



2017-2018

Annual Report

hfma

Lead. Solve. Grow.



DEAR VALUED COLLEAGUES:

Healthcare finance continues to be at the center of exciting advances in the healthcare industry—from new payment models to population health management to an increased focus on consumerism. And that’s just the tip of the iceberg. Every day, in countless ways, healthcare finance professionals lead the way and demonstrate flexibility and innovation to adapt and succeed in making a difference for their organizations, their patients, and their communities.

These same challenges hold true for HFMA, and, over the past year, we’ve embarked upon several major new initiatives designed to respond to a shifting association landscape and the evolving needs of our members. Such projects include:

- Deploying the new Enterprise Solutions membership program
- Adopting a new event management system across all chapters and regions
- Commencing work on Polaris, a strategic business model that will transform our digital member experience and change the way our teams do their work

This annual report documents these and additional accomplishments achieved during FY18. Thank you to all our HFMA leaders and volunteers for devoting their time and talents to these efforts. You are the embodiment of what can be achieved when we work together to find that “sweet spot” where passion meets purpose.

Best regards,

A handwritten signature in black ink that reads "Carol A. Friesen". The signature is written in a cursive, flowing style.

Carol A. Friesen, HFMA
2017-18 HFMA National Chair

Where | Meets
Passion | Purpose



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

The 2017-18 HFMA Board of Directors are:

BACK ROW, LEFT TO RIGHT:

Dennis E. Dahlen, CPA
Penny D. Cermak, FHFMA, CPA
Edward G. Chadwick, MBA
Dorothy A. Coleman, CPA
T. Carley Williams, CPA

MIDDLE ROW, LEFT TO RIGHT:

Aaron R. Crane, FHFMA, CPA
Paula Reichle, CPA
Marc B. Scher, CPA
Tammie L. Galindez, MHA, CHFP

FRONT ROW, LEFT TO RIGHT:

Joseph J. Fifer, FHFMA, CPA
Carol A. Friesen, FHFMA
Michael M. Allen, FHFMA, CPA
Kevin F. Brennan, FHFMA, CPA

THE PLAN

THE VISION

HFMA will bring value to the industry as the leading organization for healthcare finance.

THE MISSION

HFMA's mission is to lead the financial management of health care.

THE STRATEGY

Building and fostering coalitions with other key healthcare stakeholders to define and influence change is crucial to HFMA achieving its mission. In fact, such collaboration is a core organizational strategy and the foundation for many of the Association's initiatives and accomplishments during FY18. A guiding element in these efforts is HFMA's "Three Circle" plan, which represents the importance of providers, health plans, and physicians and other practitioners working together to improve the health of patients and communities—with a special emphasis on the fact that patients are at the center of it all.



MEMBERSHIP 38,000

Official Membership



HFMA saw an 18 percent increase in physician and physician practice members over the previous fiscal year as well as a 10 percent increase in members who work in health plan settings.

Enterprise Solutions

hfma™

19

Enterprise Solutions member organizations, translating into:

7,000

Members in

63

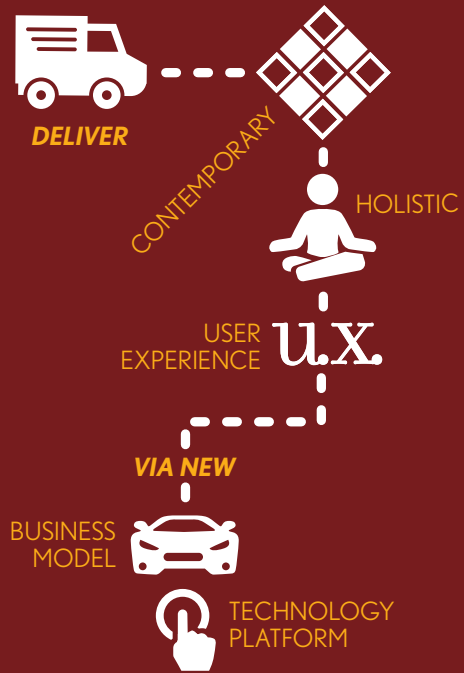
chapters and

47

states.

polaris

HFMA officially launched Polaris—a strategic project that will transform the traditional membership business model into one that is easy and enjoyable to use and fulfills the needs of members and customers.



FY18 RESULTS

INDUSTRY INITIATIVES & THOUGHT LEADERSHIP

hfma | Thought Leadership Retreat

HFMA's 11th Annual Thought Leadership Retreat took place Oct. 5-6, 2017, in National Harbor, Md. Attendees provided insight, shared experiences, and discussed issues related to the future of value.



HFMA and the Deloitte Center for Health Solutions released the results of a joint study on how merger and acquisition activity impacts a hospital's performance.

hfma | National Payment Innovation Summit

The Third Annual National Payment Innovation Summit took place Feb. 21-23, 2018, in Denver. The case-study-based conference, resulting from a partnership between the HFMA and the Altarum Center for Value in Health Care, focused on improving quality and reducing the cost of care for high-need, high-cost patients.



HFMA released a study, sponsored by Humana Inc., that found continued progress for value-based care and interoperability.



HFMA, with support from Kaufman Hall, announced the Financial Analytics Leadership Council. The goal is to drive change in the healthcare industry's approach to financial decision support, reflecting the increasingly important role of analytics in managing financial performance.

