



2019-20 ANNUAL REPORT:

# A Year *Disrupted*

Leaders Navigate Through Uncertainty

**hfma**<sup>™</sup>

healthcare financial management association



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## Letter from the Chair



MICHAEL M. ALLEN, FHFMA, CPA, MHA  
*HFMA National Chair*

Dear Valued Colleagues:

When I was installed as HFMA's 2019-20 National Chair, I had no idea the year would be one for the history books. I kicked off my term by encouraging HFMA members to identify areas where change was needed and then dared them to move out of their comfort zones and make a difference. The response was gratifying as healthcare finance professionals across the country accepted the challenge and "shared their dares," motivating others to also get in the game.

At the same time, HFMA was delivering on its own commitment to transform the member experience by launching a new website and rolling out a new online community. The Association also introduced new resources, including a consumerism maturity model and guidance for collaboration between finance and nursing professionals.

And then disruption occurred. COVID-19 struck with a vengeance, and, like our members, HFMA found itself navigating a simultaneous global pandemic and economic crisis that was unlike anything we had ever encountered. Ready or not, we all were forced to move as we pivoted and transformed at a pace and scale that previously would have been hard to imagine. For HFMA that meant providing our members with quick, convenient access to the tools and information needed to keep their organizations up and running under extraordinary circumstances. It also meant quickly converting scheduled in-person conferences into digital events, including the 2020 Annual Conference.

This annual report documents our major accomplishments achieved during FY20 — both pre- and mid-disruption. Thank you to our HFMA leaders, volunteers and staff for their important role in these achievements. Your commitment to our Association and willingness to get in the arena truly made a difference.

Best regards,

A handwritten signature in black ink that reads "John. Allen".

Michael M. Allen, FHFMA, CPA, MHA  
*2019-20 HFMA National Chair*

# LEADERSHIP

## HFMA 2019-20 Board of Directors

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



MICHAEL M. ALLEN,  
FHFMA, CPA, MHA  
*National Chair*



TAMMIE L. GALINDEZ,  
FHFMA, CHFP, MHA  
*National Chair-Elect*



AARON R. CRANE,  
FHFMA, CPA, MHA  
*National Secretary/  
Treasurer*



JOSEPH J. FIFER,  
FHFMA, CPA  
*President & CEO*



ABBY BIRCH, CRCR  
*National Director*



DENNIS E. DAHLEN,  
CHFP, CPA  
*National Director*



JAMES L. HEFFERNAN,  
FHFMA  
*National Director*



JEFFREY T. O'MALLEY  
*National Director*



CINDY PRICE, FHFMA  
*National Director*



MARC B. SCHER, CPA  
*National Director*



MARGARET L. SCHULER  
*National Director*



MIMI TAYLOR  
*National Director*



T. CARLEY WILLIAMS, CPA  
*National Director*

# GUIDING STATEMENTS

## **Vision**

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

## **Mission**

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

## **Diversity**

HFMA values and respects diversity. Individual differences are viewed as assets that promote the growth and success of HFMA and its members. In principle and in practice, HFMA encourages and supports diverse individual viewpoints and contributions. HFMA believes that a diverse membership is a quality membership.

# Results

HFMA is committed to helping healthcare financial management professionals and their organizations succeed in a complex and rapidly changing environment. While FY20 presented unique challenges due to the COVID-19 pandemic and global economic crisis, significant accomplishments were achieved.

⬆️ 33% = 58,000

OFFICIAL  
MEMBERSHIP



### INNOVATION AWARD: ORGANIZATIONAL TRANSFORMATION INITIATIVE

.orgCommunity recognized HFMA for its more contemporary and user-friendly member experience.



### MONTHLY BILLING OPTION FOR ALL NEW AND RENEWING MEMBERS



### NEW DIGITAL PLATFORM

HFMA's new website went live in June 2019. It better organizes and integrates information. It also allows members to build a personal web page, ensuring quick access to customized, curated content.

112 Enterprise  
Solutions  
hfma

ENTERPRISE SOLUTIONS MEMBER  
ORGANIZATIONS FY20  
(36,438 TOTAL MEMBERS)

### INTERACTIVE ONLINE COMMUNITY

HFMA rolled out an interactive online community where members can network, share ideas and collaboratively solve problems. Approximately 4,500 members tapped into this new resource.

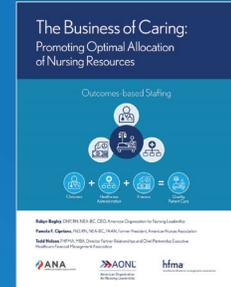
# Results (cont.)

## EXPERT ANALYSIS & THOUGHT LEADERSHIP

HFMA delivered several new resources in FY20 as part of its ongoing commitment to help healthcare finance professionals stay on top of emerging industry trends.



HFMA and the America's Health Insurance Plans teamed up to provide voluntary guidance for how care providers should code and bill for COVID-19 care delivered in alternate inpatient settings.



**Maturity Model Measurement Tools for Consumerism in Healthcare** is a tool that providers of all types may use to determine the current maturity of their consumerism activities and identify areas for improvement.

**The Business of Caring: Promoting Optimal Allocation of Nursing Resources** offers insight into the different perspectives that finance and nursing professionals bring to nurse staffing issues, along with guidance for bridging the gap between the two groups. The report was co-authored by HFMA, the American Nurses Association and the American Organization for Nursing Leadership. It also was endorsed by the American Association of Critical-Care Nurses.



