

DELIVERING THE HEARTBEAT OF PROGRESS.

2018-2019

Annual Report

hfma[™]

healthcare financial management association

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Letter from the Chair

DEAR VALUED COLLEAGUES:

Serving as HFMA's 2018-19 National Chair was the opportunity of a lifetime. I dedicated my term to challenging HFMA members and our industry partners to "Imagine Tomorrow" and then use that vision to pursue opportunities to promote improved population health, high-quality care and more affordable costs. The healthcare industry may be a complex and challenging environment, but I believe imagination and innovation are the keys to advancing our systems of care. Time and again, as I attended chapter and regional events across the country, I was impressed to learn of HFMA members not only imagining a better tomorrow but also taking that next step and turning opportunities and challenges into executable improvements.

At the same time, our Association was undertaking an innovative endeavor of its own. After identifying areas where it could better meet member needs by doing some of the things it was already doing in different ways, HFMA set out to radically transform its traditional association membership model. The multi-year effort came to fruition during the 2018-19 fiscal year as HFMA introduced a new "all access" membership model designed to improve both member experience and engagement.

This annual report documents this major accomplishment as well as others achieved during FY19. It's an exciting time for our Association and all who belong to the "heartbeat of progress." Thank you to all our HFMA leaders and volunteers for their important role in these achievements. Your willingness to imagine a better tomorrow for our Association is the first step to making the vision a reality.

Best regards,

Kevin F. Brennan

Kevin F. Brennan, FHFMA, CPA
2018-19 HFMA National Chair

BOARD OF DIRECTORS

*HFMA is guided by the experience and vision of a dedicated Board of Directors.
The 2018-19 HFMA Board of Directors were:*



BACK ROW, LEFT TO RIGHT:

James L. Heffernan, FHFMA
Aaron R. Crane, FHFMA, CPA, MHA
Dennis E. Dahlen, CPA
T. Carley Williams, CPA
Dorothy A. Coleman, CPA
Marc B. Scher, CPA
Paula Reichle, CPA

FRONT ROW, LEFT TO RIGHT:

Mimi Taylor
Joseph J. Fifer, FHFMA, CPA
Kevin F. Brennan, FHFMA, CPA
Michael M. Allen, FHFMA, CPA, MHA
Tammie L. Galindez, FHFMA, MHA
Cindy Price, FHFMA

THE VISION

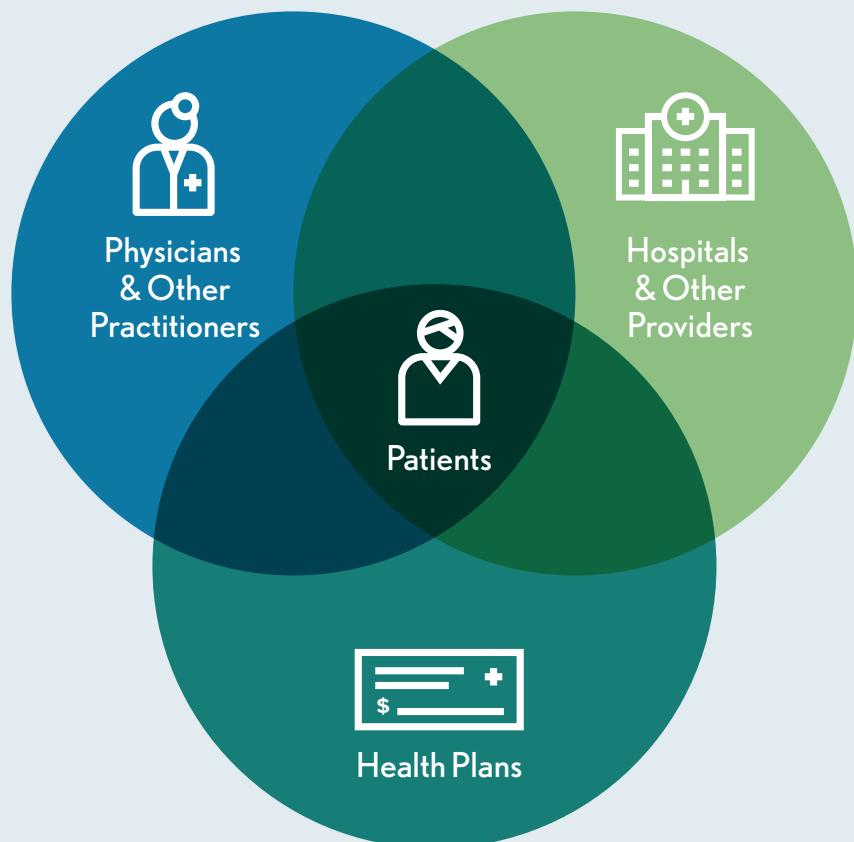
HFMA will bring value to the industry as the leading organization for healthcare finance.

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 in order 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 FY19. A guiding element in these efforts is HFMA's work to engage stakeholders, representing both financial and clinical perspectives, while uniting to improve the health of patients and communities – with a special emphasis on the fact that patients are at the center of it all.



