HFMA 2023-2024 AUDITED CONSOLIDATED FINANCIAL REPORT

A Note from HFMA's CFO

As we conclude fiscal year 2024, I am pleased to share that it has been an incredibly successful year for HFMA. I'm proud to report that the organization achieved positive operating income, a result of careful financial stewardship and ongoing efforts to maximize the value we deliver to our members.

One notable milestone this year was C. Ann Jordan completing her first year as HFMA's CEO. Under her leadership, we have continued to set records in membership growth. This achievement is a testament to her vision, as well as the dedicated work of our staff and the unwavering support from members like you.

These positive financial results allow us to continue our mission of providing essential resources, education, and support to the healthcare finance community. As we look ahead to fiscal year 2025, we remain focused on leveraging our strong financial position to drive further innovation and ensure HFMA continues to meet the evolving needs of our members.

Thank you for your continued engagement and support. Together, we will build on this momentum to strengthen the future of our association and the healthcare industry at large.

STEVE S. SALDIVAR, CPA
VP, Chief Financial Officer

2001 Butterfield Road, Suite 1500
Downers Grove, IL 60515
708.531.9600
hfma.org

Healthcare Financial Management Association and Affiliates

Consolidated Financial Report
May 31, 2024

Contents

RSM US LLP

Independent Auditor's Report

Board of Directors
Healthcare Financial Management Association

Report on Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Healthcare Financial Management Association and Affiliates (the Association), which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Association as of May 31, 2024 and 2023, 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 6, 2024

Healthcare Financial Management Association and Affiliates

Consolidated Statements of Financial Position
May 31, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	**$ 10,070,189**	$ 7,465,835
Accounts receivable, less allowances for expected future credit losses of 2024—$549,603; 2023—$743,278	**4,194,599**	4,816,931
Prepaid expenses and other assets	**2,586,577**	2,283,086
Total current assets	**16,851,365**	14,565,852
Investments	**34,659,421**	32,113,328
Investments held for deferred compensation	**1,041,220**	692,764
Operating lease right-of-use asset, net	**1,171,642**	1,289,343
Furniture, equipment and software, net	**1,472,658**	1,836,960
Chapter-restricted funds	**96,576**	79,099
Total assets	**$ 55,292,882**	$ 50,577,346
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 3,499,766**	$ 2,668,299
Deferred membership dues	**7,588,442**	7,466,657
Deferred registration, subscription and other revenue	**9,412,961**	10,504,091
Current portion of operating lease liability	**140,311**	138,686
Total current liabilities	**20,641,480**	20,777,733
Operating lease liability, less current portion	**1,163,087**	1,278,313
Deferred compensation liability	**1,041,220**	692,764
Total liabilities	**22,845,787**	22,748,810
Net assets without donor restrictions	**32,444,028**	27,825,649
Board-designated funds	**3,067**	2,887
Total net assets without donor restrictions	**32,447,095**	27,828,536
Total liabilities and net assets	**$ 55,292,882**	$ 50,577,346

See notes to consolidated financial statements.

Healthcare Financial Management Association and Affiliates

Consolidated Statements of Activities
Years Ended May 31, 2024 and 2023

	2024	2023
Revenue:		
Membership dues and related revenue	**$ 13,189,223**	$ 12,551,263
hfm magazine	**1,398,541**	1,824,095
Annual conference registrations, exhibits and fees	**4,715,890**	3,690,655
Sponsorship	**7,865,690**	6,137,037
Benchmarking and metrics	**1,675,471**	1,653,755
Peer review	**809,620**	995,000
Education	**120,634**	125,117
Miscellaneous	**958,094**	324,320
Contributions	**9,697**	12,351
Total revenue	**30,742,860**	27,313,593
Expenses:		
Personnel and commissions	**18,242,549**	16,826,503
Professional services	**3,536,136**	2,401,955
Marketing	**1,316,526**	1,258,595
Travel and entertainment	**3,175,831**	2,205,571
Hotel and meeting costs	**718,545**	580,044
Information technology and equipment	**2,228,012**	1,742,782
Administrative and other	**727,527**	2,264,379
Occupancy	**312,207**	385,701
Tax expense	**25,000**	41,213
Depreciation and amortization	**378,433**	445,897
Total expenses	**30,660,766**	28,152,640
Operating income (loss)	**82,094**	(839,047)
Net investment gain (loss)	**4,536,465**	(186,390)
Change in net assets	**4,618,559**	(1,025,437)
Net assets without donor restrictions, beginning of year	**27,828,536**	28,853,973
Net assets without donor restrictions, end of year	**$ 32,447,095**	$ 27,828,536

See notes to consolidated financial statements.

