HEALTHCARE FINANCIAL MANAGEMENT ASSOCIATION

2016-2017

Annual Report

hfma™
healthcare
financial
management
association

DEAR VALUED COLLEAGUES:

Healthcare finance professionals face many challenges today, from new payment models to innovation to consumerism. Successfully navigating—and thriving—in such an environment requires us to view the myriad changes as opportunities to learn, grow, and leverage to improve the health of our communities. The good news is that HFMA remains steadfast in its commitment to providing individuals and organizations with the requisite tools and resources to succeed in an evolving industry.

To that end, HFMA made significant strides during FY17 in its mission to lead the financial management of health care. Notable accomplishments included:

- Producing timely, cutting-edge thought leadership content such as *Health Care 2020*—a unique four-part series intended to provide healthcare business and clinical leaders with forward-looking information about the trends that will shape our future
- Continuing to reach out and collaborate with other key industry stakeholders, including physicians and health plans, to identify and pursue solutions to today's challenges
- Identifying new ways to grow our membership base while also seeking new ways to bring value to our current members
- Embracing change and being willing to try new things

This annual report documents these and additional accomplishments achieved during FY17. Thank you to all our HFMA leaders and volunteers for their important role in these accomplishments. Your positive attitudes and endless energy have made 2016-17 a year of thriving.

Thrive on!

Mary Mirabelli

Mary Mirabelli, FHFMA
2016-17 Chair, HFMA

thrive

HFMA 2016–2017 BOARD OF DIRECTORS

HFMA is guided by the experience and vision of a dedicated Board of Directors. The 2016-17 HFMA Board of Directors are:

BACK ROW, LEFT TO RIGHT:

Carole T. Faig, CPA
Martin Arrick, MBA, MPH
Edward G. Chadwick, MBA
Aaron R. Crane, FHFMA, CPA
Michael J. Dewerff, FHFMA, CPA, MBA
Tammie L. Galindez, MHA, CHFP

FRONT ROW, LEFT TO RIGHT:

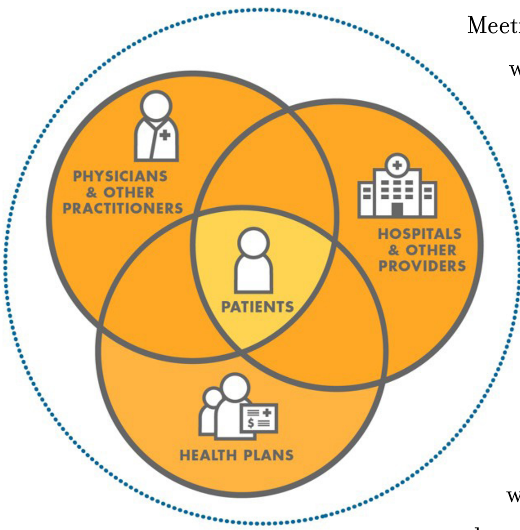
Penny D. Cermak, FHFMA, CPA
Kevin F. Brennan, FHFMA, CPA
Mary Mirabelli, FHFMA
Carol A. Friesen, FHFMA
Joseph J. Fifer, FHFMA, CPA
Paula M. Reichle, CPA

NOT PICTURED:

Dorothy A. Coleman, CPA

In FY17, HFMA continued to demonstrate its commitment to serving as the nation's premier membership organization for healthcare finance leaders. Success in this effort was reflected in HFMA's membership of more than 38,000 in FY17, accompanied by a strong retention rate. HFMA's mission is to lead the financial management of health care, and significant progress was achieved through collaborating with other key industry stakeholders, equipping and inspiring healthcare leaders to successfully navigate both a challenging industry and a changing society, and making our voice heard in the national dialogue on health care.

COLLABORATION WITH OTHER INDUSTRY STAKEHOLDERS



Meeting today's healthcare challenges requires all key healthcare stakeholder groups to work together to define and influence change. Such collaboration is at the core of HFMA's strategic plan and was the foundation for many initiatives and accomplishments during FY17.

PHYSICIANS AND HEALTH PLANS

Throughout the year, HFMA pursued its "three circle" strategy, which represents the importance of hospitals and health systems, physicians and other practitioners, and health plans working together to improve the health of patients and communities. To facilitate such collaboration, the Association offered special discounted memberships to health plans, physicians, and those who work in physician groups. HFMA also developed a curated list of ANI sessions that would be of special interest to these groups. By the end of FY17, HFMA saw a 63 percent increase in new physician and physician practice members over the previous fiscal year as well as 51 percent increase in new members who work in health plan settings

Additionally, HFMA piloted a new program at ANI focused on engaging executives representing health systems, physicians, and health plans. Executives representing the three sectors came together for an educational program focusing on creating successful value-based partnerships across industry stakeholders. Participants worked through case studies to identify the key elements to creating a partnership and to succeed under a value-based system.

