hfma
healthcare financial management association

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HFMA 2020–2021 AUDITED CONSOLIDATED FINANCIAL REPORT

A Note from HFMA's President and CEO

As we wrap up one fiscal year and turn our attention to the next, I want to pause and acknowledge the challenging yet inspiring times we have just come through. HFMA's 2020-21 fiscal year will go down in the annals of Association history as one of unprecedented challenges that were met with resourcefulness and resilience.

Through your continued support and engagement, together with the hard work and dedication of our Association team, HFMA returned to profitability in FY21, as shown in the attached audited financial statements. These results are a true testament to the commitment and perseverance of our membership, volunteer leadership and staff.

HFMA's total membership base increased 25% in FY20-21, bringing total membership to a record-breaking 72,000+ at the close of the fiscal year. I could not be prouder of the way the entire team stepped up to meet the challenges of this pandemic year. We pivoted to a virtual experience for our Annual Conference for the first time in HFMA history. Virtual channels became our new way of connecting with each other and maintaining day-to-day operations without interruption.

So, what lies ahead? The trajectory of the pandemic remains uncertain. Long-term industry challenges continue. While I cannot predict the future, I can say this with certainty: We will continue to support your efforts to serve your organizations and communities and we very much appreciate your continued engagement with HFMA.

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Healthcare Financial Management Association and Affiliates

Consolidated Financial Report
May 31, 2021

Healthcare Financial Management Association and Affiliates

Consolidated Statements of Financial Position
May 31, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	**$ 4,329,737**	$ 4,834,404
Accounts receivable, less allowances for doubtful accounts of $681,543 in 2021; $790,239 in 2020	**2,258,968**	2,412,725
Prepaid expenses and other assets	**1,074,979**	696,292
Total current assets	**7,663,684**	7,943,421
Investments	**34,045,102**	28,806,856
Investments held for deferred compensation	**1,245,830**	1,366,455
Furniture, equipment and software, net	**1,141,129**	1,603,628
Chapter-restricted funds	**69,054**	72,736
Total assets	**$ 44,164,799**	$ 39,793,096
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 3,044,845**	$ 4,169,566
Deferred membership dues, net of related chapter rebates of $273,171 in 2021; $293,275 in 2020	**7,416,290**	7,117,557
Deferred registration, subscription and other revenue	**2,768,211**	5,220,101
Total current liabilities	**13,229,346**	16,507,224
Deferred lease obligation	**159,354**	278,430
Paycheck Protection Program loan payable	**1,901,680**	-
Deferred compensation liability	**1,245,830**	1,366,455
Total liabilities	**16,536,210**	18,152,109
Net assets without donor restrictions	**27,523,499**	21,535,843
Board designated funds	**105,090**	105,144
Total net assets without donor restrictions	**27,628,589**	21,640,987
Total liabilities and net assets	**$ 44,164,799**	$ 39,793,096

See notes to consolidated financial statements.

Healthcare Financial Management Association and Affiliates

Consolidated Statements of Activities
Years Ended May 31, 2021 and 2020

	2021	2020
Revenue:		
Membership dues and related revenue	**$ 10,002,827**	$ 10,529,794
hfm magazine	**2,323,221**	2,213,572
Annual conference registrations, exhibits and fees	**67,250**	5,208,257
Sponsorship	**3,628,070**	3,366,881
Benchmarking and metrics	**1,902,484**	1,915,291
Peer review	**1,125,325**	1,349,602
Education	**108,445**	110,760
Miscellaneous	**380,386**	518,016
Employee retention credit	**431,000**	-
Contributions	**-**	2,945
Total revenue	**19,969,008**	25,215,118
Expenses:		
Personnel and commissions	**13,941,843**	16,133,278
Professional services	**1,916,141**	3,275,732
Marketing	**924,189**	1,837,775
Travel and entertainment	**65,610**	1,978,242
Hotel and meeting costs	**43,280**	568,692
Information technology and equipment	**555,140**	1,520,989
Administrative and other	**761,097**	1,324,470
Occupancy	**663,452**	674,587
Tax expense (benefit)	**218,750**	(76,745)
Depreciation and amortization	**462,500**	466,998
Total expenses	**19,552,002**	27,704,018
Operating income (loss)	**417,006**	(2,488,900)
Net investment return	**5,570,596**	1,694,497
Change in net assets	**5,987,602**	(794,403)
Net assets without donor restrictions, beginning of year	**21,640,987**	22,435,390
Net assets without donor restrictions, end of year	**$ 27,628,589**	$ 21,640,987

See notes to consolidated financial statements.