A survey conducted by HFMA and CareCredit provided insight into healthcare organizations' consumerism approaches and the challenges of moving from theory to practical application.



HFMA partnered with GHX on a multi-phase research project investigating how much providers are involved with alternative payment models and how they view the present and future state of taking on risk-based arrangements.



HFMA partnered with the American Nurses Association, the American Organization for Nursing Leadership and Case Western Reserve University to develop an innovative five-part fellowship program for senior nurse executive leaders.



HFMA partnered with Strata to conduct a multi-phase research project on the importance of measuring and reducing the total cost of care.

## Thought Leadership Retreat



The Association's 2019 Thought Leadership Retreat took place October 3-4 in Washington, D.C., and focused on social determinants of health.



HFMA partnered with EPSi to conduct research and develop content related to return on analytics.

12 + 48

HFMA released 12 comment letters during FY20, voicing member concerns and recommending changes to policies proposed by regulatory, legislative and other similar entities. Additionally, HFMA published 48 fact sheets that summarized complex proposed and final rules issued by the agencies.

# Results (cont.)

## CAREER AND PROFESSIONAL DEVELOPMENT

# 15.8%

HFMA members actively certified

# 4,700+

The Association enhanced its prestigious suite of healthcare finance credentials with the introduction of digital badges. More than 4,700 HFMA certification badges were displayed on LinkedIn.

### hfma | Online Education & Certifications

When the pandemic forced rescheduling or cancelation of *live events*, HFMA offered more webinars as options for ongoing, relevant education and information.

### hfma | 2020 DIGITAL Annual Conference

HFMA quickly transformed the 2020 Annual Conference into a digital event. More than 5,000 people attended during the six days, with many attending for the first time thanks to the digital format.

## CONTENT



HFMA produced original healthcare finance content every day.

# 40,000

A benefit of your HFMA Membership

## HFMA DAILY

*HFMA Daily*, an AI-driven e-newsletter, reached 40,000 subscribers each day.



The monthly journal, *hfm*, was completely redesigned to make it easier to read and navigate. Changes included shorter, more specific content, more visuals and more stories about people and chapters.



HFMA established a dedicated COVID-19 space on the website to provide members with quick, convenient access to a wide variety of the latest information about the virus and its effect on healthcare finance.

# RECOGNITION

During FY20, HFMA recognized industry and professional leadership and insight with the Association's top awards



CMS Administrator Seema Verma is the recipient of the 2020 Richard L. Clarke Board of Directors Award.

## Richard L. Clarke Board of Directors Award

Seema Verma, administrator of the Centers for Medicare & Medicaid Services, was selected as the recipient of the 2020 Richard L. Clarke Board of Directors Award. The award is HFMA's highest honor and recognizes individuals or organizations for their significant positive contributions to the profession of healthcare finance or the financing of healthcare services. In presenting the award to Administrator Verma during the 2020 Digital Annual Conference, HFMA President and CEO Joseph J. Fifer applauded her bold leadership and advancement of consumerism, innovation and high-value healthcare. Administrator Verma oversees a \$1.3 trillion budget, representing 26% of the total federal budget. She also administers health coverage programs for more than 140 million Americans, including Medicare, Medicaid, CHIP and the Marketplace.



## 2020 MAP Award for High Performance in Revenue Cycle

Twenty-three organizations received HFMA's 2020 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 MAP Award recipients, which were recognized virtually during HFMA's 2020 Digital Annual Conference, are:

### INTEGRATED DELIVERY SYSTEMS

- Geisinger—Danville, Pennsylvania
- Presbyterian Healthcare Services—Albuquerque, New Mexico
- Saint Francis Health System—Tulsa, Oklahoma

### HOSPITAL SYSTEMS

- Bon Secours Mercy Health—Cincinnati, Ohio
- Cape Cod Healthcare—Hyannis, Massachusetts
- OhioHealth—Columbus, Ohio
- Spectrum Health—Grand Rapids, Michigan
- St. Elizabeth Healthcare—Edgewood, Kentucky

### INDIVIDUAL HOSPITALS

- CHRISTUS Shreveport-Bossier Health System—Highland—Shreveport, Louisiana
- Dignity Health Mercy General Hospital—Sacramento, California
- Liberty Hospital—Liberty, Missouri
- Norton Healthcare, Norton Brownsboro Hospital—Louisville, Kentucky
- Princeton Baptist Medical Center—Birmingham, Alabama
- St. Mary Medical Center, A member of Trinity Health—Langhorne, Pennsylvania
- The University of Texas MD Anderson Cancer Center—Houston, Texas
- Unity Hospital—Rochester, New York

### CRITICAL ACCESS HOSPITALS

- Buena Vista Regional Medical Center—Storm Lake, Iowa
- Greater Regional Health—Creston, Iowa

### PHYSICIAN PRACTICES

- ENT & Allergy Associates, LLP—Tarrytown, New York
- Graves-Gilbert Clinic—Bowling Green, Kentucky
- Privia Medical Group—Arlington, Virginia
- St. Elizabeth Physicians—Erlanger, Kentucky
- Virginia Eye Institute—Richmond, Virginia