Healthcare Financial Management Association and Affiliates

Consolidated Statements of Cash Flows
Years Ended May 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	**$ 4,618,559**	$ (1,025,437)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**378,433**	445,897
Provision for expected future credit losses	**(193,675)**	115,412
Net realized and unrealized (gain) loss on investments	**(3,486,004)**	931,946
Reduction in carrying amount of operating lease right-of-use asset	**154,913**	128,197
Cash paid for operating leases	**(150,813)**	(36,306)
Changes in assets and liabilities:		
Accounts receivable	**816,007**	(987,048)
Prepaid expenses and other assets	**(303,491)**	9,092
Accounts payable and accrued expenses	**831,467**	(466,743)
Deferred dues and other revenue	**(969,345)**	2,479,494
Deferred compensation liability	**348,456**	(507,800)
Net cash provided by operating activities	**2,044,507**	1,086,704
Cash flows from investing activities:		
Purchase of furniture, equipment and software	**(21,040)**	(731,775)
Proceeds from disposal of furniture, equipment and software	**6,909**	-
Proceeds from sales of investments	**1,999,960**	-
Purchase of investments	**(1,060,049)**	(772,679)
Proceeds from sale of investments held for deferred compensation	**106,878**	648,336
Purchase of investments held for deferred compensation	**(455,334)**	(140,536)
Net cash provided by (used in) investing activities	**577,324**	(996,654)
Increase in cash and cash equivalents and chapter-restricted funds	**2,621,831**	90,050
Cash and cash equivalents and chapter-restricted funds:		
Beginning	**7,544,934**	7,454,884
Ending	**$ 10,166,765**	$ 7,544,934
Reconciliation of cash and cash equivalents and chapter-restricted funds:		
Cash and cash equivalents	**$ 10,070,189**	$ 7,465,835
Chapter-restricted funds	**96,576**	79,099
Cash and cash equivalents and chapter-restricted funds	**$ 10,166,765**	$ 7,544,934
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	**$ -**	$ 108,000

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 120,500 members. HFMA's operations include membership activities, meetings, publications and benchmarking and metrics. Operating support is derived primarily from membership dues, publication fees, meetings and benchmarking and metrics fees. 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, 2024 and 2023, 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 position, 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 expected future credit losses based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for expected future credit losses by analyzing historical collection experience, current and future economic and market conditions, as well as a review of the current status of outstanding accounts receivable. These factors may change over time, impacting the allowance level. 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.

During the fiscal year ended May 31, 2024, the Association executed a Simple Agreement for Future Equity (SAFE agreement) with Vale Health, Inc. (Vale) to participate in the Vale Health platform. Pursuant to the SAFE agreement, the Association invested $500,000 in the platform. A Consortium Financing event took place in August of 2023 and Vale issued to the Association, 250,000 shares of Standard Preferred Stock. This investment is included in prepaid expenses and other assets on the consolidated statement of financial position. The Association has elected to account for this investment under the measurement alternative in accordance with ASC Topic 321, Investments—Equity Securities, which allows the investment to be recorded at cost, with adjustments for impairment and other observable price changes for identical or similar investments. Factors considered in determining these adjustments for observable price changes include third-party valuations and certain financing transactions. There were no downward or upward adjustments for impairment or observable price changes for the fiscal year ended May 31, 2024. In the event an adjustment is required for these changes, the related impact would be recorded in investment gain (loss) on the 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 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 and fixed income securities. 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 cease and amortization of capitalized software development costs commence 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.

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

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 cease and amortization of capitalized website development costs commence 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.