NATIONAL ADVISORY COUNCIL

The National Advisory Council provided insights and perspectives on important topics around social determinants of health, total cost of care, surprise out-of-network billing, and healthcare disruptors.



HFMA issued six comment letters during FY18. The letters voiced HFMA member concerns and recommended changes to policies proposed by regulatory, legislative, and other similar entities.

AFFINITY GROUPS

HFMA affinity groups provided valuable direction on issues of concern to leaders in a wide array of healthcare settings, including physician practices, health plans, and accountable care organizations.

PARTNERSHIPS & COLLABORATIONS

Collaboration with other key stakeholder groups is a crucial element in HFMA's strategy to influence important change in the current healthcare environment. Following are some of the many groups the Association partnered with during FY18.

Physician/Clinical Areas:

- American Association for Physician Leadership
- American Organization of Nurse Executives
- Institute for Healthcare Improvement/National Patient Safety Foundation
- National Academy of Medicine (formerly Institute of Medicine)

Purchaser/Employer/Consumer Perspective:

- Catalyst for Payment Reform
- Community Catalysts
- Leapfrog Group
- National Business Group on Health

Standard-Setting Bodies:

- Financial Accounting Standards Board
- Governmental Accounting Standards Board

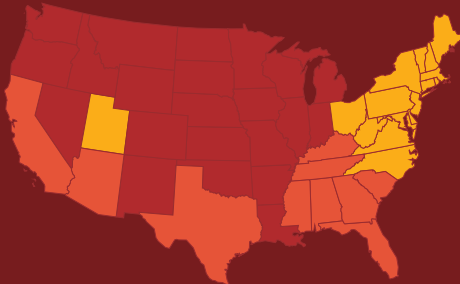
Health Insurance Plans:

- Alliance for Community Health Plans
- America's Health Insurance Plans
- National Association of Insurance Commissioners
- Society of Actuaries

Hospitals and Health Systems:

- American Hospital Association
- Association of American Medical Colleges
- Catholic Health Association of the United States
- Federation of American Health Systems
- National Rural Health Association

CHAPTERS



Chapters 2.0

The Chapters 2.0 Governance and Leadership Task Force worked to increase value for members, reduce the administrative burden on volunteers, and create an exceptional leadership experience for volunteers. This initiative included recommending a new governance structure that will create opportunities for volunteer leaders to engage in ways that work for them.

hfma™
greater heartland

Three Missouri chapters merged to form the "Greater Heartland Chapter," creating efficiencies in the delivery of services across the state and reducing the burden on volunteers. This change brings HFMA's total number of chapters to 66.

cvent

All HFMA chapters transitioned to a new centralized event management system.

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Lead. Solve. Grow.

hfma.org



EDUCATION

hfma | 2018 Annual Conference

HFMA introduced a renamed and reimagined Annual Conference, designed to provide attendees with a more meaningful, contemporary learning and networking environment. More than 4,500 attended the event June 24-27, 2018, in Las Vegas.

hfma | Revenue Cycle Conference

HFMA hosted the annual Revenue Cycle Conference Oct. 22-24, 2017, in Orlando, Fla. Top revenue cycle performers shared best strategies, techniques, and ideas for both organizational financial performance and patient experience.

>11%
CERTIFIED MEMBERS*

hfma | Certifications

Certified Inpatient Coding Auditor (CICA)

A new, online Certified Inpatient Coding Auditor (CICA) certification was launched to validate and acknowledge the professional expertise of inpatient coding auditor professionals.



ONLINE &
ON-DEMAND
LEARNING

HFMA offered a wide array of online and on-demand webinars, seminars, and e-learning opportunities to meet the educational needs of busy healthcare finance professionals.

*most ever!

PUBLICATIONS & DIGITAL CONTENT

HFMA introduced Compass, a new email vehicle for sharing the Association's editorial and educational content with members.



It's Like GPS for
Industry Insights.

COMPASS
Navigate Your Member Resources
hfma



HFMA released digital reports on three conferences, providing a larger audience with in-depth industry insights:

- 2017 Annual National Institute
- 2017 Thought Leadership Retreat (print version also published)
- 2018 National Payment Innovation Summit

HFMA's *Leadership* moved to an all-digital format in September 2017 and, in December 2017, incorporated new channels for physician leaders and health plan leaders as a go-to source for "three circle" content. Also added is a new "Inclusion" channel that offers insight on issues related to leader skills, workforce development, and work-life balance.

LEADERSHIP+

FORUMS

HFMA's Forums piloted a new online networking platform among a group of hospital and health system CFOs and hosted a demo of the platform at the Association's Annual Conference. The new platform features new ways to participate in discussions, share documents, and gauge Forum member experiences through online polling.



Revenue Cycle Strategist



Healthcare Cost Containment



Strategic Financial Planning

HFMA's three print newsletters—*Revenue Cycle Strategist*, *Healthcare Cost Containment*, and *Strategic Financial Planning*—featured hospital case studies, thought leadership, and Q&A interviews with healthcare finance innovators.

THE SUPERSTARS

In FY18, HFMA recognized industry and professional leadership and insight with the Association's top awards.



HFMA National Chair-Elect Michael Allen (center) presents the 2018 Richard L. Clarke Board of Directors Award to Dr. Scott Rathgaber, CEO of Gundersen Health System, and Danielle Rathke, Gundersen's Advance Care Planning Coordinator.