**Helen Yerger/L. Vann Seawell Best Article Award**

Three articles published in *hfm* during the 2019-20 fiscal year 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:



**4 goals for bundled payment: How a hospital succeeded under BPCI-A (December 2019 *hfm*)**

**AUTHORS:** Erin Hahn, MPH, Jonathan Pearce, FHFMA, CPA, MBA, Theresa Dreyer, MPH and Heather Peiritsch, MSN, RN, NESA-BC



**5 ways hospitals should prepare to access COVID-19 disaster funding (May 2020 *hfm*)**

**AUTHORS:** C. Duane Dauner, FACHE, Joel Perlman and Tom Dougherty, FACHE



**'Medicare for All' isn't equitable for all hospitals (February 2020 HFMA online)**

**AUTHOR:** Glen Kazahaya (awarded posthumously)

## HFMA Chapter Awards

While the “Robert M. Shelton Award for Sustained Chapter Excellence” and the “Frederick C. Morgan Individual Achievement Award” were not presented due to the changes and challenges faced this year, HFMA chapters received the following awards for outstanding performance in 2019-2020.

### Awards of Excellence for Education Quality

#### PLATINUM AWARD OF EXCELLENCE FOR EDUCATION QUALITY

- Metropolitan Philadelphia
- Northeast Ohio

#### GOLD AWARD OF EXCELLENCE FOR EDUCATION QUALITY

- Georgia
- Hawaii
- Nebraska
- Northeastern New York
- Northwest Ohio
- Utah
- West Virginia
- Wyoming

#### SILVER AWARD OF EXCELLENCE FOR EDUCATION QUALITY

- Arizona
- Arkansas
- Colorado
- Florida
- Hudson Valley New York
- Idaho
- Maryland
- Metropolitan New York
- Montana
- Nevada
- New Jersey
- New Mexico
- North Carolina
- Northern California
- Oklahoma
- Oregon
- Puerto Rico
- San Diego-Imperial
- Southern California
- Western New York
- Western Pennsylvania

#### BRONZE AWARD OF EXCELLENCE FOR EDUCATION QUALITY

- Central New York
- Lone Star
- Louisiana
- Massachusetts-Rhode Island
- Mississippi
- South Carolina
- South Texas
- Tennessee
- Washington-Alaska

#### AWARD OF EXCELLENCE FOR EDUCATION QUALITY—REGION

- Region 5
- Region 10
- Region 11

## HFMA Chapter Awards

### Awards of Excellence for Membership Value

- Alabama
- Hawaii
- Iowa
- Louisiana
- Maine
- Metropolitan Philadelphia
- Mississippi
- New Hampshire-Vermont
- New Jersey
- North Dakota
- Northeast Ohio
- Rochester Regional
- San Diego-Imperial
- South Dakota
- South Texas
- Wyoming

### Awards of Excellence for Certification

#### PLATINUM AWARDS

- Arkansas
- Central Pennsylvania
- Hudson Valley New York
- Iowa
- Louisiana
- Maine
- Mississippi
- Nebraska
- New Hampshire-Vermont
- Northeastern Pennsylvania
- San Diego-Imperial
- South Carolina
- South Dakota
- South Texas
- Texas Gulf Coast
- Virginia-Washington DC
- Wyoming

#### GOLD AWARDS

- Alabama
- Arizona
- Central New York
- Colorado
- First Illinois
- Florida
- Georgia
- Great Lakes
- Indiana Pressler Memorial
- Kentucky
- Nevada
- New Mexico
- North Carolina
- North Dakota
- Northern California
- Northwest Ohio
- Oklahoma
- Southern Illinois
- Southwestern Ohio
- Tennessee
- Western Michigan
- Western New York
- Western Pennsylvania
- Wisconsin

#### SILVER AWARDS

- Idaho
- Lone Star
- Maryland
- Montana
- Rochester Regional
- Utah
- Washington-Alaska
- West Virginia

#### BRONZE AWARDS

- Connecticut
- Massachusetts-Rhode Island
- Metropolitan New York
- Metropolitan Philadelphia
- Minnesota
- New Jersey
- Northeast Ohio
- Southern California

#### AWARDS OF EXCELLENCE FOR CERTIFICATION—REGION

- Region 1
- Region 2
- Region 3
- Region 4
- Region 5
- Region 6
- Region 7
- Region 8
- Region 9
- Region 10
- Region 11

## HFMA Chapter Awards

### Awards of Excellence for Membership Growth

All 66 chapters achieved this goal.

### Helen M. Yerger Special Recognition Awards

#### MULTICHAPTER YERGER AWARD FOR IMPROVEMENT

- Central New York/Hudson Valley  
New York/Metropolitan New York/  
Northeastern New York/Puerto Rico/  
Rochester Regional/Western New  
York (2)
- Arizona/Colorado/Idaho/Montana/  
New Mexico/Utah/Wyoming/  
Georgia
- Eastern Michigan/Great Lakes/  
Western Michigan
- Oklahoma/Arkansas/Lone Star/  
Louisiana/Mississippi/South Texas/  
Texas Gulf Coast
- Washington-Alaska /Oregon/  
Northeastern Pennsylvania