In another collaborative effort, HFMA joined dozens of healthcare stakeholders in sending a letter to the White House and congressional leaders in support of the continued movement toward value-based payment. The letter urged national leaders to continue focusing on driving value-based, patient-centered payment models that encourage healthcare innovation. The organizations also suggested a modernized, sustainable healthcare system should be based on several important principles, including empowering patients to make healthcare decisions with information and support from their healthcare teams, investing in the development of measures of provider performance that are relevant to patients, and improving clinician and provider access to timely, accurate, and complete claims data to better facilitate care management.

THOUGHT LEADERSHIP RETREAT

HFMA partnered with the American Association for Physician Leadership, the Alliance of Community Health Plans, and the American Organization of Nurse Executives to host the 10th Annual Thought Leadership Retreat Oct. 20-21, 2016, in Washington, D.C. More than 100 senior-level invited leaders attended provocative panel discussions, heard from keynote and general session speakers on all aspects of transforming relationships, and participated in breakout discussions. A conference report titled *Transforming Relationships to Transform Health Care* was published in January 2017.

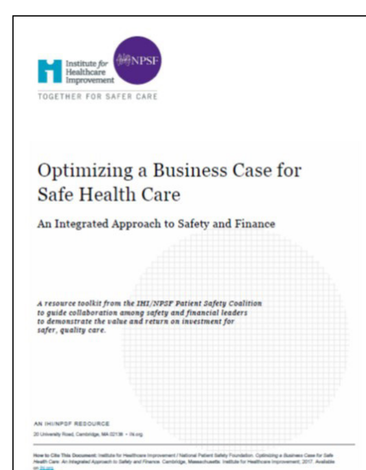
NATIONAL PAYMENT INNOVATION SUMMIT

For the second year, HFMA teamed up with the Altarum Institute's Center for Payment Innovation (formerly the Health Care Incentives Improvement Institute) and the Catalyst for Payment Reform to host the 2017 National Payment Innovation Summit Feb. 8-10 in Dallas. The Summit featured innovative programming on the challenges of the current payment environment, with a special focus on value-based, alternative, and patient-centered payment models. Clinicians, health plans, and providers who attended had the opportunity to discover and discuss strategies for understanding and implementing such arrangements in both the private and public sectors.

THE ANNUAL
NATIONAL PAYMENT INNOVATION SUMMIT

INSTITUTE FOR HEALTHCARE IMPROVEMENT/NATIONAL PATIENT SAFETY COALITION

HFMA also joined the Institute for Healthcare Improvement/National Patient Safety Foundation (IHI/NPSF) Patient Safety Coalition. The coalition was created to align diverse stakeholders from across the continuum of care in a unifying mission of making health care safer for patients and the workforce. HFMA's participation in the coalition reflects its belief in the need for finance professionals to learn more about patient safety and their own organization's goals for advancing safe care. HFMA worked closely with IHI/NPSF to develop "Optimizing a Business Case for Safe Health Care," a toolkit that guides collaboration between safety and finance leaders to demonstrate the value and return on investment for providing safer, high-quality care.


Institute for Healthcare Improvement
NPSF
TOGETHER FOR SAFER CARE

Optimizing a Business Case for Safe Health Care

An Integrated Approach to Safety and Finance

A resource toolkit from the IHI/NPSF Patient Safety Coalition to guide collaboration among safety and financial leaders to demonstrate the value and return on investment for safer, quality care.

AN IHI/NPSF RESOURCE

AONE INDUSTRY PARTNER AWARD

HFMA was honored to receive the 2017 American Organization of Nurse Executives (AONE) Industry Partner Award. The award recognizes an organization that embraces the overall mission and vision of AONE by providing products or services that have a profound effect on nurse leaders, the association, and health care. HFMA was selected for the honor as a result of its collaboration with AONE to develop and present continuing professional education courses and certification in finance for nurses.

EQUIPPING HEALTHCARE LEADERS TO SUCCEED

Today's healthcare finance professional needs easy access to relevant information to successfully navigate a changing industry. To that end, HFMA introduced or revamped a variety of such resources during FY17.

NEW MEMBERSHIP PROGRAM FOR ORGANIZATIONS

HFMA introduced HFMA Enterprise Solutions—a new membership program designed to provide all an organization's employees with access to HFMA's content and education resources. Through enterprise membership, all finance and accounting, clinical, and operational staff in an organization can align their efforts by improving their collective knowledge of the business of healthcare. The program offers two membership options:

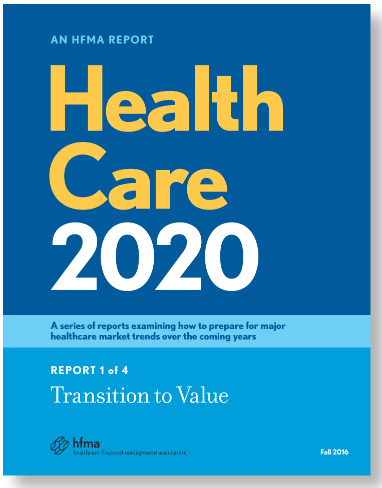
- "Enterprise Engage," which pulls together HFMA's award-winning educational content, market-leading white papers, in-depth research reports, and industry best practices to help train and advance an organization's employees
- "Enterprise Engage + Certify," which offers everything in "Enterprise Engage" plus unlimited access to HFMA's accredited certification programs