For HFMA, delivering the “heartbeat of progress” means helping healthcare finance and business leaders successfully navigate a complex industry while also advancing their careers and organizations. Significant accomplishments were achieved during FY19 in pursuit of that objective.

MEMBERSHIP REINVENTED

HFMA launched a new “all access” membership model, providing members with access to all the following for one price:



Unlimited
Website Content



Chapter
Membership



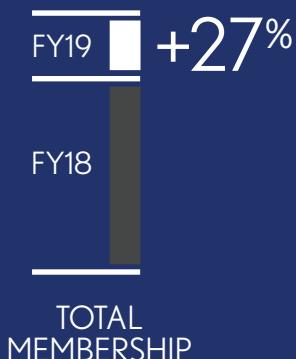
Professional
Certifications



Online
Education

43,000+

Official Membership



MEMBER
RETENTION

54
hfma™ | Enterprise
Solutions

MEMBER ORGANIZATION
CONTRACTS FY19



hfma.org

A new digital platform was built, tested and readied for official launch in June 2019. The new hfma.org is better organized, integrates different kinds of information and provides members with a personalized digital experience in the form of customized, curated content.

Expert Analysis & Thought Leadership

HFMA delivered several new resources in FY19 as part of its ongoing commitment to help healthcare finance professionals stay on top of emerging industry trends. These included:



An analysis highlighting current issues and considerations in accounting for revenue and the implications in the reporting of uncompensated care (including bad debt, charity care and implicit price concession).



A study, conducted by HFMA, Leavitt Partners and McManis Consulting, with support from The Commonwealth Fund, that found value-based payment models did not show a reduction of the total cost of care or improvement in clinical quality outcomes at the market level.



The L7 Cost Accounting Adoption Model™ – jointly launched by HFMA and Strata Decision Technology – is the first road map to help healthcare providers access accurate cost data via the use of advanced cost accounting.



Avoiding Surprises in Your Medical Bills: A Guide for Consumers: Developed jointly by HFMA, the American Hospital Association and America's Health Insurance Plans, with input from the American Medical Association, the guide is designed to help consumers understand steps they can take to reduce the chance of receiving an unexpected out-of-network medical bill.

HFMA engaged in many cross-professional partnerships over the course of the year, enhancing the ability for all to achieve common goals: improving the patient experience, reducing the cost of care and improving population health. Such partners included:

- American Organization for Nursing Leadership
- American Association for Physician Leadership
- American College of Physician Advisors
- American Nursing Association
- Alliance of Community Health Plans
- Institute for Healthcare Improvement
- The Joint Commission
- Society of Actuaries
- National Association for Healthcare Quality



CROSS-PROFESSIONAL PARTNERSHIPS

Expert Analysis & Thought Leadership (cont.)

HFMA's 2018 Thought Leadership Retreat, which took place October 4-5 in Washington, D.C., focused on employing advances in data analytics, technology and artificial intelligence to drive innovation in health care and reshape the patient experience.

Thought
Leadership
Retreat
—
hfma

The Association worked with multiple colleges and universities to develop the next generation of leaders by embedding HFMA content into classrooms and serving as adjunct faculty across the United States.

HFMA released five comment letters during FY19, voicing HFMA member concerns and recommending changes to policies proposed by regulatory, legislative and other similar entities. Additionally, HFMA published 22 fact sheets that summarized complex proposed and final rules issued by the agencies.



22 FACT SHEETS

5 COMMENT LETTERS

Career and Professional Development

HFMA offered 51 educational programs in FY19 – including conferences, other live events and online webinars – providing nearly 10,200 individuals with knowledge and information to solve problems, enhance their careers and improve organizational performance.

51
EDUCATIONAL PROGRAMS

10,200
INDIVIDUAL ATTENDEES

9.6%
ACTIVELY CERTIFIED MEMBERS

New Approach to Content

The Association launched a new approach to content based on member feedback. Our content is now shorter, more narrowly focused and emphasizes what's happening in real time and what it means to members. There's also a greater focus on multimedia channels.

HFMA Daily was introduced. The AI-driven e-newsletter has already become a significant channel, providing more than 40,000 subscribers with the latest news on the topics that matter most to them.



hfma | Daily

RECOGNITION

During FY19, HFMA recognized industry and professional leadership and insight with the Association's top awards.



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. Here, HFMA Chair-Elect Tammie Galindez and President & CEO Joe Fifer present the 2019 Clarke Award to Kenneth Kaufman. Kaufman, chair and founding partner of Kaufman Hall, was selected in recognition of his **outstanding contributions to education and thought leadership in healthcare** over the course of his career.

