shared senior management. The Foundation provides cost-effective and accessible ways for healthcare financial management professionals to increase their professional knowledge through education programs. Support for the Foundation is derived primarily from the Annual National Institute (ANI) Convention, educational revenue other than ANI revenue and investment income. HFMA Learning Solutions, Inc. (LSI), a wholly owned subsidiary of HFMA, is a for-profit corporation, which provides information on healthcare issues.

A summary of significant accounting policies follows.

**Basis of presentation:** The consolidated financial statements have been prepared in conformity with accounting principles applicable to nonprofit organizations.

**Principles of consolidation:** The consolidated financial statements include the accounts and operations of HFMA, the Foundation, and LSI (collectively, the Association). Intercompany accounts and transactions are eliminated in consolidation.

**Accounting policies:** The Association follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition, results of activities and cash flows. References to generally accepted accounting principles in these disclosures are to the *FASB Accounting Standards Codification*, sometimes referred to as the Codification or ASC.

**Use of estimates:** The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Estimates significant to the consolidated financial statements include the allowance for doubtful accounts and the fair value of investments.

**Cash and cash equivalents:** Cash equivalents include highly liquid investments with an original maturity of three months or less when purchased. The Association maintains its cash balances in bank and money market accounts which may exceed federally insured limits from time-to-time. The Association has not experienced any losses in such accounts and management believes the Association is not exposed to any significant credit risk related to cash.

**Accounts receivable:** Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received.

**Investments:** Investments held by the Association are stated at fair value based on quoted market prices. Interest and dividends, as well as realized and unrealized gains and losses on investments, are included in the consolidated statements of activities.

**Fixed assets:** Fixed assets are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable furniture and equipment.

Amortization of leasehold improvements is computed using the straight-line method over the shorter of the estimated useful life of the improvement or the term of the lease.

Software development costs incurred subsequent to the determination of technological feasibility and marketability of a software product are capitalized. Capitalization of costs ceases and amortization of capitalized software development costs commences when the products are available for general release. Capitalized software costs are amortized on a straight-line basis over a three-year useful life.

Expenditures for maintenance and repairs are charged directly to expense; renewals and betterments which significantly extend the useful lives are capitalized. Costs and accumulated depreciation and amortization on assets retired or disposed of are removed from the accounts and the resulting gain or loss, if any, is reflected in the consolidated statements of activities.

**Revenue:** Membership dues and related rebates to chapters are recognized ratably over the fiscal year to which they apply. Publication revenue is recognized as revenue when publications are shipped. Fees for educational programs are recognized as revenue when the programs are conducted. ANI convention fees are recognized as revenue when the related convention is conducted. Sponsorship and benchmarking and metrics revenues are recognized in accordance with the related contract. Funds received in advance of services provided or events held are deferred.

**Chapter-restricted funds:** Chapter-restricted funds represent amounts held by the Foundation designated to be used for certain local HFMA chapters. Interest income on these funds amounted to \$76 and \$93 for the years ended May 31, 2016 and 2015, respectively.

**Income taxes:** HFMA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, and the Foundation is exempt under Section 501(c)(3) of the Internal Revenue Code. HFMA is subject to taxes on unrelated business income, which is generally HFMA's advertising revenue. HFMA had approximately \$5,217,000 and \$6,039,000 in gross advertising revenue for the years ended May 31, 2016 and 2015, respectively. Income tax expense associated with unrelated business income is reflected as a separate line on the consolidated statements of activities.

LSI has a net operating loss (NOL) carryforward of approximately \$2,536,000 at May 31, 2016. The NOL will begin to expire in 2020 if not previously utilized. No deferred tax asset has been recognized, as management has established a full valuation allowance at May 31, 2016.

The Association follows the provisions of the Accounting for Uncertainty in Income Taxes section of the Income Taxes Topic of the Codification, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of unrelated business income (UBI). The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. This guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

As of May 31, 2016 and 2015, the Association has no liability for unrecognized tax benefits.

HFMA and the Foundation file Forms 990 in the U.S. federal jurisdiction and the Foundation does so in the State of Illinois. With few exceptions, HFMA and the Foundation are no longer subject to examination by the Internal Revenue Service for fiscal years ended before May 31, 2013.

LSI files a tax return in all appropriate jurisdictions, which includes a federal and an Illinois tax return. LSI is no longer subject to U.S. federal or state income tax examinations by tax authorities for fiscal years ended before May 31, 2013.

**Marketing costs:** HFMA expenses the production costs of marketing the general benefits of belonging to HFMA, or purchasing products other than educational events, the first time it takes place. Marketing expenses incurred to promote attendance at specific educational events, which include program content and registration materials, are considered direct-response marketing and are deferred until the date that the educational events take place. As of May 31, 2016 and 2015, deferred marketing expenses totaled approximately \$246,000 and \$268,000, respectively, and are included in convention and meeting deposits on the consolidated statements of financial position.