HFMA
ENTERPRISE
SOLUTIONS

EXPERT ANALYSIS AND GUIDANCE

The National Advisory Council continued to address key issues and provide feedback to HFMA's Board and management. During FY17, they provided insights and perspectives on important topics around surprise out-of-network billing, healthcare trends, and value-based partnerships between health systems and health plans. In addition, HFMA's Principles and Practices (P&P) Board, which addresses accounting and financial reporting issues related to healthcare services, focused on community benefit reporting, lease implementation guidance, and practical help around the new revenue recognition standards. HFMA's analysis and guidance improves the healthcare industry and the profession by identifying and bridging gaps in knowledge, better practices, and standards.

PUBLICATIONS AND MULTIMEDIA

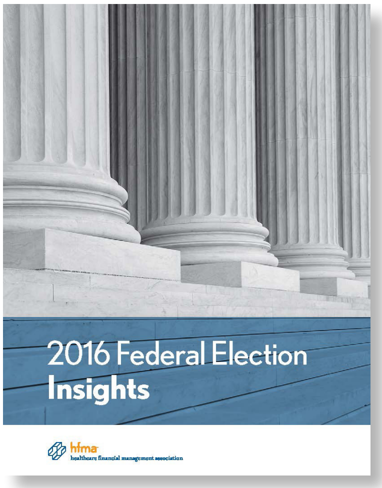


In addition to its diverse suite of 15 digital and print publications, HFMA showcased an insightful series of reports called *Health Care 2020* in FY17 that examined four key trends facing the industry: the transition to value, consumerism, consolidation, and transformative innovation. While *hfm*'s top-rated, peer-reviewed feature articles focused on cybersecurity and healthcare policy shifts, the Association also repositioned its editorial strategy for *Leadership*'s digital and print products to help foster creative collaboration among healthcare stakeholders by offering a bevy of solutions to complex challenges. Making its debut in FY17 was a series titled the "Healthcare Challenge Roundtable," featuring three prominent healthcare leaders (representing healthcare finance, clinical medicine, and health plans). New departments related to mergers and acquisitions, data, consumerism, policy, and case studies in innovation, along with exclusive digital features, helped HFMA inform and educate the market on some of the core challenges facing the industry.

CONFERENCES AND OTHER EDUCATIONAL EVENTS

In addition to a multitude of online and on-demand webinars, seminars, and e-learning opportunities, HFMA hosted several "live" educational events throughout the course of the year. This included ANI (see below) and HFMA's 2016 Revenue Cycle Conference (MAP Event), which took place Sept. 25-27 and was followed by the 2016 HFMA Women's Leadership Conference (HERe), Sept. 27-28. Both events took place in Phoenix, Arizona.

HEALTHCARE POLICY RESOURCES



HFMA developed several new resources intended to help the industry make sense of widespread speculation about the future of the Affordable Care Act, Medicare, and other legislative and regulatory changes in the wake of the 2016 federal election. These resources included an online tool exploring some of the potential changes, and the cover story in the January 2017 issue of *hfm* ("Outlook for Healthcare Policy: Uncertain," by Rich Daly).

The Association assembled a blue-ribbon panel and hosted a web-based policy discussion during Inauguration Week. Panelists were Mike Leavitt, founder and chairman of Leavitt Partners and former Secretary of Health and Human Services; Gail R. Wilensky, PhD, an economist and senior fellow at Project HOPE and previous director of the Medicare and Medicaid programs; and Joe Fifer, HFMA's President and CEO.

HFMA also introduced a new web page (hfma.org/policy) in FY17 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.

NEW ASSOCIATION MANAGEMENT SYSTEM

HFMA launched an upgraded association management system in FY17. The system, called MemberNation, is a more robust, industry-standard database built on the Salesforce CRM platform. Among other enhancements, the new system's functionality provides HFMA members with convenient and easy access to HFMA products and services.