FREDERICK C. MORGAN INDIVIDUAL ACHIEVEMENT AWARD

HFMA Past Chair Kevin Brennan presents the 2019 Frederick C. Morgan Individual Achievement Award to Ann Paul, DrPH, MPH, chief strategy officer at Ascension St. John Health System in Tulsa, Oklahoma. Dr. Paul is the 61st recipient of the award, which **honors career-long contributions to HFMA and to the healthcare finance profession**. A member of HFMA since 1995, she has served the Association at all levels – chapter, regional and national. As President of the Oklahoma Chapter, Dr. Paul is credited with being the **architect behind the strategic plan** that resulted in the Chapter receiving the Robert M. Shelton Award for Sustained Excellence in 2006. She also helped create the Region 9 Conference and served on the National Advisory Council and as a judge for the Helen M. Yerger Awards.



ROBERT M. SHELTON
AWARD FOR SUSTAINED
CHAPTER EXCELLENCE

hfma™
south texas chapter



National Chair Mike Allen congratulates the current and past presidents of the South Texas Chapter on receiving HFMA's highest chapter honor, the 2019 Shelton Award (left to right): Mike Allen, Lisa Keffer, David Korn, Chris Snyder, Tammie Galindez and Clint Owen.

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 **18 awards in education, certification and membership** as well as **10 Yerger awards**. It also maintained an impressive average of **20.7 education hours per member**, and an average of **14.1% of its members were certified**.

2019 MAP AWARD FOR HIGH PERFORMANCE IN REVENUE CYCLE

Twenty organizations received HFMA's 2019 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 2019 Annual Conference in Orlando, are:

Integrated Delivery Systems

Baylor Scott & White Health – Dallas, Texas
Geisinger – Danville, Pa.
Saint Francis Health System – Tulsa, Okla.

Individual Hospitals

CHRISTUS St. Michael Hospital – Texarkana, Texas
Dignity Health Sequoia Hospital – Redwood City, Calif.
Legacy Good Samaritan Medical Center – Portland, Ore.
Princeton Baptist Medical Center – Birmingham, Ala.
Rochester General Hospital – Rochester, N.Y.
St. Luke's Hospital – Chesterfield, Mo.
Unity Hospital – Rochester, N.Y.

Hospital Systems

Mercy Health – Mason, Ohio
OhioHealth – Columbus, Ohio
St. Elizabeth Healthcare – Edgewood, Ky.

Critical Access Hospital

Henry County Health Center – Mount Pleasant, Iowa

Physician Practices

ENT & Allergy Associates, LLP – Tarrytown, N.Y.
Genesis Medical Group, LLP – Zanesville, Ohio
Privia Medical Group – Arlington, Va.
St. Elizabeth Physicians – Erlanger, Ky.
St. Mary Physicians Group – Langhorne, Pa.
Virginia Eye Institute – Richmond, Va.



Recipients of the 2019 MAP Award for High Performance in Revenue Cycle are recognized during a general session at the HFMA Annual Conference.

HFMA CHAPTER AWARDS

Outstanding chapter performance was recognized at the "Evening of Celebration!" held June 25 at the 2019 Annual Conference in Orlando. The following awards were presented:

C. HENRY HOTTUM AWARDS FOR EDUCATIONAL PERFORMANCE IMPROVEMENT

Arizona Chapter
Central Ohio Chapter
Hawaii Chapter
Idaho Chapter
Iowa Chapter
Louisiana Chapter
Maryland Chapter
Massachusetts-Rhode Island Chapter
Mississippi Chapter
New Mexico Chapter
North Dakota Chapter

Northeastern Pennsylvania Chapter
Oklahoma Chapter
Puerto Rico Chapter
South Carolina Chapter
South Dakota Chapter
Southern California Chapter
Southern Illinois Chapter
Tennessee Chapter
Utah Chapter
Western Michigan Chapter
Western New York Chapter

AWARDS OF EXCELLENCE FOR EDUCATION

**Platinum Awards of Excellence
for Education**
Arkansas Chapter
Hawaii Chapter
Iowa Chapter
Montana Chapter
Nebraska Chapter
Nevada Chapter
Puerto Rico Chapter
Southern California Chapter
Southern Illinois Chapter
Sunflower (Kansas) Chapter
Tennessee Chapter

South Carolina Chapter
South Dakota Chapter
South Texas Chapter
Western New York Chapter
West Virginia Chapter
Wyoming Chapter

**Charles F. Mehler Gold Awards of
Excellence for Education**
Arizona Chapter
Florida Chapter
Indiana Pressler Memorial Chapter
Louisiana Chapter
Mississippi Chapter
New Mexico Chapter
North Dakota Chapter
Oklahoma Chapter

**John M. Stagl Silver Awards
of Excellence for Education**
Alabama Chapter
Georgia Chapter
Hudson Valley NY Chapter
Idaho Chapter
North Carolina Chapter
Northeast Ohio Chapter
Northwest Ohio Chapter

**Sister Mary Gerald Bronze
Awards of Excellence for Education**
Colorado Chapter
Eastern Michigan Chapter
Maine Chapter
Metropolitan New York Chapter
Northeastern Pennsylvania Chapter
Utah Chapter

**AWARDS OF
EXCELLENCE FOR
MEMBERSHIP
RETENTION**

Platinum Awards

McMahon-Illini Chapter
Oregon Chapter
Rochester Regional Chapter
Utah Chapter
Western Michigan Chapter