#### MULTICHAPTER YERGER AWARD FOR COLLABORATION

- Northern California/Arizona/  
Colorado/Hawaii/Idaho/Nevada/  
New Mexico/Oregon/San Diego-  
Imperial/Southern California/Utah/  
Washington-Alaska/Montana/  
Wyoming

#### MULTICHAPTER YERGER AWARD FOR INNOVATION

- Virginia DC/Maryland/West Virginia
- Northeast Ohio/Western  
Pennsylvania
- Greater Heartland/Iowa/Minnesota/  
North Dakota/South Dakota/  
Sunflower (Kansas)/Nebraska
- Idaho/Oregon
- Northern California Chapter/Hawaii
- Northern California/Arizona/  
Colorado/Hawaii/Idaho/Nevada/  
New Mexico/Oregon/San Diego-  
Imperial/Southern California/Utah/  
Washington-Alaska/Montana/  
Wyoming
- Oregon/Washington-Alaska
- San Diego Imperial/Hawaii/Nevada/  
Northern California/Oregon/Southern  
California/Washington-Alaska

#### MULTICHAPTER YERGER AWARD FOR EDUCATION

- Central New York/Hudson Valley  
New York/Metropolitan New York/  
Northeastern New York/Puerto Rico/  
Rochester Regional/Western New York
- Indiana Pressler Memorial/Kentucky/  
Central Ohio/Southwestern Ohio
- South Carolina/Alabama/Florida/  
Georgia/Tennessee

#### MULTICHAPTER YERGER AWARD FOR MEMBER COMMUNICATIONS

- Northeastern Pennsylvania/Central  
Pennsylvania

#### MULTICHAPTER YERGER AWARD FOR MEMBER SERVICES

- Georgia/Alabama/South Carolina/  
Tennessee/Florida (2)

## HFMA Chapter Awards

### Helen M. Yerger Special Recognition Awards (cont.)

#### INDIVIDUAL CHAPTER YERGER AWARD FOR IMPROVEMENT

**Region 1:**

Massachusetts-Rhode Island

**Region 2:**

Hudson Valley New York  
Northeastern New York

**Region 3:**

Metropolitan Philadelphia (3)  
New Jersey

**Region 4:**

Kentucky  
North Carolina  
Virginia-Washington DC  
West Virginia (4)

**Region 5:**

Alabama (2)  
Georgia

**Region 7:**

First Illinois (2)  
Indiana Pressler Memorial  
McMahon Illini (2)

**Region 8:**

Iowa (2)  
Minnesota  
Nebraska  
South Dakota

**Region 9:**

Louisiana (2)  
Mississippi  
Oklahoma

**Region 10:**

Arizona (3)  
Colorado (2)  
Montana (2)

**Region 11:**

Hawaii (2)  
Nevada  
Northern California (2)  
Oregon  
San Diego-Imperial (2)  
Washington-Alaska

#### INDIVIDUAL CHAPTER YERGER AWARD FOR COLLABORATION

**Region 2:**

Metropolitan New York  
Northeastern New York

**Region 4:**

Maryland  
North Carolina  
Virginia-Washington DC

**Region 8:**

Iowa  
Nebraska  
South Dakota  
Sunflower (Kansas)

**Region 9:**

Lone Star  
Oklahoma

**Region 10:**

Montana

**Region 11:**

Hawaii  
Nevada  
Oregon

#### INDIVIDUAL CHAPTER YERGER AWARD FOR INNOVATION

**Region 2:**

Metropolitan New York  
Northeastern New York  
Rochester Regional

**Region 3:**

Metropolitan Philadelphia

**Region 4:**

Virginia-Washington DC

**Region 5:**

Florida (2)  
Georgia  
Tennessee

**Region 6:**

Central Ohio  
Eastern Michigan  
Western Michigan (2)

**Region 7:**

First Illinois

**Region 8:**

Greater Heartland  
Nebraska  
North Dakota

**Region 9:**

Arkansas  
Lone Star

**Region 10:**

Arizona  
Colorado

**Region 11:**

Northern California  
San Diego-Imperial

## HFMA Chapter Awards

### Helen M. Yerger Special Recognition Awards (cont.)

#### INDIVIDUAL CHAPTER YERGER AWARD FOR EDUCATION

**Region 2:**

Hudson Valley New York

**Region 5:**

Florida  
Tennessee

**Region 6:**

Western Michigan

**Region 7:**

McMahon Illini

**Region 8:**

Iowa

**Region 9:**

Arkansas  
Oklahoma

**Region 10:**

Montana

#### INDIVIDUAL CHAPTER YERGER AWARD FOR MEMBER COMMUNICATION

**Region 4:**

Virginia-Washington DC

**Region 5:**

Georgia (2)

**Region 6:**

Central Ohio

**Region 8:**

Minnesota

**Region 9:**

Oklahoma

**Region 11:**

Hawaii  
Oregon

#### INDIVIDUAL CHAPTER YERGER AWARD FOR MEMBER SERVICES

**Region 1:**

Massachusetts-Rhode Island

**Region 2:**

Hudson Valley New York  
Metropolitan New York  
Northeastern New York

**Region 3:**

New Jersey (2)

**Region 4:**

North Carolina

**Region 5:**

Florida  
Tennessee

**Region 7:**

First Illinois

**Region 8:**

Minnesota

**Region 9:**

Lone Star

**Region 11:**

Nevada

#### INDIVIDUAL CHAPTER YERGER AWARD FOR MEMBERSHIP RECRUITMENT AND RETENTION

**Region 1:**

Massachusetts-Rhode Island

**Region 2:**

Rochester Regional

**Region 3:**

Central Pennsylvania  
New Jersey

**Region 4:**

Kentucky  
Maryland (2)

**Region 8:**

Minnesota  
Nebraska

**Region 9:**

Lone Star

**Region 11:**

Oregon  
Washington-Alaska

## A note from HFMA's President and CEO



JOSEPH J. FIFER, FHFMA, CPA  
*President and CEO*

HFMA's 2019-20 fiscal year was characterized by growth and challenges, both expected and unexpected.