MAKING OUR VOICE HEARD

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 changes to the following proposed regulations during FY17:

- *Hospital Inpatient Prospective Payment System (IPPS) Rule.* HFMA submitted a comment letter to the Centers for Medicare & Medicaid Services (CMS) expressing members' significant concerns regarding several provisions of the 2017 IPPS proposed rule. (June 2016)
- *Medicare Access and CHIP Reauthorization Act (MACRA).* HFMA submitted comments to CMS, expressing members' concerns regarding the MACRA implementation timeline and advocating for a one-year delay of the proposed rule's payment provisions. (June 2016)
- *Medicare Physician Fee Schedule (PFS).* HFMA submitted a comment letter to CMS regarding the proposed expansion of the diabetes prevention program model and the proposed changes to simplify billing for chronic care management. (August 2016)
- *Hospital Outpatient Prospective Payment System (OPPS) Proposed Rule.* HFMA submitted comments to CMS, outlining members' concerns regarding several provisions of the OPPS proposed rule. (September 2016)
- *Advancing Care Coordination Through Episode Payment Models (EPMs) Proposed Rule.* HFMA submitted a comment letter to CMS, expressing members' concerns regarding the proposed EPM rule and recommending delaying implementation until the issues could be addressed. (October 2016)
- *EPM Interim Final Rule (EPM IFR).* HFMA advised CMS of members' strong support for delaying the start of the cardiac and hip fracture episodes described in the EPM IFR due to significant concerns. The letter also encouraged CMS not to further delay finalized changes to the Comprehensive Care for Joint Replacement program. (April 2017)

Carol Friesen encourages ANI attendees to tap into the "Power of One."

INSPIRING AT ANI

"This will never be just a job for me, but a calling to serve and give back a small portion of what has been given to me and my family," said HFMA's 2017-18 Chair, Carol A. Friesen, FHFMA, in her general session speech at ANI: The 2017 HFMA National Institute.

Friesen, who is vice president of health system services at Bryan Health in Lincoln, Neb., explained how this calling frames the theme for her year as HFMA Chair: Where Passion Meets Purpose. "It's where the magic happens, where goals are achieved, and where the impossible is made possible."

To meet the challenges of the industry today, Friesen said healthcare finance leaders must go beyond their traditional, comfortable contribution as resource stewards to become stewards of lives and relationships as well. She also stressed the importance of collaboration, noting that outcomes accelerate when finance professionals partner with physicians, health plans, and community resources. Friesen closed by urging attendees to never forget how one individual, one team, one event, or one conversation can impact someone's life. "That's the power of one, she said. "And it holds the key to helping each of you find the magical spot where passion meet purpose"

HFMA President and CEO Joe Fifer addresses the opening general session of the 2017 ANI.

During the opening general session at the 2017 ANI, HFMA President and CEO Joseph J. Fifer, FHFMA, CPA, addressed the importance of setting priorities to improve value in health care. He said an organization's best chance for long-term success lies in committing to the Institute for Healthcare Improvement's Triple Aim of improving population health and patient

Steve Pemberton

Mika Brzezinski and Joe Scarborough

experience, while reducing costs. To that end, Fifer said he believes the industry should be focusing on three issues that are undervalued today: managing chronic conditions, integrating mental health and substance abuse into mainstream health care, and optimizing end-of-life care. He also expressed his confidence in the industry's capacity to meet these challenges, noting that the healthcare finance profession has grown increasingly strategic.

"I'm impressed every day by the strategic insights and perspectives that people bring to our increasingly complex environment," said Fifer. "I am 100 percent confident that we've got this."

Other keynote speakers at the 2017 ANI included Mika Brzezinski and Joe Scarborough, co-hosts of MSNBC's "Morning Joe," who shared their thoughts on America's changing political landscape, and Steve Pemberton, a senior executive at Walgreens Boots Alliance and author of *A Chance in the World*, who discussed diversity and inclusion as well as how to transform adversity into action. Author and social scientist Joseph Grenny rounded out the week with a keynote presentation on the new science of leading change and what it means to be an "influencer."

Joseph Grenny

RECOGNIZING EXCELLENCE

HFMA recognized industry and professional leadership and insight with the Association's top awards, which were presented at the 2017 ANI.

HFMA National Chair-Elect Kevin Brennan presents Dr. Tejal Gandhi with the Richard L. Clarke Board of Directors Award.

RICHARD L. CLARKE BOARD OF DIRECTORS AWARD

HFMA's Richard L. Clarke Board of Directors Award recognizes individuals or organizations for their significant positive contributions to the profession of healthcare finance or the financing of healthcare services. This year's award was presented to Tejal Gandhi, MD, MPH, CPPS, in recognition of her advocacy for patient safety at the national level, including her efforts to drive patient safety education and professional certification, and to create and disseminate innovative safety ideas. Gandhi, formerly president and CEO of the National Patient Safety Foundation (NPSF), is chief clinical and safety officer at the Institute for Healthcare Improvement (IHI), following IHI's merger with NPSF in May 2017. She also is president of the IHI/NPSF Lucian Leape Institute and the Certification Board for Professionals in Patient Safety.

Immediate Past Chair Mary Mirabelli presents Christopher Johnson with the Frederick C. Morgan Individual Achievement Award.

FREDERICK C. MORGAN INDIVIDUAL ACHIEVEMENT AWARD

This year's Frederick C. Morgan Individual Achievement Award—HFMA's highest individual honor—was presented to Christopher Johnson, FHFMA, vice president of revenue cycle management, regional facilities, at Carolinas HealthCare System, based in Charlotte, N.C. Johnson is the 59th recipient of this award, which honors career-long contributions to HFMA and to the healthcare finance profession. Since joining the Association in 1987, Johnson has served HFMA in many roles at the chapter, national, and regional levels, including North Carolina Chapter president in 2001-02. At the national level, he spent six years as a Chapter Advancement Team member and has served as chair of the Board of Examiners, chair of the Patient Financial Services Specialty Group, and a member of the National Advisory Council.