Gold Awards

Central Ohio Chapter
Central New York Chapter
Montana Chapter
Northeastern New York Chapter
West Virginia Chapter

Silver Awards

Hudson Valley NY Chapter
North Dakota Chapter
Northwest Ohio Chapter
Southern Illinois Chapter

Bronze Award

New Mexico Chapter

**AWARDS OF
EXCELLENCE FOR
CERTIFICATION**

Platinum Awards

Central Pennsylvania Chapter
First Illinois Chapter
Iowa Chapter
Maine Chapter
Mississippi Chapter
Nebraska Chapter
Northeastern Pennsylvania Chapter
South Carolina Chapter
South Texas Chapter

Gold Awards

Arkansas Chapter
New Hampshire-Vermont Chapter
Oklahoma Chapter
South Dakota Chapter
Virginia-Washington DC Chapter
Western Pennsylvania Chapter
Wyoming Chapter

Silver Awards

Central New York Chapter
Great Lakes Chapter
Kentucky Chapter
Louisiana Chapter
Nevada Chapter
New Mexico Chapter

North Carolina Chapter

San Diego-Imperial Chapter
Tennessee Chapter
Texas Gulf Coast Chapter
Western Michigan Chapter
Western New York Chapter

Bronze Awards

Alabama Chapter
Arizona Chapter
Colorado Chapter
Eastern Michigan Chapter
Florida Chapter
Georgia Chapter
Greater Heartland Chapter
Indiana Pressler Memorial Chapter
Lone Star Chapter
North Dakota Chapter
Northern California Chapter
Northwest Ohio Chapter
Rochester Regional Chapter
Southern Illinois Chapter
Southwestern Ohio Chapter
Sunflower (Kansas) Chapter
West Virginia Chapter
Wisconsin Chapter

**AWARDS OF
EXCELLENCE
FOR EDUCATION
QUALITY**

Platinum Awards

Arkansas Chapter
Central New York Chapter
Eastern Michigan Chapter
Georgia Chapter
Hawaii Chapter
Hudson Valley NY Chapter
Maine Chapter
North Carolina Chapter
North Dakota Chapter
South Dakota Chapter
West Virginia Chapter

Gold Awards

Arizona Chapter
Colorado Chapter
Iowa Chapter
Kentucky Chapter
Northwest Ohio Chapter
Virginia-Washington DC Chapter

Silver Awards

Central Ohio Chapter

Florida Chapter
Massachusetts-Rhode Island Chapter
Minnesota Chapter
Nebraska Chapter
Puerto Rico Chapter
South Texas Chapter
Southern Illinois Chapter

Bronze Awards

First Illinois Chapter
Great Lakes Chapter
Greater Heartland Chapter
Indiana Pressler Memorial Chapter
Louisiana Chapter
Maryland Chapter
Metropolitan Philadelphia Chapter
Mississippi Chapter
New Hampshire-Vermont Chapter
Northeastern New York Chapter
Rochester Regional Chapter
Southwestern Ohio Chapter
Sunflower (Kansas) Chapter
Western Michigan Chapter

**AWARDS OF
EXCELLENCE FOR
MEMBERSHIP
GROWTH IN TARGET
MARKET SEGMENTS**

Platinum Awards

Central New York Chapter
Central Ohio Chapter
Central Pennsylvania Chapter
Colorado Chapter
Eastern Michigan Chapter
Florida Chapter
Great Lakes Chapter
Greater Heartland Chapter
Hawaii Chapter
Minnesota Chapter
Northeast Ohio Chapter
Northeastern Pennsylvania Chapter
Puerto Rico Chapter
South Carolina Chapter
Southern Illinois Chapter
Sunflower (Kansas) Chapter

Utah Chapter
Washington-Alaska Chapter
Western Michigan Chapter
Western New York Chapter
Western Pennsylvania Chapter

Gold Awards

North Dakota Chapter
South Texas Chapter

Silver Awards

Connecticut Chapter
Montana Chapter
Nevada Chapter

Bronze Awards

North Carolina Chapter

**AWARDS OF
EXCELLENCE FOR
MEMBERSHIP
GROWTH**

Platinum Awards

Arkansas Chapter
Arizona Chapter
Central Ohio Chapter
Central Pennsylvania Chapter
Connecticut Chapter
Eastern Michigan Chapter
Florida Chapter
Great Lakes Chapter
Greater Heartland Chapter
Maine Chapter
Massachusetts-Rhode Island Chapter
Metropolitan Philadelphia Chapter
Minnesota Chapter
New Mexico Chapter
Northeastern New York Chapter
Northeastern Pennsylvania Chapter
Oklahoma Chapter
Oregon Chapter
Rochester Regional Chapter
San Diego-Imperial Chapter
South Carolina Chapter
Sunflower (Kansas) Chapter
Utah Chapter
Virginia-Washington DC Chapter
Washington-Alaska Chapter
West Virginia Chapter
Western Michigan Chapter
Western Pennsylvania Chapter