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 Gundersen Health System in recognition of its pioneering work in developing Respecting Choices[®], an internationally recognized, evidence-based model of advance care planning that creates a culture of person-centered care. Since its launch in 1986, Respecting Choices[®], has become the favored model of advance care planning in more than 130 health systems and medical centers. It is internationally recognized and has more than 10,000 trained facilitators worldwide.

FREDERICK C. MORGAN INDIVIDUAL ACHIEVEMENT AWARD

This 2018 Frederick C. Morgan Individual Achievement Award was presented to Christine Hogan-Newgren, chief compliance officer and audit executive for Stormont Vail Health, Topeka, Kan. Hogan-Newgren, a Fellow of HFMA, is the 60th recipient of the award, which honors career-long contributions to HFMA and to the healthcare finance profession. Since joining HFMA in 1989, Hogan-Newgren has served in many roles at the chapter and regional levels, including Colorado Chapter president in 2010-11 and Regional Executive for Region 10 in 2016-17. At the national level, Hogan-Newgren has been a member of the National Advisory Council, the Compliance Officers Forum, and the National Executive Council.



Carol Friesen (right) presents Christine Hogan-Newgren with the 2018 Frederick C. Morgan Individual Achievement Award.



Representatives of the Iowa Chapter celebrate receiving the 2018 Shelton Award (left to right): Abbey Stangl, Jeremy Behrens, Dave Muhs, Kara Dunham, Chad Tysdahl, and Deanna Gray.

ROBERT M. SHELTON AWARD FOR SUSTAINED CHAPTER EXCELLENCE

HFMA awarded its highest chapter honor—the Robert M. Shelton Award for Sustained Chapter Excellence—to the Iowa Chapter. Over the past five years, the 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 16 awards in education, certification, and membership. It also earned 12 single-entry Yerger awards and four multiple-chapter entries. Additionally, during the five-year period, the chapter maintained an impressive average of 25.1 education hours per member and a certified member average of 17.4.

HELEN YERGER/L. VANN SEAWELL BEST ARTICLE AWARD

Among nearly 100 expert-reviewed articles published in *hfm* and the *hfm Early Edition*, three were selected as recipients of the Helen Yerger/L. Vann Seawell Best Article Award, which recognizes outstanding editorial achievement. Articles are judged on technical quality, writing skills, and overall contribution to the literature of healthcare finance professionals. The winners were:

- “From Disparate Data to Informed Strategies Using Technology to Transform Quality, Costs, and the Patient Experience” (February 2018 *hfm Early Edition*). Authors: Jennie D. Dulac, RN, and Walter W. Morrissey, MD
- “Protecting Revenue at Risk” (April 2018 *hfm*). Authors: Warren E. Beck, Cherie Kelly-Aduli, and Brian B. Sanderson
- “Optimizing a Health System’s Post-Acute Care Network” (May 2018 *hfm Early Edition*). Authors: Andre Maksimow and Dawn Samaris

THE SUPERSTARS: 2018 MAP AWARD FOR HIGH PERFORMANCE IN REVENUE CYCLE

Twenty-two organizations received HFMA's 2018 MAP Award for High Performance in Revenue Cycle, which recognizes providers that have excelled in meeting industry standard revenue cycle benchmarks (MAP Keys®), implemented the patient-centered recommendations and best practices embodied in HFMA's Healthcare Dollars & Sense™ initiatives, and achieved outstanding patient satisfaction. This year's recipients, which were recognized at the 2018 Annual Conference in Las Vegas, are:

INTEGRATED DELIVERY SYSTEMS

Geisinger Health System; Danville, Pa.
Presbyterian Healthcare Services; Albuquerque, N.M.
Saint Francis Health System; Tulsa, Okla.

HOSPITAL SYSTEMS

OhioHealth; Columbus, Ohio
St. Elizabeth Healthcare; Edgewood, Ky.

INDIVIDUAL HOSPITALS

CHRISTUS Mother Frances Hospital – Tyler; Tyler, Texas
Clifton Springs Hospital and Clinic; Clifton Springs, N.Y.
Dignity Health Mercy General Hospital; Sacramento, Calif.



Dignity Health St. Elizabeth Community Hospital; Red Bluff, Calif.

Houston Physicians' Hospital; Webster, Texas

Murray-Calloway County Hospital; Murray, Ky.

Princeton Baptist Medical Center; Birmingham, Ala.

St. Clair Hospital; Pittsburgh, Pa.

St. Luke's Hospital; Chesterfield, Mo.

CRITICAL ACCESS HOSPITALS

Henry County Health Center; Mount Pleasant, Iowa

Jamestown Regional Medical Center; Jamestown, N.D.

PHYSICIAN PRACTICES

ENT & Allergy Associates, LLP; Tarrytown, N.Y.

Privia Medical Group; Arlington, Va.

St. Clair Medical Services; Pittsburgh, Pa.

St. Elizabeth Physicians; Crestview Hills, Ky.

Chesterfield Internal Medicine & Rheumatology, LLC; Chesterfield, Mo.

Virginia Eye Institute; Richmond, Va.

Joe Fifer congratulates recipients of the 2018 MAP Award for High Performance in Revenue Cycle during the opening general session of the HFMA Annual Conference.