**Pending accounting pronouncements:** In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU provides a robust framework for addressing revenue recognition issues and, upon its effective date, will replace almost all existing revenue recognition guidance. The Association is assessing the impact on its consolidated financial statements of implementing the ASU, which it will be required to adopt for its fiscal year ending May 31, 2020.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*. This ASU eliminates the requirement to disclose investments in the fair value hierarchy if their fair value is measured at net asset value (NAV) per share (or its equivalent). The ASU is effective for the Association for its fiscal year ending May 31, 2018. Early adoption is permitted. The Association will not early adopt this standard, but has assessed that implementation will not have a significant impact on the disclosures within its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Association for its fiscal year ending May 31, 2021. The Association is currently evaluating the impact on its consolidated financial statements of implementing the ASU.

**Subsequent events:** HFMA has evaluated subsequent events for potential recognition and/or disclosure through July 11, 2016, the date these consolidated financial statements were available to be issued.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Note 2. Investments

The composition of investment assets held by the Association is summarized as follows at May 31, 2016 and 2015:

	2016		2015	
	Fair Value	Cost	Fair Value	Cost
Equity mutual funds:				
International equity funds	\$ 6,065,01	\$ 6,851,035	\$ 6,930,516	\$ 6,708,167
Large-cap equity funds	8,120,770	5,117,651	7,985,573	4,953,158
Small-cap equity funds	2,662,122	2,642,245	2,734,536	2,483,656
Fixed income mutual funds	8,675,384	8,854,459	8,521,569	8,578,007
Convertible securities mutual funds	910,707	812,458	979,205	785,860
Absolute return funds	1,739,685	1,879,573	1,865,202	1,847,877
	<b>\$ 28,173,679</b>	<b>\$ 26,157,421</b>	<b>\$ 29,016,601</b>	<b>\$ 25,356,725</b>

Net investment income is summarized as follows for the years ended May 31, 2016 and 2015:

	2016	2015
Dividend and interest income, less fees of \$46,728 in 2016; \$46,520 in 2015	\$ 762,329	\$ 741,109
Net realized losses on sales of investments	--	(69,552)
Change in net unrealized investment (losses) gains	(1,643,618)	853,335
<b>Net investment (loss) income</b>	<b>\$ (881,289)</b>	<b>\$ 1,524,892</b>

The Association invests in equity, fixed income, convertible securities and absolute return funds. These investments are exposed to various risks, such as interest rate, market and credit risks. Because of these risks, it is possible that changes in the fair value of investments may occur and that such changes could materially affect the Association's consolidated financial statements.

### Note 3. Investments Held for Deferred Compensation

At May 31, 2016 and 2015, investments held for deferred compensation consist of the following:

	2016	2015
Equity mutual funds	\$ 336,815	\$ 124,170
Fixed income mutual funds	594,436	318,538
Money market funds	232	669
	<b>\$ 931,483</b>	<b>\$ 443,377</b>

The Association maintains multiple deferred compensation plans, all established under IRC Section 457, for certain key employees, which provide that a certain percentage of the key employees' salary be accrued for the benefit of the participants. The Association recorded expense of \$269,065 and \$306,614 for the years ended May 31, 2016 and 2015, respectively, for contributions to the plans on behalf of the employees.

### Note 4. Fair Value Disclosures

#### Fair Value Measurements

The Fair Value Measurements Topic of the Codification defines fair value 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 and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Topic are described below:

- Level 1:* Quoted market prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities.
- Level 2:* Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3:* Unobservable inputs that are not corroborated by market data.

For the years ended May 31, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent. In determining the appropriate levels, the Association performs a detailed analysis of the assets and liabilities that are subject to the Topic. The Association's investments are the only assets or liabilities that are measured at fair value on a recurring basis.

The Association assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. For the years ended May 31, 2016 and 2015, there were no such transfers.

**Fair Value - Association Investments**

The Association's investments, as described in Note 2, are traded on national securities exchanges and are stated at the last reported sales price on the day of valuation and are, therefore, categorized as Level 1 in the fair value hierarchy.

**Fair Value - Investments Held for Deferred Compensation**

The investments held for deferred compensation, as described in Note 3, are valued as follows:

Investments in the money market funds are traded on national securities exchanges and are stated at the last reported sales price on the day of valuation.

Investments in the equity and fixed income mutual funds reflected as Level 1 are funds which are traded on national securities exchanges and are stated at the last reported sales price on the day of valuation.

Investments in the equity and fixed income mutual funds reflected as Level 2 are funds which are valued at net asset value (NAV), as determined by the fund manager. In determining NAV, the Fund Manager utilizes valuations provided by the underlying investment companies. The underlying investment companies value securities and other financial instruments on a fair value basis of accounting. The fair value of the Association's investments in private investment companies generally represents the amount the Association would expect to receive if it were to liquidate its investment in the companies excluding any redemption charges that may apply.