Gold Award

North Carolina Chapter

Silver Awards

Central New York Chapter
Colorado Chapter
South Texas Chapter

Bronze Awards

Georgia Chapter
McMahon-Illini Chapter
Mississippi Chapter
Montana Chapter
Nevada Chapter
North Dakota Chapter
Northeast Ohio Chapter
Northern California Chapter
Northwest Ohio Chapter
Tennessee Chapter

HELEN M. YERGER SPECIAL RECOGNITION AWARDS

Multichapter Recipients

Collaboration	Collaboration: 2019-Regions 10 and 11-Western Symposium 2018 Hosted Scholarship Provider Programs	Arizona Colorado Hawaii Idaho Montana Nevada New Mexico Northern California Oregon San Diego Imperial Southern California Utah Washington-Alaska Wyoming
Education	50th Anniversary HFMA Region 5 Dixie Institute	Alabama Florida Georgia South Carolina Tennessee
Innovation	Provider 5-Pak	Arkansas Lone Star Louisiana Mississippi Oklahoma South Texas Texas Gulf Coast
Improvement	Certification Review Session at the Region 2 Fall Conference	Central New York Hudson Valley NY Metropolitan New York Northeastern New York Puerto Rico Rochester Regional Western New York
Innovation	Puerto Rico Hurricane Relief Fundraiser	Central New York Hudson Valley NY Metropolitan New York Northeastern New York Puerto Rico Rochester Regional Western New York
Improvement	Region 2 Webinar Committee & Program	Central New York Hudson Valley NY Metropolitan New York Northeastern New York Puerto Rico Rochester Regional Western New York
Improvement	Annual Region 2 Institute, 2018 Conference	Central New York Hudson Valley NY Metropolitan New York Northeastern New York Puerto Rico Rochester Regional Western New York
Innovation	All-Ohio Conference	Central Ohio Northeast Ohio Northwest Ohio Southwestern Ohio
Education	Region 3 Summit	Central Pennsylvania Metropolitan Philadelphia New Jersey Northeastern Pennsylvania Western Pennsylvania
Improvement	Change is Hard: Fine Tuning the Cvent Implementation	Kentucky Maryland North Carolina Virginia-Washington DC West Virginia
Innovation	Inaugural FQHC Annual Institute	Connecticut Maine Massachusetts-Rhode Island New Hampshire-Vermont
Member Service	2018-19 Region 1 Excel Webinar Series	Connecticut Maine Massachusetts-Rhode Island New Hampshire-Vermont
Collaboration	Michigan 65th Annual Fall Conference	Eastern Michigan Great Lakes Western Michigan
Improvement	2018 Region 7 Conference	First Illinois Indiana Pressler Memorial McMahon-Illini Southern Illinois Wisconsin
Innovation	Keeping Attendees in the Room with Inventive Activities	Metropolitan Philadelphia New Jersey

Individual Chapter Recipients

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

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

HFMA's 2018-19 fiscal year was a significant one for our Association as we introduced a **once-in-a-generation initiative** designed to totally transform our membership experience. The launch represented the culmination of an organizationwide effort that has been **years in the making** and includes:

- A new membership model with all-access pricing
- An enhanced digital experience
- A new type of HFMA community – one that supplements our longstanding chapter communities by providing members the opportunity to also interact virtually via a new online platform.

The new membership experience is highlighted in this annual report and explained in greater detail on the HFMA website. These changes, along with other accomplishments achieved over the past year, are designed to help you, your organizations and the entire industry **make more progress** in our collective efforts to **shape a better future** for healthcare.



Bringing about this transformation required significant resources – time, talent and finances, as reflected in the attached audited financial statements. While we did not achieve an operating profit, most of that result is from a major investment in our membership model and website redesign to ensure our Association's future.

In the end, HFMA made an **ambitious commitment** to a greatly improved member experience, and I'm proud of the results. It's not the end of an initiative, however. It's just the beginning of what will be an ongoing effort to stay more aligned than ever with the needs of our members.

I have never been more excited about the future of HFMA than I am now. I hope you share that excitement. I also hope you'll let me know what you think. In fact, your engagement is crucial to HFMA's success. The reality is **we all own HFMA**, and it's on *all* of us to make it work.



REPORT OF MANAGEMENT



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 "Joseph 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

Three Westbrook Corporate Center, Suite 600
Westchester, Illinois 60154-5732
tel 708.531.9600 • fax 708.531.0032
hfma.org

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

The Association adopted Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, in the fiscal year ended May 31, 2019. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and disclosures related to net assets. Our opinion is not modified with respect to this matter.

