HFMA 2021-2022 AUDITED CONSOLIDATED FINANCIAL REPORT

A Note from HFMA's CFO

As I reflect on FY2021-22, one word comes to mind: pride. Our members' unparalleled commitment, passion and enthusiasm for HFMA helped keep the Association strong and vibrant during a challenging time.

HFMA's membership base continued to grow, ending the fiscal year nearly 90,000 strong. We enjoyed the opportunity to reconnect in Minneapolis for the 2021 Annual Conference in November, marking the Association's 75th anniversary. And HFMA experienced a second consecutive year of profitability, bolstered by the federal employee retention credit and a fully forgiven Paycheck Protection Program loan.

During a tough time for our nation, HFMA persevered and that is largely thanks to you, our members. I encourage you to stay connected and engaged in all that the Association has to offer. We appreciate your continuing support as we look forward to another successful year.

Joyce Zimowski

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SVP, Chief Financial Officer

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Healthcare Financial Management Association and Affiliates

Consolidated Financial Report
May 31, 2022

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RSM

Independent Auditor's Report

RSM US LLP

Board of Directors
Healthcare Financial Management Association

Report on Audit of the Financial Statements

Opinion
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, 2022 and 2021, 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).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

RSM US LLP

Chicago, Illinois
September 8, 2022

Healthcare Financial Management Association and Affiliates

Consolidated Statements of Financial Position
May 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 7,371,319	$ 4,329,737
Accounts receivable, less allowances for doubtful accounts of $627,866 in 2022; $681,543 in 2021	3,945,295	2,258,968
Prepaid expenses and other assets	2,292,178	1,074,979
Total current assets	13,608,792	7,663,684
Investments	32,272,595	34,045,102
Investments held for deferred compensation	1,200,564	1,245,830
Furniture, equipment and software, net	1,551,082	1,141,129
Chapter-restricted funds	83,565	69,054
Total assets	$ 48,716,598	$ 44,164,799
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 3,135,042	$ 3,044,845
Deferred membership dues, net of related chapter rebates of $0 in 2022; $273,171 in 2021	7,845,566	7,416,290
Deferred registration, subscription and other revenue	7,645,688	2,768,211
Total current liabilities	18,626,296	13,229,346
Deferred lease obligation	35,765	159,354
Paycheck Protection Program loan payable	-	1,901,680
Deferred compensation liability	1,200,564	1,245,830
Total liabilities	19,862,625	16,536,210
Net assets without donor restrictions	28,851,168	27,523,499
Board-designated funds	2,805	105,090
Total net assets without donor restrictions	28,853,973	27,628,589
Total liabilities and net assets	$ 48,716,598	$ 44,164,799

See notes to consolidated financial statements.

Healthcare Financial Management Association and Affiliates

Consolidated Statements of Activities
Years Ended May 31, 2022 and 2021

	2022	2021
Revenue:		
Membership dues and related revenue	**$ 11,549,080**	$ 10,002,827
hfm magazine	**2,644,507**	2,323,221
Annual conference registrations, exhibits and fees	**1,914,069**	67,250
Sponsorship	**5,260,973**	3,628,070
Benchmarking and metrics	**1,726,125**	1,902,484
Peer review	**1,084,208**	1,125,325
Education	**128,669**	108,445
Miscellaneous	**412,900**	380,386
Employee retention credit	**516,843**	431,000
Contributions	**18,325**	-
Total revenue	**25,255,699**	19,969,008
Expenses:		
Personnel and commissions	**15,128,077**	13,941,843
Professional services	**2,429,677**	1,916,141
Marketing	**1,000,429**	924,189
Travel and entertainment	**1,455,029**	65,610
Hotel and meeting costs	**313,104**	43,280
Information technology and equipment	**1,355,640**	555,140
Administrative and other	**860,307**	761,097
Occupancy	**667,347**	663,452
Tax expense	**180,000**	218,750
Depreciation and amortization	**730,004**	462,500
Total expenses	**24,119,614**	19,552,002
Operating income	**1,136,085**	417,006
Net investment (loss) gain	**(1,812,381)**	5,570,596
Gain on forgiveness of Paycheck Protection Program loan	**1,901,680**	-
Change in net assets	**1,225,384**	5,987,602
Net assets without donor restrictions, beginning of year	**27,628,589**	21,640,987
Net assets without donor restrictions, end of year	**$ 28,853,973**	$ 27,628,589

See notes to consolidated financial statements.