Leases: The Association determines if an arrangement is a lease at inception of the contract. A lease is considered to be a contract, or part of a contract, that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Association’s contracts determined to be or contain a lease include explicitly or implicitly identified assets where the Association has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

Leases are classified as either operating or finance. The Association currently has only operating leases. For operating leases, the Association recognizes a lease liability equal to the present value of the remaining lease payments, and a right-of-use (ROU) asset equal to the lease liability, subject to certain adjustments, such as for prepaid rents and other lease incentives. The lease term may include options to extend or terminate the lease when it is reasonably certain that the Association will exercise such option. When the rate implicit in the lease is not readily determinable, the Association has made a policy election to use a risk-free rate, based on the United States Treasury rates, to determine the present value of the lease payments for all classes of assets.

The Association defines a short-term lease as any lease arrangement with an original lease term of 12 months or less that does not include an option to purchase the underlying asset. The Association has made a policy election to not recognize ROU assets and lease liabilities for short-term leases. As a result, short-term lease payments are recognized as expense on a straight-line basis over the lease term, and variable lease payments are recognized in the period in which the obligation is incurred.

For lease arrangements with lease and nonlease components, the Association has made a policy election to account for both components, as a single lease component, for all classes of assets.

Certain of the Association’s leases also include variable lease costs. These variable payments typically represent additional rental charges, such as utilities and other building operational costs and these are recorded as an expense in the period incurred. The Association’s lease agreements do not contain any residual value guarantees or restrictive covenants.

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

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 their employees.

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

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. Publications 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.

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 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 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.

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 $1,399,000 and $1,824,000 in gross advertising revenue for the years ended May 31, 2024 and 2023, 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.

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

LSI had a net operating loss (NOL) carryforward of approximately $436,700 at both May 31, 2024 and 2023. The NOL will begin to expire in fiscal year 2029, 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, 2024 and 2023.

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, 2024 and 2023, 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.

Marketing costs and future meeting commitments: 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, 2024 and 2023, deferred marketing expenses totaled approximately $114,000 and $131,000, respectively, and are included in prepaid expenses and other assets on the consolidated statements of financial position. The Foundation recognized approximately $754,000 and $731,000 in direct marketing expenses in the fiscal years ended May 31, 2024 and 2023, respectively.

The Association contracts for future educational meetings in advance. Future meeting commitments as of May 31, 2024, are approximately $9,700,000 consisting of contracted convention space, hotel accommodations and food and beverage. The Association is currently contracted through June 2028 for its Annual Conference.

Intercompany transactions: The Association provides all management services to the Foundation for which it receives a management fee. The management fee expense was $4,886,796 and $4,107,487 for the years ended May 31, 2024 and 2023, respectively, and is eliminated upon consolidation.

Adopted accounting pronouncement: The FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the current incurred loss impairment methodology for financial assets reported at amortized cost, such as trade receivables, with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this update are effective for the Association’s fiscal year ended May 31, 2024. The Association determined that this amendment did not have a significant impact on the consolidated financial statements.

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

Subsequent events: The Association has evaluated subsequent events for potential recognition and/or disclosure through September 6, 2024, the date the consolidated financial statements were available to be issued.

Note 2. Investments and 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, 2024 and 2023, 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.

The following tables disclose the fair value hierarchy of the Association's investment assets, as well as investment assets held for deferred compensation, at fair value at May 31, 2024 and 2023. Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	At May 31, 2024			
	Level 1	Level 2	Level 3	Total Fair Value
Association investments:				
Equity mutual funds:				
International equity funds	$ 5,345,335	$ -	$ -	$ 5,345,335
Large-cap equity funds	9,291,842	-	-	9,291,842
Small-cap equity funds	3,774,189	-	-	3,774,189
Fixed-income mutual funds	16,248,055	-	-	16,248,055
	34,659,421	-	-	34,659,421
Investments held for deferred compensation:				
Equity mutual funds	479,135	-	-	479,135
Fixed-income mutual funds	463,329	-	-	463,329
Fixed account	-	-	98,756	98,756
	942,464	-	98,756	1,041,220
	$ 35,601,885	$ -	$ 98,756	$ 35,700,641

Note 2. Investments and Fair Value Disclosures (Continued)