RSM US LLP
Chicago, Illinois
August 19, 2019

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MAY 31, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7,055,574	\$ 9,970,232
Accounts receivable, less allowances for doubtful accounts of \$458,848 in 2019; \$563,118 in 2018	2,518,679	2,490,731
Prepaid expenses and other assets	1,283,973	1,633,591
Total current assets	10,858,226	14,094,554
Investments	30,078,337	29,641,383
Investments held for deferred compensation	1,351,459	1,307,920
Furniture, equipment and software, net	2,016,182	1,391,227
Chapter-restricted funds	72,270	72,441
Total assets	\$ 44,376,474	\$ 46,507,525
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,268,078	\$ 2,980,010
Deferred membership dues, net of related chapter rebates of \$417,810 in 2019; \$377,289 in 2018	7,216,663	4,643,127
Deferred registration, subscription and other revenue	9,724,482	10,021,013
Total current liabilities	20,209,223	17,644,150
Deferred lease obligation	380,402	465,269
Deferred compensation liability	1,351,459	1,307,920
Total liabilities	21,941,084	19,417,339
Net assets without donor restrictions	22,331,711	26,988,076
Board designated funds	103,679	102,110
Total net assets without donor restrictions	22,435,390	27,090,186
Total liabilities and net assets	\$ 44,376,474	\$ 46,507,525

See notes to financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEARS ENDED MAY 31, 2019 AND 2018

	2019	2018
REVENUE:		
Membership dues	\$ 9,303,175	\$ 9,581,077
<i>hfm</i> magazine	2,860,330	3,283,823
Annual Conference registrations, exhibits and fees	5,106,898	5,048,941
Sponsorship	3,737,491	3,674,788
Benchmarking and metrics	1,962,432	2,123,465
Peer review	1,385,589	1,392,496
Education	312,119	583,926
Other products and services	-	101,553
Miscellaneous	247,499	158,859
Total revenue	\$ 24,915,533	\$ 25,948,928
EXPENSES:		
Personnel and commissions	16,043,444	15,731,891
Professional services	1,349,852	2,695,647
Marketing	1,969,205	2,143,841
Travel and entertainment	3,182,633	3,304,876
Hotel and meeting costs	703,706	630,905
Information technology and equipment	1,662,681	1,605,333
Administrative and other	1,274,277	1,233,632
Occupancy	676,946	672,130
Taxes benefit	(52,737)	(50,357)
Depreciation and amortization	311,597	326,244
Total expenses	27,121,604	28,294,142
Operating loss before membership model and website redesign expenses	(2,206,071)	(2,345,214)
Membership model and website redesign expenses	2,901,558	1,426,632
Operating loss after membership model and website redesign expenses	(5,107,629)	(3,771,846)
Net investment return	452,833	2,699,650
Change in net assets	(4,654,796)	(1,072,196)
Net assets without donor restrictions, beginning of year	27,090,186	28,162,382
Net assets without donor restrictions, end of year	\$ 22,435,390	\$ 27,090,186

See notes to financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED MAY 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (4,654,796)	\$ (1,072,196)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	311,597	326,244
Provision for doubtful accounts	(107,200)	38,004
Decrease in deferred lease obligation	(84,867)	(67,763)
Net realized and unrealized loss (gain) on investments	704,117	(1,836,040)
Changes in assets and liabilities:		
Accounts receivable	79,252	439,704
Prepaid expenses and other assets	349,618	(448,469)
Chapter-restricted funds	171	(519)
Accounts payable and accrued expenses	288,068	(1,936,674)
Deferred dues and other revenue	2,277,005	(923,017)
Deferred compensation liability	(49,212)	79,659
Net cash used in operating activities	(886,247)	(5,401,067)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture, equipment and software	(1,027,757)	(91,205)
Proceeds from disposal of furniture, equipment and software	91,205	–
Proceeds from sale of investments	8,090,477	5,877,696
Purchase of investments	(9,231,548)	(1,775,824)
Proceeds from sale of investments held for deferred compensation	305,528	171,971
Purchase of investments held for deferred compensation	(256,316)	(249,902)
Net cash provided by (used in) investing activities	(2,028,411)	3,932,736
Decrease in cash and cash equivalents	(2,914,658)	(1,468,331)
CASH AND CASH EQUIVALENTS:		
Beginning	9,970,232	11,438,563
Ending	\$ 7,055,574	\$ 9,970,232
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash (refunded) paid for taxes	\$ (615,873)	\$ 605,000

See notes to financial statements.

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 43,000 members. HFMA's operations include membership activities, publications, meetings 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, other face-to-face educational events, 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.

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.

Basis of presentation: The financial statements have been prepared in accordance with accounting principles applicable to nonprofit organizations. For financial reporting purposes, the Association classifies its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions are reported as net assets without donor restrictions. Contributions are considered to be without donor restrictions and available for general use unless specifically restricted by the donor.

Net assets with donor restrictions: Net assets that are subject to donor-imposed restrictions are reported as net assets with donor restrictions.

All of the Association's net assets as of both May 31, 2019 and 2018 are considered to be without donor restrictions. Board designated funds are to be utilized at the Board's discretion to honor and recognize past volunteer leaders.

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 accounts 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 statements of activities and reported as net investment return. Net investment return is presented net of any related investment fees.

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.

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 on a straight-line basis 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 five to seven-year useful lives.

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 five-year useful life.