Healthcare Financial Management Association and Affiliates

Consolidated Statements of Cash Flows
Years Ended May 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ 1,225,384**	$ 5,987,602
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**730,004**	462,500
Provision for doubtful accounts	**(53,677)**	(108,696)
Decrease in deferred lease obligation	**(123,589)**	(119,076)
Net realized and unrealized loss (gain) on investments	**2,366,834**	(5,297,021)
Forgiveness of Paycheck Protection Program loan	**(1,901,680)**	-
Changes in assets and liabilities:		
Accounts receivable	**(1,632,650)**	262,453
Prepaid expenses and other assets	**(1,217,199)**	(378,687)
Accounts payable and accrued expenses	**(165,403)**	(1,124,721)
Deferred dues and other revenue	**5,306,753**	(2,153,157)
Deferred compensation liability	**(45,266)**	(120,625)
Net cash provided by (used in) operating activities	**4,489,511**	(2,589,428)
Cash flows from investing activities:		
Purchase of furniture, equipment and software	**(884,356)**	-
Proceeds from sale of investments	**-**	719,869
Purchase of investments	**(594,328)**	(661,095)
Proceeds from sale of investments held for deferred compensation	**177,148**	214,217
Purchase of investments held for deferred compensation	**(131,882)**	(93,592)
Net cash (used in) provided by investing activities	**(1,433,418)**	179,399
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	**-**	1,901,680
Net cash provided by financing activities	**-**	1,901,680
Increase (decrease) in cash and cash equivalents and chapter-restricted funds	**3,056,093**	(508,349)
Cash and cash equivalents and chapter-restricted funds:		
Beginning	**4,398,791**	4,907,140
Ending	**$ 7,454,884**	$ 4,398,791
Reconciliation of cash and cash equivalents and chapter-restricted funds:		
Cash and cash equivalents	**$ 7,371,319**	$ 4,329,737
Chapter-restricted funds	**83,565**	69,054
Cash and cash equivalents and chapter-restricted funds	**$ 7,454,884**	$ 4,398,791
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	**$ 60,000**	$ -
Supplemental disclosure of non-cash activities		
Additions to Work In Process included in Accrued Expenses	**$ 255,600**	$ -
Forgiveness of Paycheck Protection Plan loan	**$ 1,901,680**	$ -

See notes to consolidated financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Healthcare Financial Management Association (HFMA) is an association of health care financial management professionals with approximately 89,000 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 nonprofit entity, through common membership of their respective Boards of Directors and shared senior management. The Foundation provides cost-effective and accessible ways for health care financial management professionals to increase their professional knowledge through educational programs. Support for the Foundation is derived primarily from the annual conference, other live educational events, both virtual and in-person and investment income. HFMA Learning Solutions, Inc. (LSI), a wholly owned subsidiary of HFMA, is a for-profit corporation, which provides information on health care 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, 2022 and 2021, 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 accounting principles generally accepted in the United States of America in these disclosures are to the Accounting Standards Codification (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.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

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.

Prepaid expenses and other assets: Prepaid expenses and other assets mainly consist of payments made by the Association for programming events to be held in future periods, as well as payments related to rent and other items with service periods that will occur in the future. These items are expensed when the related event takes place or when the related service period commences.

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 gain (loss). Net investment gain (loss) 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 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.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Paycheck Protection Program loan payable: The Association applied for and received a loan from the Paycheck Protection Program, a loan program administered through the Small Business Administration, in conjunction with the Coronavirus Aid, Relief, and Economy Security Act (CARES Act) in fiscal year 2021. The loan was in the amount of $1,901,680 and recorded as a loan payable at May 31, 2021. The Association received notification of full forgiveness of the loan in March 2022. Revenue was recognized in the gain on forgiveness of Paycheck Protection Plan loan line, within the other changes in net assets section, of the consolidated statement of activities for fiscal year 2022 and the related liability was removed.