THE SUPERSTARS: HFMA CHAPTER AWARDS

Outstanding chapter performance was recognized at the Volunteer Recognition Gala and Awards Dinner, held June 25 at the 2018 Annual Conference in Las Vegas. The following awards were presented.

C. HENRY HOTTUM AWARDS FOR EDUCATIONAL PERFORMANCE IMPROVEMENT

Eastern Michigan Chapter	Show-Me of Missouri Chapter
Florida Chapter	South Texas Chapter
Indiana Pressler Memorial Chapter	Southern California Chapter
Kentucky Chapter	Southern Illinois Chapter
Maine Chapter	Southwestern Ohio Chapter
Montana Chapter	Sunflower (Kansas) Chapter
Nebraska Chapter	Tennessee Chapter
Nevada Chapter	Utah Chapter
New Jersey Chapter	Western Pennsylvania Chapter
Northeast Ohio Chapter	Wisconsin Chapter
Northeastern New York Chapter	Wyoming Chapter
Northwest Ohio Chapter	

AWARDS OF EXCELLENCE FOR EDUCATION

Platinum Awards of Excellence for Education

Arkansas Chapter
Montana Chapter
Nebraska Chapter
Nevada Chapter
Sunflower (Kansas) Chapter
Wyoming Chapter

Charles F. Mehler Gold Awards of Excellence for Education

Georgia Chapter
Hawaii Chapter
Iowa Chapter
New Jersey Chapter
North Carolina Chapter
Northeastern New York Chapter
South Texas Chapter
Southern California Chapter
Southern Illinois Chapter
Tennessee Chapter
West Virginia Chapter
Western Pennsylvania Chapter

John M. Stagl Silver Awards of Excellence for Education

Central Pennsylvania Chapter
Eastern Michigan Chapter
Florida Chapter
Indiana Pressler Memorial Chapter
Kentucky Chapter
North Dakota Chapter
South Dakota Chapter

Sister Mary Gerald Bronze Awards of Excellence for Education

Alabama Chapter
Colorado Chapter
Hudson Valley NY Chapter
Idaho Chapter
Northeast Ohio Chapter
Oregon Chapter
Show-Me of Missouri Chapter
South Carolina Chapter
Wisconsin Chapter

AWARDS OF EXCELLENCE FOR MEMBERSHIP GROWTH AND RETENTION

Platinum Awards

Central Ohio Chapter
Central Pennsylvania Chapter
North Dakota Chapter

Gold Awards

Nebraska Chapter
South Dakota Chapter

Silver Awards

Maryland Chapter
McMahon-Illini Chapter
Washington-Alaska Chapter

Bronze Award

Iowa Chapter

AWARDS OF EXCELLENCE FOR CERTIFICATION

Platinum Awards

Central Pennsylvania Chapter
Iowa Chapter
Nebraska Chapter
Northeastern Pennsylvania Chapter
Oregon Chapter
Rochester Regional Chapter
South Carolina Chapter

Gold Awards

First Illinois Chapter
Greater St. Louis Chapter
New Hampshire-Vermont Chapter
South Texas Chapter

Silver Awards

Arkansas Chapter
Great Lakes Chapter
Hudson Valley NY Chapter
Maine Chapter
Mississippi Chapter
Nevada Chapter
Oklahoma Chapter
South Dakota Chapter
Southern Illinois Chapter
Tennessee Chapter

Virginia-Washington DC Chapter
Western New York Chapter
Western Pennsylvania Chapter
Wyoming Chapter

Bronze Awards

Central New York Chapter
Eastern Michigan Chapter
Florida Chapter
Heart of America Chapter
Idaho Chapter
Indiana Pressler Memorial Chapter
Kentucky Chapter
Louisiana Chapter
McMahon-Illini Chapter
North Carolina Chapter
San Diego-Imperial Chapter
Show-Me of Missouri Chapter
Texas Gulf Coast Chapter
Washington-Alaska Chapter
Wisconsin Chapter

THE SUPERSTARS: HFMA CHAPTER AWARDS (CONTINUED)

HELEN M. YERGER SPECIAL RECOGNITION AWARDS

Multichapter Recipients

Member Service	Region 1 Excel Webinar Series	Connecticut Maine Massachusetts-Rhode Island New Hampshire-Vermont
Improvement	Joint Webinar - Maine & NH/VT	Maine New Hampshire-Vermont
Improvement	2017 Certification Review Session at the Region II Fall Conference	Central New York Hudson Valley NY Metropolitan New York Northeastern New York Puerto Rico Rochester Regional Western New York
Improvement	2017 Region II Fall Conference	Central New York Hudson Valley NY Metropolitan New York Northeastern New York Puerto Rico Rochester Regional Western New York
Education	Region 2 Webinar Committee	Central New York Hudson Valley NY Metropolitan New York Northeastern New York Puerto Rico Rochester Regional Western New York
Education	Region 3 Webinar Program	Central Pennsylvania Metropolitan Philadelphia New Jersey Northeastern Pennsylvania Western Pennsylvania
Improvement	Making the 41st NJ/Metro Philadelphia Annual Institute a New and Exciting Experience	Metropolitan Philadelphia New Jersey
Innovation	Dixie Turns 50 Promotional Booth	Alabama Florida Georgia South Carolina Tennessee
Education	2017 Region V Institute	Alabama Florida Georgia South Carolina Tennessee
Innovation	Successfully Designing and Implementing an Effective Sponsorship Program to Support the Largest Annual Region 5 Institute Ever	Alabama Florida Georgia South Carolina Tennessee
Education	Michigan 64th Annual HFMA Fall Conference	Eastern Michigan Great Lakes Western Michigan
Education	2017 Michigan HFMA Spring Conference	Eastern Michigan Great Lakes Western Michigan
Improvement	Electronic Meeting Evaluation to Increase Feedback Results	Arkansas Lone Star Louisiana Mississippi Oklahoma South Texas Texas Gulf Coast
Education	2018 Louisiana/Texas Gulf Coast Joint Payer Forum	Louisiana Texas Gulf Coast
Education	HFMA Northern California & Nevada Joint Fall Conference	Nevada Northern California