Expenditures for maintenance and repairs are charged directly to expense; renewals and betterments which significantly extend the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 statements of activities.

Revenue: In February 2019, the Association launched a new all-inclusive membership model, bundling a variety of previously a la carte products into one single membership fee.

Membership dues now include Certification, Forums, Training Content (including e-learning) and Newsletters all for one fee. Revenue related to these previously individual product offerings, that are now bundled with Membership Dues, include the following:

	2019	2018
Certification	\$ 1,332,040	\$ 1,315,316
Forums	518,449	449,445
Training	110,474	149,969
Newsletters	203,753	289,903
	\$ 2,164,716	\$ 2,204,633

Revenue related to these items is included in Membership Dues on the statements of activities for the years ended May 31, 2019 and 2018.

In fiscal year 2018, the Association began offering “Enterprise Solution” corporate memberships, in addition to the traditional individual memberships. This membership option is available to provider organizations, physician practices and business partners. These organizations are now able to partner with the Association to offer membership services to an unlimited number of their employees. Individual memberships are still offered. Membership dues and related rebates to chapters are recognized ratably over the membership period to which they apply. Beginning in November 2018, the Association modified membership periods to be concurrent with each members’ membership anniversary dates. Membership periods had previously been concurrent with the Association’s fiscal year.

Publication revenue is recognized as revenue when publications are shipped. Fees for educational programs are recognized as revenue when the programs are conducted. Annual conference fees are recognized as revenue when the related conference is conducted. Sponsorship, peer review 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.

Functional allocation of expenses: The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Association. Those expenses, which include occupancy and depreciation and amortization, are allocated based on department headcount.

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 \$1,956 and \$520 for the years ended May 31, 2019 and 2018, respectively.

Membership model and website redesign expenses: In August 2017, the Association launched a project intended to modernize its website and membership model, as well as enhance the member experience. On May 31, 2019, the project was completed, resulting in a more contemporary, user-friendly, easily searchable website, along with a new organizational structure focused on the member. Total cost of the project approximated \$5,200,000. Of these costs, approximately \$948,000 has been capitalized in fiscal year 2019 and will be amortized over five years. Due to the significant nature of the project, the Association has isolated the remaining costs, which have been expensed, on the fiscal year 2019 and 2018 statements of activities.

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 \$2,860,000 and \$3,284,000 in gross advertising revenue for the years ended May 31, 2019 and 2018, respectively. Income tax expense (refunds) associated with UBI are reflected within the taxes expense (refund) line item on the 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 \$2,373,000 and \$2,375,000 at May 31, 2019 and 2018, 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, 2019 and 2018.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As of May 31, 2019 and 2018, the Association has no liability for unrecognized tax benefits.

The Association and the Foundation file Forms 990 in the U.S. federal jurisdiction and the Foundation does so in the State of Illinois. LSI files a tax return in all appropriate jurisdictions, which includes a federal and an Illinois tax return.

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 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, 2019 and 2018, deferred marketing expenses totaled approximately \$123,000 and \$211,000, respectively, and are included in prepaid expenses and other assets on the 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.

Accounting pronouncement adopted: 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, 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 was adopted by the Association in the fiscal year ended May 31, 2019, with retrospective application.

As permitted by ASU 2014-16, the Association has elected to omit the analysis of expenses by both natural classification and functional classification and disclosures about liquidity and availability of resources as of and for the year ended May 31, 2018.

Pending accounting pronouncements: In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230)*, Restricted Cash. 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 in its fiscal year ending May 31, 2021.

The Association is currently evaluating the impact on its financial statements of implementing these ASUs.

Subsequent events: The Association has evaluated subsequent events for potential recognition and/or disclosure through August 19, 2019, 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, 2019 and 2018:

	2019		2018	
	Fair Value	Cost	Fair Value	Cost
Equity mutual funds:				
International equity funds	\$ 3,213,007	\$ 3,190,046	\$ 6,487,336	\$ 5,806,771
Large-cap equity funds	5,786,179	3,073,636	6,308,929	3,296,681
Small-cap equity funds	1,490,104	1,387,509	3,039,005	2,388,075
Fixed income mutual funds	3,122,136	3,074,136	3,773,943	3,637,446
Convertible securities mutual funds	13,738,517	13,712,125	8,030,601	8,273,314
Absolute return funds	2,728,394	2,746,185	2,001,569	1,943,225
	\$ 30,078,337	\$ 27,183,637	\$ 29,641,383	\$ 25,345,512

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 3. INVESTMENTS HELD FOR DEFERRED COMPENSATION

At May 31, 2019 and 2018, investments held for deferred compensation consist of the following:

	2019	2018
Equity mutual funds	\$ 803,663	\$ 612,440
Fixed income mutual funds	357,527	493,169
Fixed account	190,269	202,311
	\$ 1,351,459	\$ 1,307,920

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, 2019 and 2018, 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, 2019 and 2018, 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 the fixed account are valued by the insurance company by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. The account includes certain interest rate guarantees. Guarantees are based on the claims-paying ability of the issuer and not on the value of the securities in the insurer's general account. As this investment includes unobservable inputs, it is 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, 2019 and 2018:

May 31, 2019				
Description	Total	Level 1	Level 2	Level 3
Equity mutual funds	\$ 803,663	\$ 803,663	\$ -	\$ -
Fixed income mutual funds	357,527	357,527	-	-
Fixed account	190,269	-	-	190,269
	\$ 1,351,459	\$ 1,161,190	\$ -	\$ 190,269

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

	2019	2018
Balance, beginning of year	\$ 202,311	\$ 219,621
Unrealized loss	(12,042)	(17,310)
Balance, end of year	\$ 190,269	\$ 202,311

NOTE 5. FURNITURE, EQUIPMENT AND SOFTWARE

Details of furniture, equipment and software at May 31, 2019 and 2018, are as follows:

	2019	2018
Furniture and equipment	\$ 2,439,752	\$ 2,360,062
Leasehold improvements	372,501	372,501
Software	2,846,309	1,898,242
Work in process	-	91,205
	5,658,562	4,722,010
Less: Accumulated depreciation and amortization	3,642,380	3,330,783
	\$ 2,016,182	\$ 1,391,227

Amortization expense of capitalized software totaled \$210,183 and \$217,032 for the years ended May 31, 2019 and 2018, respectively. The unamortized balance of capitalized software totaled \$1,742,770 and \$1,004,886 at May 31, 2019 and 2018, 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 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 statements of financial position.

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

Year ending May 31:	
2020	\$ 635,717
2021	652,822
2022	669,926
2023	112,130
	\$ 2,070,595

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 year ended May 31, 2019:

	Program Services						
	Membership	Education Products, Services & Events	Publications	Benchmarking & Metrics/ Peer Review	Total	Management & General	Total
Personnel and commissions	\$2,765,286	\$5,468,500	\$1,575,404	\$858,482	\$10,667,672	\$5,375,772	\$16,043,444
Professional services	64,977	460,958	79,967	23,265	629,167	720,685	1,349,852
Marketing	600,927	571,218	679,854	107,659	1,959,658	9,547	1,969,205
Travel and entertainment	647,745	1,992,438	50,889	43,569	2,734,641	447,992	3,182,633
Information technology and equipment	96,819	865,726	752	178,957	1,142,254	520,427	1,662,681
Administrative and other	247,589	174,058	3,102	51,350	476,099	798,178	1,274,277
Hotel and meetings cost	5,000	653,706	-	-	658,706	45,000	703,706
Occupancy	165,561	201,859	71,983	21,595	460,998	215,948	676,946
Tax benefit	-	-	-	-	-	(52,737)	(52,737)
Depreciation and amortization	75,439	95,119	32,800	9,840	213,198	98,399	311,597
Membership model and website redesign	702,482	885,739	305,427	91,628	1,985,276	916,282	2,901,558
Total expense by function	\$5,371,825	\$11,369,321	\$ 2,800,178	\$ 1,386,345	\$20,927,669	\$9,095,493	\$30,023,162

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

	2018
Education, products and services	\$ 4,756,915
Publications	2,569,962
Membership	2,409,695
Benchmarking and metrics	1,313,318
Newsletters	147,098
Management and general:	
Personnel	14,306,623
Overhead	3,226,685
Depreciation	326,244
Lease	664,234
	\$ 29,720,774

The above includes the functional allocation of the membership model and website redesign project expenses, shown separately on the fiscal year 2018 statement of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 8. EMPLOYEE BENEFIT PLANS

The Association sponsors a defined contribution pension plan, which covers substantially all the Association's employees who complete one year of employment. Contributions are based upon a percentage of participants' earnings, less forfeitures. The Association's contributions for the years ended May 31, 2019 and 2018, were \$660,642 and \$586,145, 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 \$311,938 and \$313,809 for the years ended May 31, 2019 and 2018, respectively, for contributions to the plans on behalf of the key employees.

NOTE 9. AVAILABILITY AND LIQUIDITY

The Association strives to maintain liquid financial assets sufficient to cover thirty days of general expenditures. Cash balances are reviewed on an ongoing basis and any excess funds are invested in short-term money market accounts.

The following table reflects the Association's financial assets as of May 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	2019
Cash and cash equivalents	\$ 7,055,574
Accounts receivable	2,518,679
Investments	31,429,796
Chapter-restricted funds	72,270
Total financial assets	\$ 41,076,319
Investments held for deferred compensation	\$ (1,351,459)
Board designated funds	(103,679)
Chapter-restricted funds	(72,270)
Financial assets available to meet cash needs for general expenditures within one year	\$ 39,548,911

NOTE 10. 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 HFMA's financial statements.

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

	As of and for the Years Ended May 31,	
	2019	2018
Number of chapters	66	68
Total assets, primarily cash	\$ 10,314,616	\$ 12,511,274
Total revenue	\$ 12,065,248	\$ 13,027,148
Increase (decrease) in net assets	\$ (35,759)	\$ 189,734