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.

The Association's membership periods are concurrent with each members' individual membership anniversary date. Membership dues and related rebates to chapters, for both types of memberships, are billed at the beginning of the individual membership period and are recognized ratably over that 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 related membership period are deferred. Historically, the Association participated in a membership rebate program with their local chapters. The chapter rebate program was discontinued during fiscal year 2022 and re-purposed to a new initiative allowing the Association and local chapters to work together on aligning goals and initiatives across all chapters and regions.

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, including the Annual Conference, and related sponsorships are recognized as revenue when the programs are conducted. Program fees are typically invoiced prior to the start of the program. The 2021 (fiscal year 2022) Annual Conference was rescheduled from June 2021 to November 2021. The 2022 (fiscal year 2023) Annual Conference took place, as scheduled, in June 2022. 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 also received Employee Retention Credits under the CARES Act. These payroll tax credits were issued in order to encourage organizations to retain employees on their payroll. The Employee Retention Credit is a fully refundable tax credit for employers, equal to 50-70% of qualified wages that eligible employers pay their employees. The qualified wages percentage was 50% for fiscal year 2021 and 70% for fiscal year 2022. These Employee Retention Credits applied to qualified wages for each of the eligible periods. The Association included these tax credit receivables within prepaid expenses and other assets on the May 31, 2022 and 2021 consolidated statements of financial position. The related revenues, for both fiscal years 2022 and 2021, are included within the employee retention credit revenue line item on the related consolidated statements of activities.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

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 judgments 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 7. 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.

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 $2,645,000 and $2,323,000 in gross advertising revenue for the years ended May 31, 2022 and 2021, respectively. Income tax expense (refunds) associated with UBI are reflected within tax expense (benefit) 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 $1,937,000 and $2,374,000 at May 31, 2022 and 2021, respectively. The NOL began to expire in fiscal year 2022, as it was not previously utilized. No deferred tax asset has been recognized, as management has established a full valuation allowance at both May 31, 2022 and 2021.

The Association follows the provisions of the Accounting for Uncertainty in Income Taxes section of the Income Taxes topic of the ASC, 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, 2022 and 2021, the Association has no liability for unrecognized tax benefits.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

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 tax returns in all appropriate jurisdictions, which include a federal and an Illinois tax return.

Marketing costs: HFMA expenses the production costs of marketing the general benefits of membership in 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, 2022 and 2021, respectively, deferred marketing expenses totaled approximately $85,000 and $500 and are included in prepaid expenses and other assets on the consolidated statements of financial position.

Intercompany transactions: The Association provides all management services to the Foundation for which it receives a management fee. The management fee expense was $4,025,000 and $2,077,954 for the years ended May 31, 2022 and 2021, respectively, and is eliminated upon consolidation.

COVID-19: COVID-19 has significantly 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 Association rescheduled the June 2021 (fiscal year 2022) Annual Conference to take place (in-person) in November 2021. The Association went back to holding their Annual Conference (in-person) in June 2022 (fiscal year 2023). The Association continues to work to provide a mixture of returning to in-person programming and also offering new virtual programming to members.

Pending accounting pronouncement*:* The FASB has issued Accounting Standards Update (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 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard will be effective for the Association's fiscal year 2023 consolidated financial statements. Implementation of the standard is expected to increase total assets and total liabilities as reflected on the Association's consolidated statement of financial position at May 31, 2023 (and in future years) in an amount equivalent to fixed lease payments to be made through the lease terms of office and other leases, as discounted to present value.

Subsequent events: Subsequent to year-end, HFMA's wholly owned subsidiary, LSI, reached an agreement with Boomtown Accelerators, LLC to participate in a healthcare tech business innovation and development platform. Pursuant to this agreement, LSI will invest $1,000,000 initially in a yet to be created LLC, and if certain conditions are met, an additional $2,000,000 will be invested by the fiscal year ending May 31, 2025.