Our all-access membership model and our organizational membership option contributed to a membership growth of nearly 28%. Additionally, the newly reimagined digital experience at hfma.org, which went live in June 2019, has been an ideal online platform for member engagement. In 2019, who would have known how important this platform would become in this pandemic year of 2020? As it turns out, the timing was perfect.

Here's the challenge we expected: We knew that our membership and digital experience initiatives were essentially a springboard for success, not endpoints in themselves. With that solid foundation firmly in place, HFMA spent the early part of FY20 positioning itself for further growth and a return to profitability.

The challenge we didn't expect, of course, was the COVID-19 pandemic. As reflected in the attached audited financial statements, HFMA did not achieve a return to profitability in FY20. But the Association's achievements are no less tangible. I'm proud of the way HFMA pivoted to virtual educational programming and the work our teams did to mitigate the financial losses associated with this shift. I'm heartened to witness the significant increase in our members' online engagement during the pandemic months of FY20, through our peer-to-peer community and virtual education and certification programs. And I'm grateful that HFMA has been well equipped to serve as a source of support for our nation's healthcare finance leaders as they navigate through this uncharted territory.

As I write this in October 2020, the pandemic continues. Economic and political uncertainty is surging as well. However, I am confident that the core membership value delivered by HFMA is stronger than ever. It has been fortified by the adaptive response of both our members and our Association team to the challenges this year has brought. We rely on your continued engagement. And we are committed to remaining a source of professional support and stability for you during uncertain times. Thank you for your ongoing support of HFMA.

A handwritten signature in black ink, appearing to read "Joe Fifer". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Joe Fifer  
*President and CEO*

# 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*

# INDEPENDENT AUDITOR'S REPORT

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## To the Board of Directors Healthcare Financial Management Association

### 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, 2020 and 2019, 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### OTHER MATTER

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

RSM US LLP  
Chicago, Illinois  
September 2, 2020

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

May 31, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 4,834,404	\$ 7,055,574
Accounts receivable, less allowances for doubtful accounts of \$790,239 in 2020; \$458,848 in 2019	2,412,725	2,518,679
Prepaid expenses and other assets	696,292	1,283,973
<b>Total current assets</b>	7,943,421	10,858,226
Investments	28,806,856	30,078,337
Investments held for deferred compensation	1,366,455	1,351,459
Furniture, equipment and software, net	1,603,628	2,016,182
Chapter-restricted funds	72,736	72,270
<b>Total assets</b>	<b>\$ 39,793,096</b>	<b>\$ 44,376,474</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,169,566	\$ 3,268,078
Deferred membership dues, net of related chapter rebates of \$293,275 in 2020; \$417,810 in 2019	7,117,557	7,216,663
Deferred registration, subscription and other revenue	5,220,101	9,724,482
<b>Total current liabilities</b>	16,507,224	20,209,223
Deferred lease obligation	278,430	380,402
Deferred compensation liability	1,366,455	1,351,459
<b>Total liabilities</b>	18,152,109	21,941,084
Net assets without donor restrictions	21,535,843	22,331,711
Board designated funds	105,144	103,679
<b>Total net assets without donor restrictions</b>	21,640,987	22,435,390
<b>Total liabilities and net assets</b>	<b>39,793,096</b>	<b>\$ 44,376,474</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF ACTIVITIES

## Years Ended May 31, 2020 and 2019

	2020	2019
<b>REVENUE:</b>		
Membership dues	\$ 10,529,794	\$ 9,303,175
<i>hfm</i> magazine	2,213,572	2,860,330
Annual Conference registrations, exhibits and fees	5,208,257	5,106,898
Sponsorship	3,366,881	3,737,491
Benchmarking and metrics	1,915,291	1,962,432
Peer review	1,349,602	1,385,589
Education	110,760	312,119
Miscellaneous	518,016	247,499
Contributions	2,945	-
<b>Total revenue</b>	<b>25,215,118</b>	<b>\$ 24,915,533</b>
<b>EXPENSES:</b>		
Personnel and commissions	16,133,278	16,043,444
Professional services	3,275,732	1,349,852
Marketing	1,837,775	1,969,205
Travel and entertainment	1,978,242	3,182,633
Hotel and meeting costs	568,692	703,706
Information technology and equipment	1,520,989	1,662,681
Administrative and other	1,324,470	1,274,277
Occupancy	674,587	676,946
Taxes benefit	(76,745)	(52,737)
Depreciation and amortization	466,998	311,597
<b>Total expenses</b>	<b>27,704,018</b>	<b>27,121,604</b>
<b>Operating loss before membership model and website redesign expenses</b>	<b>(2,488,900)</b>	<b>(2,206,071)</b>
Membership model and website redesign expenses	-	2,901,558
<b>Operating loss after membership model and website redesign expenses</b>	<b>(2,488,900)</b>	<b>(5,107,629)</b>
Net investment return	1,694,497	452,833
<b>Change in net assets</b>	<b>(794,403)</b>	<b>(4,654,796)</b>
Net assets without donor restrictions, beginning of year	22,435,390	27,090,186
Net assets without donor restrictions, end of year	<u>21,640,987</u>	<u>\$ 22,435,390</u>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