The following tables present the Association's fair value hierarchy for the investments held for deferred compensation as of May 31, 2016 and 2015:

Description	<b>Total</b>	<b>May 31, 2016</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Equity mutual funds	\$ 336,815	\$ 334,527	\$ 2,288	\$ –
Fixed income mutual funds	594,436	356,152	238,284	–
Money market funds	232	232	–	–
	<b>\$ 931,483</b>	<b>\$ 690,911</b>	<b>\$ 240,572</b>	<b>\$ –</b>

Description	<b>Total</b>	<b>May 31, 2015</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Equity mutual funds	\$ 124,170	\$118,173	\$ 5,997	\$ –
Fixed income mutual funds	318,538	64,203	254,335	–
Money market funds	669	669	–	–
	<b>\$ 443,377</b>	<b>\$183,045</b>	<b>\$ 260,332</b>	<b>\$ –</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Note 5. Fixed Assets

Details of fixed assets at May 31, 2016 and 2015, are as follows:

	<b>2016</b>	<b>2015</b>
Furniture and equipment	\$ 2,460,249	\$2,403,287
Leasehold improvements	372,501	372,501
Software	2,259,483	2,048,022
Work in process	414,649	70,636
	5,506,882	4,894,446
Less: Accumulated depreciation and amortization	4,302,466	4,029,878
	<b>\$ 1,204,416</b>	<b>\$ 864,568</b>

Amortization expense of capitalized software totaled \$50,244 and \$54,256 for the years ended May 31, 2016 and 2015, respectively. The unamortized balance of capitalized software totaled \$232,254 and \$71,037 at May 31, 2016 and 2015, respectively.

### Note 6. Lease Commitment

The Association leases office space in Westchester, Illinois under an operating agreement which includes certain escalation clauses. In February 2011, the Association amended the operating agreement for office space in Westchester, Illinois to extend the lease term through July 2022. The new agreement included reduced rent payments from February 1, 2011 to July 31, 2011, as well as full abatement of rent payments for the period from August 1, 2011 to July 31, 2012, which amounts to \$586,789. The effects of rent abatements and of base rent escalation provisions are being recognized on a straight-line basis over the term of the lease and give rise to the deferred lease obligation included in the consolidated statements of financial position.

Future minimum lease payments under the noncancelable operating lease are as follows:

Year ending May 31:	
2017	\$ 584,404
2018	601,508
2019	618,613
2020	635,717
2021	652,822
Thereafter	782,056
	<b>\$3,875,120</b>

The Association also subleases office space in Washington, D.C. on a month-to-month basis. The lease agreement provides for monthly payments of base rent.

**Note 7. Functional Expenses**

The following table sets forth expenses, including taxes, incurred by function of the Association for the years ended May 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Education, products and services	\$ 5,153,966	\$ 5,561,620
Publications	4,080,797	4,344,644
Membership	1,728,627	1,699,173
Benchmarking and metrics	1,482,742	1,529,476
Newsletters	177,532	175,067
Management and general:		
Personnel	13,872,488	14,214,077
Overhead	2,650,222	2,362,302
Depreciation	272,588	320,142
Lease	679,247	641,567
	<b>\$30,098,209</b>	<b>\$30,848,068</b>

**Note 8. Employee Pension Plan**

HFMA sponsors a defined contribution pension plan which covers substantially all HFMA employees who complete one year of employment. Contributions are based upon a percentage of participants' earnings, less forfeitures. HFMA's contributions for the years ended May 31, 2016 and 2015, were \$566,949 and \$540,365, respectively.

**Note 9. Chapters of HFMA (Unaudited)**

Chapters of HFMA may be established by charter subject to the approval of the Board of Directors of HFMA, pursuant to the provisions of the bylaws and regulations governing membership, organization, procedures and financial relations with HFMA. Should a chapter cease to function or its charter be revoked by HFMA, all funds and records held by the chapter become the property of HFMA. The financial position and the operations of these chapters are not included in the Association's consolidated financial statements.

The most recent summary financial data of the chapters is as follows:

	As of and for the Years Ended May 31,	
	<b>2015</b>	<b>2014</b>
Number of chapters	68	68
Total assets, primarily cash	\$12,985,354	\$12,840,990
Total revenue	12,991,874	12,993,069
Increase in net assets	237,356	358,316

## INDEPENDENT AUDITOR'S REPORT

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To the Board of Directors  
Healthcare Financial Management Association  
Westchester, Illinois

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Healthcare Financial Management Association and Affiliates (the Association) which comprise the consolidated statements of financial position as of May 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Healthcare Financial Management Association and Affiliates as of May 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RSM US LLP

Chicago, Illinois

July 11, 2016