	At May 31, 2023			
	Level 1	Level 2	Level 3	Total Fair Value
Association investments:				
Equity mutual funds:				
International equity funds	$ 4,161,952	$ -	$ -	$ 4,161,952
Large-cap equity funds	9,168,810	-	-	9,168,810
Small-cap equity funds	3,123,214	-	-	3,123,214
Fixed-income mutual funds	15,659,352	-	-	15,659,352
	32,113,328	-	-	32,113,328
Investments held for deferred compensation:				
Equity mutual funds	534,077	-	-	534,077
Fixed-income mutual funds	40,138	-	-	40,138
Fixed account	-	-	118,549	118,549
	574,215	-	118,549	692,764
	$ 32,687,543	$ -	$ 118,549	$ 32,806,092

Fair value—association investments: The Association's investments 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 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. There were no changes in these assets classified in Level 3 of the fair value hierarchy during the years ended May 31, 2024 and 2023, related to purchases, issues or other transfers.

Note 3. Furniture, Equipment and Software

Details of furniture, equipment and software at May 31, 2024 and 2023, are as follows:

	2024	2023
Furniture and equipment	$ 232,373	$ 195,309
Leasehold improvements	532,873	526,928
Software and website	3,328,633	3,328,632
Work in process	-	21,970
	4,093,879	4,072,839
Less accumulated depreciation and amortization	(2,621,221)	(2,235,879)
	$ 1,472,658	$ 1,836,960

Note 3. Furniture, Equipment and Software (Continued)

The work in process amount above, for the fiscal year ended May 31, 2023, related to leasehold improvements for the new office space and expenses incurred to develop software. The amortization of these costs began in the fiscal year ended May 31, 2024; when the leasehold improvements were placed into service and when the software became available for general use. There were no amounts related to work in process at May 31, 2024.

During the fiscal year ended May 31, 2023, approximately $3,132,500 of gross furniture and equipment and website related costs that were fully depreciated were written off and removed from the accounting records of the Association. No similar transactions occurred in the fiscal year ended May 31, 2024.

Note 4. Line of Credit

The Association has a line of credit agreement. The lendable available credit is $3,000,000. Interest is payable at a rate equal to the one month adjusted Secured Overnight Financing Rate (SOFR), plus 1.75%, totaling 7.08% at May 31, 2024. The Association drew $500,000 on this note in March 2023 and the draw was paid back, in full, before May 31, 2023. There were no draws made during the fiscal year ended May 31, 2024. Therefore, there was no outstanding balance at May 31, 2024. The agreement was renewed in November 2023 through November 2024.

Note 5. Leases

The Association enters into contracts to lease real estate and various equipment. The Association's most significant lease is an office lease with an initial lease term expiring during fiscal year 2033. Certain leases include renewal or termination options. The lease term at the lease commencement date is determined based on the noncancelable period for which the Association has the right to use the underlying asset, together with any periods covered by an option to extend the lease if the Association is reasonably certain to exercise that option, periods covered by an option to terminate the lease if the Association is reasonably certain not to exercise that option, and periods covered by an option to extend (or not to terminate) the lease in which the exercise of the option is controlled by the lessor. The Association considered a number of factors when evaluating whether the options in its lease contracts were reasonably certain of exercise, such as length of time before option exercise, expected value of the leased asset at the end of the initial lease term, importance of the lease to overall operations, costs to negotiate a new lease, and any contractual or economic penalties.

There are a number of reassessment and remeasurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the applicable discount rate. The Association reviewed the reassessment and remeasurement requirements and did not identify any events or conditions during the fiscal years ended May 31, 2024 or 2023, that required a reassessment or remeasurement. In addition, there were no impairment indicators identified during the fiscal years ended May 31, 2024 or 2023, that required an impairment test for the Association's ROU assets or other long-lived assets in accordance with ASC 360-10.

Note 5. Leases (Continued)

The components of lease expense and supplemental cash flows information related to leases for the fiscal years ended May 31, 2024 and 2023, are as follows:

	2024	2023
Operating lease cost	$ 151,101	$ 240,059
Short-term lease cost	37,810	33,190
Variable lease cost	102,035	32,773
Total lease cost	$ 290,946	$ 306,022

Other lease-related information as of and for the fiscal years ended May 31, 2024 and 2023, is as follows:

	2024	2023
Cash paid for amounts included in the measurement of operating lease liabilities:		
Operating cash flows from operating lease	$ 150,813	$ 36,306
Remaining lease term on operating lease	8.9 years	9.9 years
Discount rate for operating lease	2.94%	2.94%

As of May 31, 2024, maturities of the Association's lease liabilities are as follows:

Fiscal years ending May 31:	
2025	$ 150,813
2026	154,623
2027	158,433
2028	162,243
2029	166,053
Thereafter	686,911
Total lease payments	1,479,076
Less imputed interest	(175,678)
Total lease obligations	$ 1,303,398

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. The Association has elected to account for this lease as a short-term lease and, therefore, will not recognize a related ROU asset or lease liability related to this lease. Related lease payments are recognized as expense on a straight-line basis as they are incurred.