The Association has evaluated subsequent events for potential recognition and/or disclosure through September 8, 2022, 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 is summarized as follows at May 31, 2022 and 2021:

	2022	2021
Equity mutual funds:		
International equity funds	$ 4,280,280	$ 4,422,790
Large-cap equity funds	8,912,453	8,943,346
Small-cap equity funds	3,305,220	3,675,440
Fixed-income mutual funds	15,774,642	17,003,526
	$ 32,272,595	$ 34,045,102

At May 31, 2022 and 2021, investments held for deferred compensation consist of the following:

	2022	2021
Equity mutual funds	$ 790,566	$ 823,861
Fixed-income mutual funds	272,438	266,130
Fixed account	137,560	155,839
	$ 1,200,564	$ 1,245,830

Note 3. Fair Value Disclosures

Fair value measurements: The Fair Value Measurements topic of the ASC 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 Fair Value Measurements topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Fair Value Measurements 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, 2022 and 2021, 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 Fair Value Measurements 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.

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.

Note 3. Fair Value Disclosures (Continued)

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, 2022 and 2021:

		May 31, 2022		
Description	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 790,566	$ 790,566	$ -	$ -
Fixed-income mutual funds	272,438	272,438	-	-
Fixed account	137,560	-	-	137,560
	$ 1,200,564	$ 1,063,004	$ -	$ 137,560

		May 31, 2021		
Description	Total	Level 1	Level 2	Level 3
Equity mutual funds	$ 823,861	$ 823,861	$ -	$ -
Fixed-income mutual funds	266,130	266,130	-	-
Fixed account	155,839	-	-	155,839
	$ 1,245,830	$ 1,089,991	$ -	$ 155,839

Note 4. Furniture, Equipment and Software

Details of furniture, equipment and software at May 31, 2022 and 2021, are as follows:

	2022	2021
Furniture and equipment	$ 2,282,842	$ 2,494,196
Leasehold improvements	372,501	372,501
Software and website	2,846,309	2,846,309
Work in process	1,139,956	-
	6,641,608	5,713,006
Less accumulated depreciation and amortization	(5,090,526)	(4,571,877)
	$ 1,551,082	$ 1,141,129

Note 4. Furniture, Equipment and Software (Continued)

Amortization expense of capitalized software totaled $672,993 and $379,146 for fiscal years 2022 and 2021, respectively. The unamortized balance of capitalized software totaled $264,430 and $980,332 at May 31, 2022 and 2021, respectively. Remaining depreciation and amortization expense of furniture, equipment and leasehold improvements totaled $57,011 and $83,354 for fiscal years 2022 and 2021, respectively.

The work in process amount above, for fiscal year 2022, related to leasehold improvements for the new office space and expenses incurred to develop software. The amortization of these costs will begin when the leasehold improvements are placed into service and when the software is available for general use (both expected to be in fiscal year 2023).

Note 5. Line of Credit

During fiscal year 2021, the Association entered into a line of credit agreement. The lendable available credit was $5,000,000. Interest is payable at a variable rate equal to LIBOR plus 2.5%, totaling 6.2% at May 31, 2022. There was one draw made of $1,000,000 in January 2021. This draw was paid down, in full, in May 2021. There was no draw activity in fiscal year 2022. The agreement was renewed in November 2021 through November 2022. The terms of the renewed note are consistent with the original note, with the exception of the variable interest rate being updated to a rate of LIBOR plus 2.0%.

Note 6. Lease Commitments

The Association leased office space in Westchester, Illinois, under an operating agreement, through July 2022, which included certain rent abatements and escalation clauses. The effects of these 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 at May 31, 2022 and 2021.

The Association entered into a new lease in July 2021 for office space in Downers Grove, Illinois. Construction on the new office space began in November 2021. The lease commenced on May 1, 2022, and will continue through April 30, 2033. The Association took possession of the new space in July 2022. The new lease includes both abated rent periods and escalation clauses, of which the effects of these provisions will be recognized on a straight-line basis over the term of the lease. These provisions could give rise to a deferred lease obligation in future periods.