Healthcare Financial Management Association and Affiliates

Consolidated Statements of Cash Flows
Years Ended May 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	**$ 5,987,602**	$ (794,403)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**462,500**	466,998
Provision for doubtful accounts	**(108,696)**	331,391
Decrease in deferred lease obligation	**(119,076)**	(101,972)
Net realized and unrealized gain on investments	**(5,297,021)**	(720,791)
Changes in assets and liabilities:		
Accounts receivable	**262,453**	(225,437)
Prepaid expenses and other assets	**(378,687)**	587,681
Accounts payable and accrued expenses	**(1,124,721)**	901,488
Deferred dues and other revenue	**(2,153,157)**	(4,603,487)
Deferred compensation liability	**(120,625)**	14,996
Net cash used in operating activities	**(2,589,428)**	(4,143,536)
Cash flows from investing activities:		
Proceeds from Paycheck Protection Program loan	**1,901,680**	-
Purchase of furniture, equipment and software	**-**	(54,444)
Proceeds from sale of investments	**719,869**	8,273,128
Purchase of investments	**(661,095)**	(6,280,856)
Proceeds from sale of investments held for deferred compensation	**214,217**	320,944
Purchase of investments held for deferred compensation	**(93,592)**	(335,940)
Net cash provided by investing activities	**2,081,079**	1,922,832
Decrease in cash and cash equivalents and chapter-restricted funds	**(508,349)**	(2,220,704)
Cash and cash equivalents and chapter-restricted funds:		
Beginning	**4,907,140**	7,127,844
Ending	**$ 4,398,791**	$ 4,907,140
Reconciliation of cash and cash equivalents and chapter-restricted funds:		
Cash and cash equivalents	**$ 4,329,737**	$ 4,834,404
Chapter-restricted funds	**69,054**	72,736
Cash and cash equivalents and chapter-restricted funds	**$ 4,398,791**	$ 4,907,140

See notes to consolidated financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Healthcare Financial Management Association (HFMA) is an association of healthcare financial management professionals with approximately 72,000 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 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 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, 2021 and 2020 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.

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. The Association increased its allowance at May 31, 2020 in response to the uncertainty surrounding the COVID-19 pandemic at the time. A majority of these reserved items were collected in fiscal year 2021. An update was made to the allowance at May 31, 2021, resulting in a reduction to the related administrative and other expenses in the May 31, 2021 consolidated statement of activities.

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 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)

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"). The loan was in the amount of $1,901,680. The loan bears interest at a rate of 1% and is repayable in five years, but may be forgiven if certain conditions are met.

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.

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 June 2020 (fiscal year 2021) Annual Conference was cancelled due to restrictions on in-person gatherings, at the time, related to COVID-19. The 2021 (fiscal year 2022) Annual Conference has been rescheduled from June 2021 to November 2021. 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 an Employee Retention Credit under the CARES Act. This payroll tax credit was 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% of qualified wages that eligible employers pay their employees. This Employee Retention Credit applies to qualified wages paid after March 12, 2020, and before January 1, 2021. The Association included the tax credit receivable within prepaid expenses and other assets on the May 31, 2021 consolidated statement of financial position. The related revenue is included as a separate line item on the consolidated statement of activities.

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.

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

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 $2,323,000 and $2,214,000 in gross advertising revenue for the years ended May 31, 2021 and 2020, 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 $2,374,000 at May 31, 2021 and 2020. The NOL will begin to expire in fiscal year 2022, if not previously utilized. No deferred tax asset has been recognized, as management has established a full valuation allowance at May 31, 2021 and 2020.

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, 2021 and 2020, 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 tax returns in all appropriate jurisdictions, which include a federal and an Illinois tax return.

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

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, 2020, there were no deferred marketing expenses due to the cancellation of the June 2020 (fiscal year 2021) Annual Conference. As of May 31, 2021, deferred marketing expenses totaled approximately $500 and are included in prepaid expenses and other assets on the consolidated statement of financial position.

COVID-19: 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 in-person events, including the June 2020 Annual Conference and rescheduling the June 2021 Annual Conference to take place in-person in November 2021. The Association continues to work to adapt to providing a mixture of existing in-person programming and virtual programming.

Accounting pronouncement adopted: The FASB has issued Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This new accounting guidance reduces and modifies certain fair value measurement disclosures related to investments classified as Level 3 in the fair value hierarchy. This impacts the disclosures related to the Association's Level 3 investments held for deferred compensation. The disclosures, in Note 3, related to these investments have been reduced in accordance with the new standard.

Pending accounting pronouncement: The FASB has issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The standard will be effective for the Association's fiscal year 2023 consolidated financial statements. The Association is currently evaluating the impact on its consolidated financial statements of implementing this ASU.

Subsequent events: The Association has evaluated subsequent events for potential recognition and/or disclosure through September 10, 2021, the date these consolidated financial statements were available to be issued.