CHAPTER AWARDS

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 Arkansas Chapter.

Over the past five years, the Arkansas Chapter provided exemplary service, sustaining high performance levels not only in education but also in overall member satisfaction. During that time, the chapter earned a total of 26 awards. For FY17, that included a Platinum in education, Gold in certification, Bronze in membership, and a Henry C. Hottum Award for educational performance improvement. The chapter also received a single-entry Yerger award in innovation in 2017 as well as two multiple-entry Yerger awards in member services and education. Additionally, during the five-year period, the chapter maintained an impressive average of 27.1 education hours per member and a certified member average of 12.7 percent.

HFMA National Chair Carol Friesen congratulates the Arkansas Chapter president and past presidents on receiving the 2017 Shelton Award (left to right): Trisha Walden, Brian Fowler, Jeannie Bond, and Tracy Young. Not pictured: Bryan Jackson.

C. Henry Hottum Awards for Educational Performance Improvement

Alabama Chapter
Arizona Chapter
Arkansas Chapter
Georgia Chapter
Hawaii Chapter
Heart of America Chapter
Idaho Chapter
Montana Chapter
North Carolina Chapter
North Dakota Chapter
Northeastern Pennsylvania Chapter
Puerto Rico Chapter
Rochester Regional Chapter
South Texas Chapter
Southern Illinois Chapter
Sunflower (Kansas) Chapter
Western Pennsylvania Chapter

Awards of Excellence for Education

Platinum Awards of Excellence for Education

Alabama Chapter
Arkansas Chapter
Montana Chapter
Puerto Rico Chapter
Sunflower (Kansas) Chapter

Charles F. Mehler Gold Awards of Excellence for Education

Central Pennsylvania Chapter
Georgia Chapter
Hawaii Chapter
Iowa Chapter
Mississippi Chapter
Nebraska Chapter
North Carolina Chapter
North Dakota Chapter
Rochester Regional Chapter
South Texas Chapter
West Virginia Chapter
Western Pennsylvania Chapter
Wyoming Chapter

John M. Stagl Silver Awards of Excellence for Education

Arizona Chapter
Nevada Chapter
South Dakota Chapter
Southern Illinois Chapter

Sister Mary Gerald Bronze Awards of Excellence for Education

Eastern Michigan Chapter
Hudson Valley NY Chapter
Idaho Chapter
Kentucky Chapter
Louisiana Chapter
Maryland Chapter
New Jersey Chapter
Northeastern New York Chapter
Northeastern Pennsylvania Chapter
Oklahoma Chapter
Oregon Chapter
South Carolina Chapter
Tennessee Chapter
Western New York Chapter

Awards of Excellence for Membership Growth and Retention

Platinum Awards

Montana Chapter
Puerto Rico Chapter
Utah Chapter
Wyoming Chapter

Gold Awards

Alabama Chapter

Silver Awards

Northeastern Pennsylvania Chapter
Sunflower (Kansas) Chapter

Bronze Awards

Arizona Chapter
Arkansas Chapter
Central Ohio Chapter
Great Lakes Chapter
Maine Chapter

Bronze Awards (continued)

Mississippi Chapter
Nebraska Chapter
New Mexico Chapter
North Dakota Chapter
Oregon Chapter
South Texas Chapter
Southern Illinois Chapter
Wisconsin Chapter

Awards of Excellence for Certification

Gold Awards

Arkansas Chapter
Central Pennsylvania Chapter
Great Lakes Chapter
Greater St. Louis Chapter
Iowa Chapter
Maine Chapter
Nebraska Chapter
New Hampshire-Vermont Chapter
Northeastern Pennsylvania Chapter
Oklahoma Chapter
Oregon Chapter
Rochester Regional Chapter
South Carolina Chapter
South Texas Chapter
Southern Illinois Chapter
Western New York Chapter
Western Pennsylvania Chapter
Wyoming Chapter

Silver Awards

Eastern Michigan Chapter
First Illinois Chapter
Idaho Chapter
Louisiana Chapter
Mississippi Chapter
North Carolina Chapter
Show-Me of Missouri Chapter
Tennessee Chapter
Virginia-Washington DC Chapter
Washington-Alaska Chapter

Bronze Awards

Alabama Chapter
Arizona Chapter
Central New York Chapter
Central Ohio Chapter
Colorado Chapter
Connecticut Chapter
Florida Chapter
Georgia Chapter
Hudson Valley NY Chapter
Indiana Pressler Memorial Chapter
Kentucky Chapter
Lone Star Chapter
Maryland Chapter
McMahon-Illini Chapter
Nevada Chapter
North Dakota Chapter
Northeastern New York Chapter
Northern California Chapter
Northwest Ohio Chapter
San Diego-Imperial Chapter
South Dakota Chapter
Sunflower (Kansas) Chapter
Texas Gulf Coast Chapter
West Virginia Chapter
Wisconsin Chapter