Improvement	Revamping the Oregon and Washington-Alaska Chapter Websites	Oregon Washington-Alaska
Innovation	Joint Chapter Women's Event	San Diego Imperial Southern California
Innovation	Certification Coaching Program	Arizona Connecticut New Hampshire-Vermont Wisconsin
Innovation	First HFMA's HERe Women and Leadership Event at Western Symposium	Arizona Colorado Hawaii Idaho Montana Nevada New Mexico Northern California Oregon San Diego Imperial Southern California Utah Washington-Alaska Wyoming
Innovation	Regions 10 and 11 Western Symposium 2018 Hosted Provider Outreach Program	Arizona Colorado Hawaii Idaho Montana Nevada New Mexico Northern California Oregon San Diego Imperial Southern California Utah Washington-Alaska Wyoming

Individual Chapter Recipients

Alabama (1)	Louisiana (2)	Northeastern Pennsylvania (1)
Arizona (4)	Maryland (3)	Northern California (2)
Arkansas (4)	Massachusetts-Rhode Island (4)	Northwest Ohio (1)
Central Ohio (2)	McMahon-Illini (2)	Oklahoma (3)
Colorado (3)	Metropolitan New York (2)	Oregon (4)
Connecticut (1)	Metropolitan Philadelphia (2)	Rochester Regional (3)
Eastern Michigan (1)	Minnesota (4)	South Carolina (3)
First Illinois (4)	Montana (2)	South Dakota (1)
Georgia (1)	Nebraska (4)	Southern California (2)
Hudson Valley NY (3)	Nevada (3)	Southern Illinois (3)
Idaho (2)	New Hampshire-Vermont (1)	Texas Gulf Coast (3)
Indiana Pressler Memorial (1)	New Jersey (4)	Virginia-Washington DC (3)
Iowa (4)	North Carolina (3)	West Virginia (4)
Kentucky (1)	Northeast Ohio (2)	Western Michigan (1)
Lone Star (4)	Northeastern New York (3)	Western New York (2)

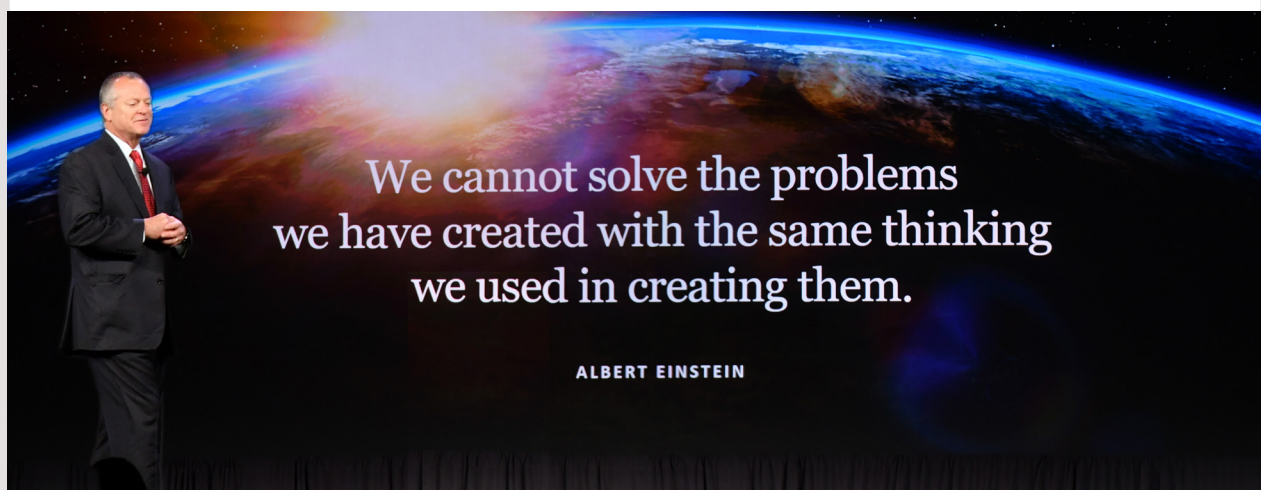
A special note from HFMA's President and CEO, Joseph J. Fifer, FHFMA, CPA:

This annual report highlights some of HFMA's notable accomplishments over the past year. I am proud of the progress made toward our mission to lead the financial management of health care and am grateful to our volunteers and staff who made it happen. It is important to also note, however, that the Association has faced significant hurdles.