Note 6. Functional Expenses

The following tables set forth expenses, including tax expense, incurred by function of the Association for the years ended May 31, 2024 and 2023:

	2024						
	Program Services						
	Education Products, Services and Events	Publications	Membership	Benchmarking and Metrics/ Peer Review	Total	Management and General	Total
Personnel and commissions	$ 6,954,827	$ 1,138,310	$ 2,665,205	$ 402,835	$ 11,161,177	$ 7,081,372	$ 18,242,549
Professional services	684,114	244,762	49,706	633,205	1,611,787	1,924,349	3,536,136
Marketing	268,773	519,643	460,266	38,340	1,287,022	29,504	1,316,526
Travel and entertainment	2,280,247	4,787	385,267	50,372	2,720,673	455,158	3,175,831
Hotel and meetings cost	686,172	1,250	16,295	2,828	706,545	12,000	718,545
Information technology and equipment	1,203,106	3,195	507,229	128,440	1,841,970	386,042	2,228,012
Administrative and other	120,060	28,463	107,312	3,612	259,447	468,080	727,527
Occupancy	130,419	24,010	82,319	13,720	250,468	61,739	312,207
Tax expense	-	25,000	-	-	25,000	-	25,000
Depreciation and amortization	68,598	17,785	60,976	185,344	332,703	45,730	378,433
Total expense by function	$ 12,396,316	$ 2,007,205	$ 4,334,575	$ 1,458,696	$ 20,196,792	$ 10,463,974	$ 30,660,766

	2023						
	Program Services						
	Education Products, Services and Events	Publications	Membership	Benchmarking and Metrics/ Peer Review	Total	Management and General	Total
Personnel and commissions	$ 6,079,801	$ 1,123,480	$ 2,445,230	$ 658,752	$ 10,307,263	$ 6,519,240	$ 16,826,503
Professional services	431,106	269,475	83,864	173,440	957,885	1,444,070	2,401,955
Marketing	201,328	516,335	469,513	42,833	1,230,009	28,586	1,258,595
Travel and entertainment	1,236,789	12,780	484,069	48,467	1,782,105	423,466	2,205,571
Hotel and meetings cost	528,519	2,145	7,798	2,582	541,044	39,000	580,044
Information technology and equipment	902,438	1,974	366,035	147,285	1,417,732	325,050	1,742,782
Administrative and other	104,946	65,751	136,219	4,311	311,227	1,953,152	2,264,379
Occupancy	152,220	32,047	105,296	18,312	307,875	77,826	385,701
Tax expense	-	41,213	-	-	41,213	-	41,213
Depreciation and amortization	125,223	33,714	110,774	94,310	364,021	81,876	445,897
Total expense by function	$ 9,762,370	$ 2,098,914	$ 4,208,798	$ 1,190,292	$ 17,260,374	$ 10,892,266	$ 28,152,640

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, 2024 and 2023, were $604,978 and $588,708, 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 $291,062 and $323,731 for the years ended May 31, 2024 and 2023, 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 30 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, 2024 and 2023, 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.

	2024	2023
Cash and cash equivalents	$ 10,070,189	$ 7,465,835
Accounts receivable	4,194,599	4,816,931
Investments and investments held for deferred compensation	35,700,641	32,806,092
Chapter-restricted funds	96,576	79,099
Total financial assets	50,062,005	45,167,957
Investments held for deferred compensation	(1,041,220)	(692,764)
Board-designated funds	(3,067)	(2,887)
Chapter-restricted funds	(96,576)	(79,099)
	(1,140,863)	(774,750)
Financial assets available to meet cash needs for general expenditures within one year	$ 48,921,142	$ 44,393,207