## Years Ended May 31, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	(794,403)	\$ (4,654,796)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	466,998	311,597
Provision for doubtful accounts	331,391	(104,270)
Decrease in deferred lease obligation	(101,972)	(84,867)
Net realized and unrealized (gain) loss on investments	(720,791)	704,117
Changes in assets and liabilities:		
Accounts receivable	(225,437)	76,322
Prepaid expenses and other assets	587,681	349,618
Accounts payable and accrued expenses	901,488	288,068
Deferred dues and other revenue	(4,603,487)	2,277,005
Deferred compensation liability	14,996	(49,212)
<b>Net cash used in operating activities</b>	<b>(4,143,536)</b>	<b>(886,418)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of furniture, equipment and software	(54,444)	(1,027,757)
Proceeds from disposal of furniture, equipment and software	—	91,205
Proceeds from sale of investments	8,273,128	8,090,477
Purchase of investments	(6,280,856)	(9,231,548)
Proceeds from sale of investments held for deferred compensation	320,944	305,528
Purchase of investments held for deferred compensation	(335,940)	(256,316)
<b>Net cash provided by (used in) investing activities</b>	<b>1,922,832</b>	<b>(2,028,411)</b>
<b>Decrease in cash and cash equivalents and chapter-restricted funds</b>	<b>(2,220,704)</b>	<b>(2,914,829)</b>
<b>CASH AND CASH EQUIVALENTS AND CHAPTER-RESTRICTED FUNDS:</b>		
<b>Beginning (2019 restated)</b>	<b>7,127,844</b>	<b>10,042,673</b>
<b>Ending</b>	<b>4,907,140</b>	<b>7,127,844</b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS AND CHAPTER-RESTRICTED FUNDS:</b>		
Cash and cash equivalents	4,834,404	7,055,574
Chapter-restricted funds	72,736	72,270
Cash and cash equivalents and chapter-restricted funds	4,907,140	7,127,844
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash (refunded) paid for taxes	—	\$ (615,873)

See notes to consolidated 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 58,000 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 educational 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 consolidated 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 consolidated 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, 2020 and 2019 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 consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results

could differ from those estimates.

**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 consolidated 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 consolidated 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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

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 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:** Revenue from contracts with customers is derived primarily from membership dues and fees, publications, educational programming and benchmarking and metrics.

Membership options for the Association include traditional individual memberships, as well as “Enterprise Solution” corporate memberships. This second membership option is available to provider organizations, physician practices and business partners. These organizations are able to partner with the Association to offer membership services to an unlimited number of their employees. This was a new membership offering that was launched in fiscal year 2018.

Beginning in fiscal year 2019, the Association modified new membership periods to be concurrent with each new members’ individual membership anniversary date. Membership periods had previously been concurrent with the Association’s fiscal year. Membership dues and related rebates to chapters, for both types of memberships, are billed at the beginning of the membership year and are recognized ratably over the individual membership period to which they apply. Member benefits are typically provided evenly over the term of the membership. Membership grants access to various benefits including: the ability to earn certain credentials, subscriptions to certain publications, access to members-only content and reduced fees for the Association’s continuing educational programs and e-learning offerings, including the Annual Conference. Dues received in advance of the membership period are deferred.

Publication revenue is recognized as revenue when publications are shipped and subscription revenue is recognized over the term of the subscription. Amounts received in advance of the shipment date or for future periods are deferred. Publication and subscriptions are invoiced in the month of publication.

Fees for educational programs and related sponsorships are recognized as revenue when the programs are conducted. Program fees are typically invoiced prior to the start of the program. Benchmarking and metrics revenue, as well as peer review revenue, are recognized in accordance with the related contract (over time). Funds received in advance of services provided or events held are deferred until the related service period commences or the related event takes place. Benchmarking and metrics activity is typically invoiced in the month prior to the related service period.

The Association did not have any impairment or credit losses on any receivables or contract assets arising from contracts with customers. There are also no incremental costs of obtaining contracts and no significant financing components. Payment terms

for a majority of the Association’s contracts are 30 days. Finally, there are no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers.

**FUNCTIONAL ALLOCATION OF EXPENSES:** The costs of providing the various programs and other activities have been summarized by natural classification in the consolidated statements of activities and are presented in greater detail, including breakout by function, in Note 6. If an expense can be identified with a specific program or administrative function, it will be charged directly to that category. In some circumstances, an expense can be attributable to one or more programs or supporting services of the Association which 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.

**MEMBERSHIP MODEL AND WEBSITE REDESIGN EXPENSES:** In fiscal year 2018, 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 had 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 related expenses incurred on the fiscal year 2019 consolidated statement of activities. As the project was completed in fiscal year 2019, there were no related expenses incurred or capitalized in fiscal year 2020.