Fiscal 2018 was a challenging year for HFMA. We operate in the same tumultuous industry as many of our members. Despite efforts to trim expenses and grow revenues, we were not able to achieve an operating profit. As reflected in the audited financial statements that are included as part of this annual report, the major contributors to our revenue shortfalls occurred in membership and publications advertising. Both signs of the times. Additionally, HFMA's website and membership experience redesign project—internally referred to as Polaris—was launched during the year. The Polaris costs, which are investments in the future but not a capital cost, further contributed to the negative margin.

I know that many of your businesses are going through similar challenges from competition and volume fluctuations. I share your pain. However, due to a strong balance sheet that includes healthy cash balances, we have been able to make these important investments in the future of HFMA. We believe investing in our chapters and implementing new models for education and membership will pay off dividends in the very near future.

The bottom line is that I believe we have turned the corner and can put these challenges behind us. As I know many of you have heard me say: I am bullish about the future of our Association. We are building a new, contemporary HFMA that will continue to be the indispensable resource we always have been. I trust you, too, share my enthusiasm for an even better HFMA!



Looking forward to FY19, HFMA will build upon its achievements of the past year as it continues to bring value to the industry and lead the financial management of health care.

HFMA President and CEO Joseph J. Fifer, FHFMA, CPA, shared his vision for the industry and the Association during a presentation at the 2018 Annual Conference. In doing so, he compared the current state of the industry to Copernicus' discovery that the sun, rather than the Earth, was the center of the solar system.

"I believe this is our Copernican moment," Fifer said. "The healthcare delivery system is reorienting itself to revolve around the people we serve, not around us."

Fifer noted that such revolutionary change requires healthcare finance leaders to prepare for three primary forces shaping the future of health care—the imperative to reduce the total cost of care, consumerism, and innovation. In discussing these three forces, he shared findings from HFMA's recent research and highlighted related resources designed to support HFMA members as they respond to an evolving industry. Such resources include HFMA's pioneering work on delivering high-value health care, the new Financial Analytics Leadership Council, and the Healthcare Dollars & Sense tools.

"There is no better community or support system," Fifer concluded, "than HFMA to help finance leaders figure out ways to make the most of this long transition period in our industry."

Kevin Brennan, FHFMA, CPA, also stressed the importance of innovation in a speech following his installation as HFMA's 2018-19 Chair at the Annual Conference. He noted that innovation often is presented in a way that makes it seem elusive. Brennan suggested that it should instead be addressed systematically like any other business issue: define the problem and then solve it.

A principal with SunStone Consulting and former vice president of finance and CFO of Geisinger, Brennan shared why he believes imagination and innovation can advance systems of care by turning opportunities and challenges into executable improvements. To that end, he encouraged healthcare finance leaders to "imagine a better tomorrow."

"Take time to imagine tomorrow and how you and your team can make a difference," said Brennan. "HFMA is here to help each of you be better prepared to lead, to collaborate, to be imaginative and innovative, and to build high-performing teams."



Kevin Brennan, HFMA's 2018-19 Chair, encourages Annual Conference attendees to "imagine tomorrow."



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.

A handwritten signature in black ink, appearing to read "J. J. Fifer".

Joseph J. Fifer, FHFMA, CPA
President and CEO

A handwritten signature in black ink, appearing to read "Joyce Zimowski".

Joyce Zimowski, FHFMA, CPA
Senior Vice President and CFO

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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, 2018 and 2017, 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, 2018 and 2017, 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
September 12, 2018

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MAY 31, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,970,232	\$ 11,438,563
Accounts receivable, less allowances for doubtful accounts of \$563,118 in 2018; \$690,756 in 2017	2,490,731	2,968,439
Prepaid expenses and other	1,633,591	1,185,122
Total current assets	14,094,554	15,592,124
Investments	29,641,383	31,908,942
Investments held for deferred compensation	1,307,920	1,228,261
Furniture, equipment and software, net	1,391,227	1,626,267
Chapter-restricted funds	72,441	71,922
Total assets	\$ 46,507,525	\$ 50,427,516
LIABILITIES AND UNRESTRICTED NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,980,010	\$ 4,916,684
Deferred membership dues, net of related chapter rebates of \$377,289 in 2018; \$566,481 in 2017	4,643,127	5,318,285
Deferred registration, subscription and other revenue	10,021,013	10,268,872
Total current liabilities	17,644,150	20,503,841
Deferred lease obligation	465,269	533,032
Deferred compensation liability	1,307,920	1,228,261
Total liabilities	19,417,339	22,265,134
Unrestricted net assets	27,090,186	28,162,382
Total liabilities and unrestricted net assets	\$ 46,507,525	\$ 50,427,516

See notes to financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED MAY 31, 2018 AND 2017