Awards of Excellence for Improved Chapter Performance

Minnesota Chapter
Utah Chapter

Helen M. Yerger Special Recognition Awards

Multichapter Recipients

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 II Fall Conference*

Central Pennsylvania Chapter, Metropolitan Philadelphia Chapter, New Jersey Chapter, Northeastern Pennsylvania Chapter, and Western Pennsylvania Chapter: *Region 3 Summit*

Kentucky Chapter, Maryland Chapter, North Carolina Chapter, Virginia-Washington DC Chapter, and West Virginia Chapter: *Regional Webinars*

Kentucky Chapter, Maryland Chapter, North Carolina Chapter, Virginia-Washington DC Chapter, and West Virginia Chapter: *Regional Calendar*

Kentucky Chapter, Maryland Chapter, North Carolina Chapter, Virginia-Washington DC Chapter, and West Virginia Chapter: *2016 Region IV Mid-Atlantic Conference*

Alabama Chapter, Florida Chapter, Georgia Chapter, South Carolina Chapter, and Tennessee Chapter: *Region 5 Collaboration Programs/Outreach 2016-2017*

Eastern Michigan Chapter, Great Lakes Chapter, and Western Michigan Chapter: *Michigan 63rd Annual Fall Conference*

Eastern Michigan Chapter, Great Lakes Chapter, and Western Michigan Chapter: *2016 Michigan HFMA Spring Conference*

Indiana Pressler Memorial Chapter, McMahon-Illini Chapter, Southern Illinois Chapter, and Wisconsin Chapter: *Region 7 Conference*

McMahon-Illini Conference and Southern Illinois Conference: *Physician Practice Bootcamp*

Arkansas Chapter, Lone Star Chapter, Louisiana Chapter, Mississippi Chapter, Oklahoma Chapter, South Texas Chapter, and Texas Gulf Coast Chapter: *Giving Back to the Communities We Serve*

Arkansas Chapter, Lone Star Chapter, Louisiana Chapter, Mississippi Chapter, Oklahoma Chapter, South Texas Chapter, and Texas Gulf Coast Chapter: *2016 Region 9 Annual Conference - Providing Value to Chapters and Members for 14 years*

Arizona Chapter, Colorado Chapter, Idaho Chapter, Montana Chapter, New Mexico Chapter, Utah Chapter, and Wyoming Chapter: *Region 10 Webinar Program*

Florida Chapter and Puerto Rico Chapter: *First Annual HFMA Florida & Puerto Rico Chapter Conference - Better Together*

Arizona Chapter, Colorado Chapter, Hawaii Chapter, Idaho Chapter, Montana Chapter, Nevada Chapter, New Mexico Chapter, Northern California Chapter, Oregon Chapter, San Diego-Imperial Chapter, Southern California Chapter, Utah Chapter, Washington-Alaska Chapter, and Wyoming Chapter: *HFMA Western Region Symposium, Regions 10 and 11*

Individual Chapter Recipients

Alabama Chapter (4)
Arizona Chapter (4)
Arkansas Chapter (1)
Colorado Chapter (1)
Eastern Michigan Chapter (2)
First Illinois Chapter (3)
Florida Chapter (3)
Georgia Chapter (3)
Greater St. Louis Chapter (1)
Heart of America Chapter (3)
Hudson Valley NY Chapter (1)
Iowa Chapter (1)
Kentucky Chapter (3)
Lone Star Chapter (4)
Louisiana Chapter (1)
Maryland Chapter (3)
Massachusetts-Rhode Island Chapter (4)
McMahon-Illini Chapter (2)
Metropolitan New York Chapter (4)
Metropolitan Philadelphia Chapter (2)
Minnesota Chapter (4)
Nebraska Chapter (4)
Nevada Chapter (3)
New Hampshire-Vermont Chapter (1)
New Jersey Chapter (4)
North Carolina Chapter (3)
North Dakota Chapter (1)
Northeast Ohio Chapter (2)
Northern California Chapter (4)
Northwest Ohio Chapter (2)
Oregon Chapter (3)
Puerto Rico Chapter (2)
Show-Me of Missouri Chapter (2)
South Carolina Chapter (3)
South Texas Chapter (1)
Southern Illinois Chapter (3)
Tennessee Chapter (2)
Texas Gulf Coast Chapter (2)
Utah Chapter (2)
Virginia-Washington DC Chapter (2)
Washington-Alaska Chapter (1)
West Virginia Chapter (4)

hfma
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 which 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

Joyce Zimowski, FHFMA, CPA
Interim CFO/Vice President

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Westchester, Illinois 60154-5732
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INDEPENDENT AUDITOR'S REPORT

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, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended and the related notes to the consolidated financial statements, collectively the "financial statements."