**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 \$2,214,000 and \$2,860,000 in gross advertising revenue for the years ended May 31, 2020 and 2019, respectively. Income tax expense (refunds) associated with UBI are reflected within the taxes expense (benefit) 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 had a net operating loss (NOL) carryforward of approximately \$2,374,000 at May 31, 2020 and 2019. The NOL will begin to expire in 2022, if not previously utilized. No deferred tax asset has been recognized, as management has established a full valuation allowance at May 31, 2020 and 2019.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

The Association follows the provisions of the Accounting for Uncertainty in Income Taxes section of the Income Taxes Topic of the Codification, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under this guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Association and various positions related to the potential sources of UBI. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% 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, 2020 and 2019, 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, deferred marketing expenses totaled approximately \$123,000 and are included in prepaid expenses and other assets on the consolidated statement of financial position. There were no related deferred marketing expenses as of May 31, 2020 due to the cancellation of the June 2020 (fiscal year 2021) Annual Conference.

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

**COVID-19:** On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. COVID-19 has negatively impacted the Association’s operations and member base. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines in certain areas and prohibitions on group meetings. The actions taken to mitigate COVID-19 have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Association operates. It is unknown at this time how long these conditions will last and what the complete financial effect will be to the Association. To date, the Association is experiencing declining revenues due to cancellations of events, including the June 2020 Annual Conference. The

Association is working to adapt existing in-person educational programming to virtual on-line programming.

See Note 8 for information regarding availability and liquidity of financial assets.

**ACCOUNTING PRONOUNCEMENTS ADOPTED:** In 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in GAAP. The ASU also requires expanded disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Association adopted this new standard effective for fiscal year 2020 using the modified retrospective method. All revenue streams, with the exception of contributions and investment return, are subject to this standard. Based on the Association’s review of its contracts with members, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no impact on the consolidated financial statements, but did result in additional disclosures.

In fiscal year 2020, the Association also adopted ASU 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. There was no significant impact from adoption of this standard on the consolidated financial statements.

In fiscal year 2020, the Association also adopted ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. This ASU requires 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. As a result, amounts generally described as restricted cash and cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The adoption of the standard resulted in \$72,736 and \$72,270 of chapter-restricted funds being included in the fiscal year 2020 and 2019 consolidated statements of cash flows, respectively, and the restatement of the beginning balance in the fiscal year 2019 consolidated statement of cash flows to include \$72,441 of chapter-restricted funds. Additionally, the adoption resulted in increased disclosure on the consolidated statement of cash flows related to the chapter-restricted funds.

**PENDING ACCOUNTING PRONOUNCEMENTS:** In 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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

pattern of expense recognition in the consolidated statement of activities. The new standard was effective for the Association's fiscal year 2021 consolidated financial statements. However, in June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which allows for a one-year effective date deferral of Topic 842. The standard will now be effective for the Association's fiscal year 2023 consolidated financial statements.

The FASB also issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This new accounting

guidance will reduce and modify certain fair value measurement disclosures presented in the Association's consolidated financial statements. The new standard will be effective in the Association's 2021 fiscal year.

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

**SUBSEQUENT EVENTS:** The Association has evaluated subsequent events for potential recognition and/or disclosure through September 2, 2020, the date these consolidated financial statements were available to be issued.

## Note 2. Investments and Investments Held for Deferred Compensation

The composition of investments held by the Association are summarized as follows at May 31, 2020 and 2019:

	2020	2019
Equity mutual funds:		
International equity funds	\$ 3,158,000	\$ 3,213,007
Large-cap equity funds	6,526,657	5,786,179
Small-cap equity funds	1,464,282	1,490,104
Fixed income mutual funds	213,007	3,122,136
Convertible securities mutual funds	16,965,020	13,738,517
Absolute return funds	479,890	2,728,394
	<u>\$28,806,856</u>	<u>\$30,078,337</u>

At May 31, 2020 and 2019, investments held for deferred compensation consist of the following:

	2020	2019
Equity mutual funds:	885,761	803,663
Fixed income mutual funds	307,268	357,527
Fixed account	173,426	190,269
	<u>\$ 1,366,455</u>	<u>\$1,351,459</u>

## Note 3. 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, 2020 and 2019, 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 and investments held for deferred compensation 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, 2020 and 2019, 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 2, 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 valued 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, 2020 and 2019:

Description	May 31, 2020			
	Total	Level 1	Level 2	Level 3
Equity mutual funds	\$ 885,761	\$ 885,761	\$ -	\$ -
Fixed income mutual funds	307,268	307,268	-	-
Fixed account	173,426	-	-	173,426
	<b>\$ 1,366,455</b>	<b>\$ 1,193,029</b>	<b>\$ -</b>	<b>\$ 173,426</b>

Description	May 31, 2019			
	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
	<b>\$ 1,351,459</b>	<b>\$ 1,161,190</b>	<b>\$ -</b>	<b>\$ 190,269</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

Changes in the Association's Level 3 investments held for deferred compensation related to the fixed account are as follows:

	2020	2019
Balance, beginning of year	\$ 190,269	\$ 202,311
Unrealized loss	(16,843)	(12,042)
<b>Balance, end of year</b>	<b>\$ 173,426</b>	<b>\$ 190,269</b>

## Note 4. Furniture, Equipment and Software

Details of furniture, equipment and software at May 31, 2020 and 2019, are as follows:

	2020	2019
Furniture and equipment	\$ 2,494,196	\$ 2,439,752
Leasehold improvements	372,501	372,501
Software and website	2,846,309	2,846,309
	5,713,006	5,658,562
Less: Accumulated depreciation and amortization	4,109,378	3,642,380
	<b>\$ 1,603,628</b>	<b>\$ 2,016,182</b>

Amortization expense of capitalized software totaled \$383,292 and \$210,183 for the years ended May 31, 2020 and 2019, respectively. The unamortized balance of capitalized software totaled \$1,359,478 and \$1,742,770 at May 31, 2020 and 2019, respectively.