	2018	2017
REVENUE:		
Membership dues	\$ 7,376,444	\$ 8,035,300
<i>hfm</i> magazine	3,283,823	4,247,367
ANI registrations, exhibits and fees	5,048,941	5,492,907
Sponsorship	3,674,788	3,281,236
Benchmarking and metrics	2,123,465	2,570,452
Royalties	1,392,496	1,232,746
Education	583,926	1,261,201
Certification	1,315,316	1,325,253
Forums	449,445	553,757
Other products and services	101,553	164,156
Newsletters	289,903	386,598
Training	149,969	228,952
Miscellaneous	158,859	115,469
Total revenue	\$ 25,948,928	\$ 28,895,394
EXPENSES:		
Personnel	14,857,730	15,583,584
Professional services	2,293,497	2,714,734
Meal functions	1,476,081	2,140,988
Marketing	1,067,863	1,378,333
Travel	1,620,746	1,944,042
Printing	842,163	1,086,454
Commissions	873,568	753,092
Equipment	862,336	800,455
Administrative	762,386	919,729
Occupancy	672,130	701,940
Taxes (refund)	(50,357)	504,797
Postage	233,815	288,667
Speaker honoraria	301,850	252,900
Depreciation and amortization	326,244	292,031
Telephone and internet	274,216	251,076
Benchmarking tool information technology expenses	468,781	363,640
Licensing fees	402,743	222,508
Chapter grants	329,085	344,851
Bad debt	38,004	83,000
Prizes and gifts	248,749	196,780
Hotel and meeting costs	329,055	331,314
Other	63,457	110,429
Total expenses	28,294,142	31,265,344
Operating loss before membership model and website redesign expenses	(2,345,214)	(2,369,950)
Membership model and website redesign expenses	1,426,632	
Operating loss after membership model and website redesign expenses	(3,771,846)	(2,369,950)
Net investment income	2,699,650	3,692,289
Change in net assets	(1,072,196)	1,322,339
Unrestricted net assets, beginning of year	28,162,382	26,840,043
Unrestricted net assets, end of year	\$ 27,090,186	\$ 28,162,382

See notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MAY 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (1,072,196)	\$ 1,322,339
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	326,244	292,031
Provision for doubtful accounts	38,004	83,000
Decrease in deferred lease obligation	(67,763)	(50,658)
Realized gains on sales of investments	(2,122,305)	(601,912)
Change in unrealized losses (gains) on investments	286,265	(2,518,884)
Changes in assets and liabilities:		
Accounts receivable	439,704	260,389
Prepaid expenses and other	(448,469)	406,774
Chapter-restricted funds	(519)	36
Accounts payable and accrued expenses	(1,936,674)	548,236
Deferred dues and revenue	(923,017)	(1,815,516)
Deferred compensation liability	79,659	296,778
Net cash used in operating activities	(5,401,067)	(1,777,387)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(91,205)	(713,882)
Proceeds from sale of investments	5,877,696	388,678
Purchase of investments	(1,775,824)	(1,003,145)
Proceeds from sale of investments held for deferred compensation	171,971	110,143
Purchase of investments held for deferred compensation	(249,902)	(406,921)
Net cash provided by (used in) investing activities	3,932,736	(1,625,127)
Decrease in cash and cash equivalents	(1,468,331)	(3,402,514)
CASH AND CASH EQUIVALENTS:		
Beginning	11,438,563	14,841,077
Ending	\$ 9,970,232	\$ 11,438,563
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for taxes	\$ 605,000	\$ 614,000

See notes to 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 36,000 members. HFMA's operations include membership activities, publications, meetings, conference 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 Conference Convention educational revenue other than Annual Conference Convention 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 financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

Principles of consolidation: The financial statements include the accounts and operations of HFMA, the Foundation, and LSI (collectively, the Association). Intercompany accounts and transactions are eliminated upon 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 financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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. Accounts receivable 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 and reported as net investment income.

Furniture, equipment and software: Furniture, equipment and software 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.

Website development costs incurred in the planning stage of development are expensed as incurred. Costs incurred in the application and infrastructure stage, which involve developing software to operate the website, are capitalized. Capitalization of costs ceases and amortization of capitalized website development costs commences when the website becomes functional. Capitalized website 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 related 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 \$520 and \$61 for the years ended May 31, 2018 and 2017, respectively.

Membership model and website redesign expenses: In August 2017, HFMA launched a project intended to modernize its website and membership model, as well as to enhance the member experience. Internally named “Polaris”, this project is expected to cost in excess of \$5,000,000 and be completed in fiscal year 2019. End results are expected to be a more contemporary, user friendly, easily searchable website, along with operations and organizational structure focused on the member. Costs incurred to date are almost exclusively related to consulting services provided by one outside vendor and relate to the planning stage of the project. These costs have been expensed as incurred. Due to the significant size and nature of the project, HFMA has isolated those costs on the 2018 consolidated statement of activities. As of May 31, 2018, HFMA has commitments totaling approximately \$2,360,000 related to this project.

Income taxes: HFMA is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code (IRC), and the Foundation is exempt under Section 501(c)(3) of the IRC. HFMA is subject to taxes on unrelated business income (UBI), which is generally HFMA’s advertising revenue. HFMA had approximately \$3,284,000 and \$4,247,000 in gross advertising revenue for the years ended May 31, 2018 and 2017, respectively. Income tax expense associated with UBI is reflected within the taxes expense (refund) 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 net operating loss (NOL) carryforwards of approximately \$2,375,000 and \$2,431,000 at May 31, 2018 and 2017, respectively. 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, 2018 and 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 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 UBI. The tax benefits recognized in the 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, 2018 and 2017, 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, 2015.

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, 2015.

Marketing costs: HFMA expends the production costs of marketing the general benefits of belonging to HFMA, or purchasing products other than educational events, the first time the marketing 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, 2018 and 2017, deferred marketing expenses totaled approximately \$211,000 and \$266,000, respectively, and are included in prepaid expenses and other assets on the consolidated statements of financial position.