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthcare Financial Management Association and Affiliates as of May 31, 2017 and 2016, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois

October 12, 2017

Consolidated Statements of Financial Position

Years Ended May 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 11,438,563	$ 14,841,077
Accounts receivable, less allowances for doubtful accounts of $690,756 in 2017; $709,945 in 2016	2,968,439	3,311,828
Convention and meeting deposits	696,598	1,282,177
Prepaid expenses and other	488,524	309,719
Total current assets	15,592,124	19,744,801
Investments	31,908,942	28,173,679
Investments held for deferred compensation	1,228,261	931,483
Fixed assets, net	1,626,267	1,204,416
Chapter-restricted funds	71,922	71,958
Total assets	$ 50,427,516	$ 50,126,337
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 4,916,684	$ 4,368,448
Deferred membership dues, net of related chapter rebates of $566,481 in 2017; $622,746 in 2016	5,318,285	6,107,504
Deferred registration, subscription and other revenue	10,268,872	11,295,169
Total current liabilities	20,503,841	21,771,121
Deferred lease obligation	533,032	583,690
Deferred compensation liability	1,228,261	931,483
Total liabilities	22,265,134	23,286,294
Unrestricted net assets	28,162,382	26,840,043
Total liabilities and unrestricted net assets	$ 50,427,516	$ 50,126,337

See Notes to Consolidated Financial Statements.

Consolidated Statements of Activities

Years Ended May 31, 2017 and 2016

	2017	2016
REVENUE:		
Membership dues	$ 8,035,300	$ 8,222,301
hfm magazine	4,247,367	5,271,168
ANI registration, exhibits and fees	5,492,907	4,892,331
Sponsorship	3,281,236	3,609,273
Benchmarking and metrics	2,570,452	3,082,061
Royalties	1,232,746	1,450,307
Education	1,261,201	1,450,710
Certification	1,325,253	1,089,609
Forums	553,757	661,318
Other products and services	164,156	360,733
Newsletters	386,598	430,802
Training	228,952	365,182
Miscellaneous	115,469	106,471
Total revenue	$ 28,895,394	$ 30,992,266
EXPENSES:		
Personnel	15,583,584	14,817,957
Professional services	2,714,734	2,697,422
Meal functions	2,140,988	1,759,010
Marketing	1,378,333	1,756,474
Travel	1,944,042	1,723,661
Printing	1,086,454	1,117,735
Commissions	753,092	953,310
Equipment	800,455	1,023,114
Administrative	919,729	927,805
Occupancy	701,940	686,443
Taxes	504,797	529,600
Postage	288,667	346,237
Speaker honoraria	252,900	257,250
Depreciation and amortization	292,031	272,588
Telephone and internet	251,076	285,164
Other	1,652,522	944,439
Total expenses	31,265,344	30,098,209
Operating income	(2,369,950)	894,057
Net investment (loss) income	3,692,289	(881,289)
Change in net assets	1,322,339	12,768
Unrestricted net assets, beginning of year	26,840,043	26,827,275
Unrestricted net assets, end of year	$ 28,162,382	$ 26,840,043

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years Ended May 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	1,322,339	$ 12,768
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	292,031	272,588
Decrease in deferred lease obligation	(50,658)	(33,554)
Realized losses on sales of investments	(601,912)	--
Change in unrealized losses (gains) on investments	(2,518,884)	1,643,618
Changes in assets and liabilities:		
Accounts receivable	343,389	(1,574,409)
Convention and meeting deposits	585,579	(257,424)
Prepaid expenses and other	(178,805)	447,975
Chapter-restricted funds	36	49
Accounts payable and accrued expenses	548,236	(360,202)
Deferred dues and revenue	(1,815,516)	(418,874)
Deferred compensation liability	296,778	480,944
Net cash provided by (used in) operating activities	(1,777,387)	213,479
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(713,882)	(612,436)
Proceeds from sale of investments	388,678	--
Purchase of investments	(1,003,145)	(800,696)
Proceeds from sale of investments held for deferred compensation	110,143	26,000
Purchase of investments held for deferred compensation	(406,921)	(506,944)
Net cash used in investing activities	(1,625,127)	(1,894,076)
Decrease in cash and cash equivalents	(3,402,514)	(1,680,597)
CASH AND CASH EQUIVALENTS:		
Beginning	14,841,077	16,521,674
Ending	$ 11,438,563	$ 14,841,077
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for taxes	$ 614,000	$ 675,234

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 38,000 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, royalties 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 $61 and $76 for the years ended May 31, 2017 and 2016, 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 (IRC). HFMA is subject to taxes on unrelated business income, which is generally HFMA's advertising revenue. HFMA had approximately $4,247,000 and $5,271,000 in gross advertising revenue for the years ended May 31, 2017 and 2016, respectively. Income tax expense associated with unrelated business income is reflected within the taxes expense line item on the consolidated statements of activities.