See Note 6 for information about a new lease executed in July 2021.

Note 2. Investments and Investments Held for Deferred Compensation

The composition of investments held by the Association is summarized as follows at May 31, 2021 and 2020:

	2021	2020
Equity mutual funds:		
International equity funds	$ 4,422,790	$ 3,158,000
Large-cap equity funds	8,943,346	6,526,657
Small-cap equity funds	3,675,440	1,677,289
Fixed income mutual funds	17,003,526	16,965,020
Absolute return funds	-	479,890
	$ 34,045,102	$ 28,806,856

At May 31, 2021 and 2020, investments held for deferred compensation consist of the following:

	2021	2020
Equity mutual funds	$ 823,861	$ 885,761
Fixed income mutual funds	266,130	307,268
Fixed account	155,839	173,426
	$ 1,245,830	$ 1,366,455

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, 2021 and 2020, 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.

Note 3. Fair Value Disclosures (Continued)

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, 2021 and 2020:

		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

		May 31, 2020		
Description	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
	$ 1,366,455	$ 1,193,029	$ -	$ 173,426

Note 4. Furniture, Equipment and Software

Details of furniture, equipment and software at May 31, 2021 and 2020, are as follows:

	2021	2020
Furniture and equipment	$ 2,494,196	$ 2,494,196
Leasehold improvements	372,501	372,501
Software and website	2,846,309	2,846,309
	5,713,006	5,713,006
Less: accumulated depreciation and amortization	(4,571,877)	(4,109,378)
	$ 1,141,129	$ 1,603,628

Amortization expense of capitalized software totaled $379,146 and $383,292 for the years ended May 31, 2021 and 2020, respectively. The unamortized balance of capitalized software totaled $980,332 and $1,359,478 at May 31, 2021 and 2020, respectively.

Note 5. Line of Credit

During fiscal year 2021, the Association entered into a line of credit agreement. As of May 31, 2021, the lendable available credit is $5,000,000. Interest is payable at a variable rate equal to LIBOR plus 2.5%, totaling 3.8% at May 31, 2021. There was one draw made of $1,000,000 in January 2021. This draw was paid down, in full, on May 27, 2021. The outstanding balance on the line at May 31, 2021 was $0. The agreement will mature in November 2021, with a provision for extension.

Note 6. Lease Commitments

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, as of May 31, 2021, are as follows:

Fiscal year ending May 31:	
2022	$ 669,926
2023	112,130
	$ 782,056

The Association entered into a new administrative office lease in July 2021. Construction on the new office space is scheduled to begin on November 1, 2021. The lease will commence on May 1, 2022 and continue through April 30, 2033.

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 (benefit), incurred by function of the Association for the years ended May 31, 2021 and 2020, respectively:

	2021						
	Program Services						
	Education Products, Services & Events	Publications	Membership	Benchmarking & Metrics/ Peer Review	Total	Management & 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	1,298,700	1,916,141
Marketing	55,779	386,468	438,958	33,501	914,706	9,480	924,189
Travel and entertainment	11,698	999	27,891	13,117	53,705	11,903	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	326,190	555,140
Administrative and other	37,766	6,828	33,430	1,069	79,093	682,010	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	118,928	462,500
Total expense by function	$ 5,717,707	$ 2,271,435	$ 2,945,160	$ 1,021,260	$ 11,955,562	$ 7,596,436	$ 19,552,002

	2020						
	Program Services						
	Education Products, Services & Events	Publications	Membership	Benchmarking & Metrics/ Peer Review	Total	Management & General	Total
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
Hotel and meetings cost	535,463	1,000	12,500	1,728	550,691	18,001	568,692
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
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

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, 2021 and 2020, were $418,432 and $415,053, 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 $197,553 and $269,478 for the years ended May 31, 2021 and 2020, 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, 2021 and 2020, 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.

	2021	2020
Cash and cash equivalents	$ 4,329,737	$ 4,834,404
Accounts receivable	2,258,968	2,412,725
Investments and investments held for deferred compensation	35,290,932	30,173,311
Chapter-restricted funds	69,054	72,736
Total financial assets	41,948,691	37,493,176
Investments held for deferred compensation	(1,245,830)	(1,366,455)
Board designated funds	(105,090)	(105,144)
Chapter-restricted funds	(69,054)	(72,736)
	(1,419,974)	(1,544,335)
Financial assets available to meet cash needs for general expenditures within one year	$ 40,528,717	$ 35,948,841

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,	
	2021	2020
Number of chapters	63	64
Total assets, primarily cash	$ 12,637,758	$ 10,669,192
Total revenue	4,175,636	9,573,917
Increase in net assets	1,262,435	1,401,814