Reclassifications: Certain prior-year amounts have been reclassified to conform to the current-year presentation without affecting prior-year net asset balances.

Pending accounting pronouncements: In August 2016, the FASB issued Accounting Standards Update (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 and available resources. The new standard is effective for the Association in the fiscal year ending May 31, 2019.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*. This ASU will require that the statement of cash flows include the change in restricted cash and cash equivalents, in addition to the change in operating cash and cash equivalents for the related reporting period. The new standard is effective for the Association in the fiscal year ending May 31, 2020.

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 new standard is effective for the Association in the 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 financial statements of implementing these ASUs.

Subsequent events: HFMA has evaluated subsequent events for potential recognition and/or disclosure through September 12, 2018, the date these 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, 2018 and 2017:

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Equity mutual funds:				
International equity funds	\$ 6,487,336	\$ 5,806,771	\$ 8,516,110	\$ 8,177,412
Large-cap equity funds	6,308,929	3,296,681	8,162,709	4,564,908
Small-cap equity funds	3,039,005	2,388,075	3,246,918	2,783,815
Fixed income mutual funds	3,773,943	3,637,446	9,081,637	9,123,767
Convertible securities mutual funds	8,030,601	8,273,314	994,673	823,537
Absolute return funds	2,001,569	1,943,225	1,906,895	1,900,361
	\$ 29,641,383	\$ 25,345,512	\$ 31,908,942	\$ 27,373,800

Net investment income is summarized as follows for the years ended May 31, 2018 and 2017:

	2018	2017
Dividend and interest income, less fees of \$61,072 in 2018; \$47,209 in 2017	\$ 863,610	\$ 571,493
Net realized gains on sales of investments	2,122,305	601,912
Change in net unrealized investment (losses) gains	(286,265)	2,518,884
Net investment income	\$ 2,699,650	\$ 3,692,289

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 financial statements.

NOTE 3. INVESTMENTS HELD FOR DEFERRED COMPENSATION

At May 31, 2018 and 2017, investments held for deferred compensation consist of the following:

	2018	2017
Equity mutual funds	\$ 612,440	\$ 529,232
Fixed income mutual funds	695,480	699,029
	\$ 1,307,920	\$ 1,228,261

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, 2018 and 2017, 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, 2018 and 2017, 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 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 fixed income mutual funds also include investments that are valued using the 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. These investments are classified as Level 3 in the fair value hierarchy.

The following tables present the Association's fair value hierarchy for the investments held for deferred compensation as of May 31, 2018 and 2017:

Description	May 31, 2018			
	Total	Level 1	Level 2	Level 3
Equity mutual funds	\$ 612,440	\$ 612,440	\$ -	\$ -
Fixed income mutual funds	695,480	493,169	-	202,311
	\$ 1,307,920	\$ 1,105,609	\$ -	\$ 202,311

Description	May 31, 2017			
	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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Changes in the Association's Level 3 investments related to fixed income mutual funds are as follows:

	2018	2017
Balance, beginning of year	\$ 219,621	\$ 238,284
Unrealized loss	(17,310)	(18,663)
Balance, end of year	\$ 202,311	\$ 219,621

NOTE 5. FURNITURE, EQUIPMENT AND SOFTWARE

Details of furniture, equipment and software at May 31, 2018 and 2017, are as follows:

	2018	2017
Furniture and equipment	\$ 2,360,062	\$ 2,360,062
Leasehold improvements	372,501	372,501
Software	1,898,242	1,898,242
Work in process	91,205	-
	4,722,010	4,630,805
Less: Accumulated depreciation and amortization	3,330,783	3,004,538
	\$ 1,391,227	\$ 1,626,267

Amortization expense of capitalized software totaled \$217,032 and \$138,867 for the years ended May 31, 2018 and 2017, respectively. The unamortized balance of capitalized software totaled \$1,004,886 and \$1,221,918 at May 31, 2018 and 2017, respectively.

Items included in work in process, above, are expected to be placed in service in fiscal year 2019.

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 this agreement 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:	
2019	\$ 618,613
2020	635,717
2021	652,822
2022	669,926
2023	112,130
	\$ 2,689,208

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 7. FUNCTIONAL EXPENSES

The following table sets forth expenses, including taxes, incurred by function of the Association for the years ended May 31, 2018 and 2017:

	2018	2017
Education, products and services	\$ 4,756,915	\$ 5,858,407
Publications	2,569,962	3,641,123
Membership	2,409,695	1,813,661
Benchmarking and metrics	1,313,318	1,279,440
Newsletters	147,098	168,820
Management and general:		
Personnel	14,306,623	14,895,036
Overhead	3,226,685	2,623,014
Depreciation	326,244	292,031
Lease	664,234	693,812
	\$ 29,720,774	\$31,265,344

The above includes the functional allocation of the website development project expenses, shown separately on the 2018 consolidated statement of activities.

NOTE 8. EMPLOYEE BENEFIT PLANS

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, 2018 and 2017, were \$586,145 and \$606,655, respectively.

The Association also 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 \$313,809 and \$244,065 for the years ended May 31, 2018 and 2017, respectively, for contributions to the plans on behalf of the key employees.

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,	
	2018	2017
Number of chapters	68	68
Total assets, primarily cash	\$ 12,511,274	\$ 13,177,722
Total revenue	13,027,148	13,395,531
Increase (decrease) in net assets	189,734	(201,000)