LSI is a taxable entity. This entity uses the asset and liability method to record income taxes. Accordingly, deferred tax assets and liabilities are recorded based on differences between the financial accounting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured based on the currently enacted tax rate expected to apply to taxable income in the year in which the deferred tax asset or liability is expected to be settled or realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

LSI has a net operating loss (NOL) carryforward of approximately $3,298,000 at May 31, 2017. 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, 2017.

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 taxexempt 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, 2017 and 2016, 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, 2014.

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, 2014.

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, 2017 and 2016, deferred marketing expenses totaled approximately $266,000 and $246,000, respectively, and are included in convention and meeting deposits on the consolidated statements of financial position.

Pending accounting pronouncements: In May 2015, the FASB issued Accounting Standards Update (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 August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for the Association in the fiscal year ending May 31, 2019. Early adoption is allowed.

In May 2014, the FASB issued 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 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 October 12, 2017, the date these consolidated financial statements were available to be issued.

Note 2. Investments

The composition of investment assets held by the Association is summarized as follows at May 31, 2017 and 2016:

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Equity mutual funds:				
International equity funds	$ 8,516,110	$ 8,177,412	$ 6,065,011	$ 6,851,035
Large-cap equity funds	8,162,709	4,564,908	8,120,770	5,117,651
Small-cap equity funds	3,246,918	2,783,815	2,662,122	2,642,245
Fixed income mutual funds	9,081,637	9,123,767	8,675,384	8,854,459
Convertible securities mutual funds	994,673	823,537	910,707	812,458
Absolute return funds	1,906,895	1,900,361	1,739,685	1,879,573
	$ 31,908,942	$ 27,373,800	$ 28,173,679	$ 26,157,421

Net investment income is summarized as follows for the years ended May 31, 2017 and 2016:

	2017	2016
Dividend and interest income, less fees of $47,209 in 2017; $46,728 in 2016	$ 571,493	$ 762,329
Net realized gains on sales of investments	601,912	--
Change in net unrealized investment gains (losses)	2,518,884	(1,643,618)
Net investment income (loss)	$ 3,692,289	$ (881,289)

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, 2017 and 2016, investments held for deferred compensation consist of the following:

	2017	2016
Equity mutual funds	$ 529,232	$ 336,815
Fixed income mutual funds	699,029	594,436
Money market funds		232
	$ 1,228,261	$ 931,483

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 $244,065 and $269,065 for the years ended May 31, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, 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. The fair value of these funds is based on the applicable percentage ownership of the underlying funds' net assets as of the measurement date, 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. Investments in these funds have certain restrictions on liquidation and may have underlying investments in private placements or other securities for which prices are not readily available.

The following tables present the Association's fair value hierarchy for the investments held for deferred compensation as of May 31, 2017 and 2016:

		May 31, 2017		
		Fair Value Measurements Using		
Description	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 529,232	$ 529,232	$ –	$ –
Fixed income mutual funds	699,029	479,408	219,621	–
	$ 1,228,261	$ 1,008,640	$ 219,621	$ –

		May 31, 2016		
		Fair Value Measurements Using		
Description	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 336,815	$ 334,527	$ 2,288	$ –
Fixed income mutual funds	594,436	356,152	238,284	–
	931,251	$ 690,679	$ 240,572	$ –
Money market funds	232			
Total investments	$ 931,483			

Note 5. Fixed Assets

Details of fixed assets at May 31, 2017 and 2016, are as follows:

	2017	2016
Furniture and equipment	$ 2,360,062	$ 2,460,249
Leasehold improvements	372,501	372,501
Software	1,898,242	2,259,483
Work in process	-	414,649
	4,630,805	5,506,882
Less: Accumulated depreciation and amortization	3,004,538	4,302,466
	$ 1,626,267	$ 1,204,416

Amortization expense of capitalized software totaled $138,867 and $50,244 for the years ended May 31, 2017 and 2016, respectively. The unamortized balance of capitalized software totaled $1,221,918 and $232,254 at May 31, 2017 and 2016, 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 amounted 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:	
2018	$ 601,508
2019	618,613
2020	635,717
2021	652,822
2022	669,926
Thereafter	112,130
	$ 3,290,716

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, 2017 and 2016:

	2017	2016
Education, products and services	$ 5,858,407	$ 5,153,966
Publications	3,641,123	4,080,797
Membership	1,813,661	1,728,627
Benchmarking and metrics	1,279,440	1,482,742
Newsletters	168,820	177,532
Management and general:		
Personnel	14,895,036	13,872,488
Overhead	2,623,014	2,650,222
Depreciation	292,031	272,588
Lease	693,812	679,247
	$31,265,344	$30,098,209

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, 2017 and 2016, were $606,655 and $566,949, 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,	
	2017	2016
Number of chapters	68	68
Total assets, primarily cash	$ 13,177,722	$12,985,354
Total revenue	13,395,531	12,991,874
Increase in net assets	(201,000)	237,356