Future minimum lease payments under these noncancelable operating leases, as of May 31, 2022, are as follows:

Years ending May 31:	
2023	$ 136,260
2024	147,003
2025	150,813
2026	154,623
2027	158,433
Thereafter	1,015,206
	$ 1,762,338

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

Note 7. Functional Expenses

The following tables set forth expenses, including tax expense, incurred by function of the Association for the years ended May 31, 2022 and 2021:

	2022						
	Program Services						
	Education Products, Services and Events	Publications	Membership	Benchmarking and Metrics/ Peer Review	Total	Management and General	Total
Personnel and commissions	$ 5,759,028	$ 1,099,298	$ 2,087,709	$ 432,366	$ 9,378,401	$ 5,749,676	$ 15,128,077
Professional services	668,684	105,436	58,859	200,179	1,033,158	1,396,519	2,429,677
Marketing	126,994	418,603	410,107	29,081	984,785	15,644	1,000,429
Travel and entertainment	710,727	7,205	404,703	27,636	1,150,271	304,758	1,455,029
Hotel and meetings cost	263,530	3,151	25,876	2,547	295,104	18,000	313,104
Information technology and equipment	691,693	1,561	312,554	58,677	1,064,485	291,155	1,355,640
Administrative and other	79,312	7,494	42,314	492	129,612	730,695	860,307
Occupancy	284,084	54,752	172,077	15,643	526,556	140,791	667,347
Tax expense	-	180,000	-	-	180,000	-	180,000
Depreciation and amortization	253,068	68,133	214,134	19,467	554,802	175,202	730,004
Total expense by function	$ 8,837,120	$ 1,945,633	$ 3,728,333	$ 786,088	$ 15,297,174	$ 8,822,440	$ 24,119,614

	2021						
	Program Services						
	Education Products, Services and Events	Publications	Membership	Benchmarking and Metrics/ Peer Review	Total	Management and General	Total
Personnel and commissions	$ 4,704,349	$ 1,454,799	$ 2,034,363	$ 745,598	$ 8,939,109	$ 5,002,734	$ 13,941,843
Professional services	370,341	67,797	42,343	136,956	617,437	1,298,704	1,916,141
Marketing	55,779	386,468	438,958	33,501	914,706	9,483	924,189
Travel and entertainment	11,698	999	27,891	13,117	53,705	11,905	65,610
Hotel and meetings cost	49,530	-	(6,250)	-	43,280	-	43,280
Information technology and equipment	55,333	3,084	123,751	46,783	228,951	326,189	555,140
Administrative and other	37,766	6,828	33,430	1,069	79,093	682,004	761,097
Occupancy	280,947	73,246	138,353	24,415	516,961	146,491	663,452
Tax expense	-	218,750	-	-	218,750	-	218,750
Depreciation and amortization	151,964	59,464	112,321	19,821	343,570	118,930	462,500
Total expense by function	$ 5,717,707	$ 2,271,435	$ 2,945,160	$ 1,021,260	$ 11,955,562	$ 7,596,440	$ 19,552,002

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, 2022 and 2021, were $523,240 and $418,432, 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 $231,417 and $197,553 for the years ended May 31, 2022 and 2021, 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, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statements 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.

	2022	2021
Cash and cash equivalents	$ 7,371,319	$ 4,329,737
Accounts receivable	3,945,295	2,258,968
Investments and investments held for deferred compensation	33,473,159	35,290,932
Chapter-restricted funds	83,565	69,054
Total financial assets	44,873,338	41,948,691
Investments held for deferred compensation	(1,200,564)	(1,245,830)
Board-designated funds	(2,805)	(105,090)
Chapter-restricted funds	(83,565)	(69,054)
	(1,286,934)	(1,419,974)
Financial assets available to meet cash needs for general expenditures within one year	$ 43,586,404	$ 40,528,717

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 consolidated financial statements.

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

	As of and for the Years Ended May 31,	
	2022	2021
Number of chapters	63	63
Total assets, primarily cash	$ 12,017,361	$ 12,637,758
Total revenue	8,310,313	4,175,636
Increase in net assets	20,456	1,262,435