## Note 5. Lease Commitment

The Association leases office space in Westchester, Illinois under an operating agreement, which includes certain rent abatements and escalation clauses. In February 2011, the Association amended this agreement to extend the lease term through July 2022. The effects 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 non-cancelable operating lease are as follows:

Year ending May 31:	
2021	652,822
2022	669,926
2023	112,130
	<b>\$ 1,434,878</b>

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

## Note 6. Functional Expenses

The following tables set forth expenses, including tax benefit, incurred by function of the Association for the years ended May 31, 2020 and 2019, respectively:

	Program Services				Total	Management & General	Total
	Education Products, Services & Events	Publications	Membership	Benchmarking & Metrics/ Peer Review			
<b>2020</b>							
Personnel and commissions	5,204,212	\$1,691,851	\$2,551,671	948,022	\$10,395,756	\$5,737,522	\$16,133,278
Professional services	1,550,306	110,623	57,916	28,329	1,747,174	1,528,558	3,275,732
Marketing	474,923	607,856	671,596	76,896	1,831,271	6,504	1,837,775
Travel and entertainment	1,193,142	28,619	340,671	19,886	1,582,318	395,924	1,978,242
Information technology and equipment	801,053	8	125,642	162,411	1,089,114	431,875	1,520,989
Administrative and other	85,633	2,952	28,949	43,702	161,236	1,163,234	1,324,470
Hotel and meetings cost	535,463	1,000	12,500	1,728	550,691	18,001	568,692
Occupancy	278,247	67,176	134,352	20,152	499,927	174,660	674,587
Tax benefit	-	(76,745)	-	-	(76,745)	-	(76,745)
Depreciation and amortization	150,298	53,677	107,355	16,103	327,433	139,565	466,998
Total expense by function	\$10,273,277	\$2,487,017	\$4,030,652	\$1,317,229	\$18,108,175	\$9,595,843	\$27,704,018
<b>2019</b>							
Personnel and commissions	\$5,468,500	\$1,575,404	\$2,765,286	\$858,482	\$10,667,672	\$5,375,772	\$16,043,444
Professional services	460,958	79,967	64,977	23,265	629,167	720,685	1,349,852
Marketing	571,218	679,854	600,927	107,659	1,959,658	9,547	1,969,205
Travel and entertainment	1,992,438	50,889	647,745	43,569	2,734,641	447,992	3,182,633
Information technology and equipment	865,726	752	96,819	178,957	1,142,254	520,427	1,662,681
Administrative and other	174,058	3,102	247,589	51,350	476,099	798,178	1,274,277
Hotel and meetings cost	653,706	-	5,000	-	658,706	45,000	703,706
Occupancy	201,859	71,983	165,561	21,595	460,998	215,948	676,946
Tax benefit	-	-	-	-	-	(52,737)	(52,737)
Depreciation and amortization	95,119	32,800	75,439	9,840	213,198	98,399	311,597
Membership model and website redesign	885,739	305,427	702,482	91,628	1,985,276	916,282	2,901,558
Total expense by function	\$11,369,321	\$2,800,178	\$5,371,825	\$1,386,345	\$20,927,669	\$9,095,493	\$30,023,162

The above table for fiscal year 2019 includes the functional allocation of the membership model and website redesign project expenses, shown separately on the consolidated statement of activities.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT.)

## Note 7. 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, 2020 and 2019, were \$415,053 and \$660,642, 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 \$269,478 and \$311,938 for the years ended May 31, 2020 and 2019, respectively, for contributions to the plans on behalf of the key employees.

## Note 8. 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, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position dates due to 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.

	2020	2019
Cash and cash equivalents	\$ 4,834,404	\$ 7,055,574
Accounts receivable	2,412,725	2,518,679
Investments and investments held for deferred compensation	30,173,311	31,429,796
Chapter-restricted funds	72,736	72,270
Total financial assets	\$ 37,493,176	\$ 41,076,319
Investments held for deferred compensation	\$ (1,366,455)	\$ (1,351,459)
Board designated funds	(105,144)	(103,679)
Chapter-restricted funds	(72,736)	(72,270)
	\$ (1,544,335)	\$ (1,527,408)
Financial assets available to meet cash needs for general expenditures within one year	\$ 35,948,841	\$ 39,548,911

## 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 HFMA'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,	
	2020	2019
Number of chapters	64	66
Total assets, primarily cash	\$ 10,669,192	\$ 10,314,616
Total revenue	\$ 9,573,917	\$ 12,065,248
Increase (decrease) in net assets	\$ 1,401,814	\$ (35,759)