American Health Law Association

Financial Report
May 31, 2021

Contents

Independent Auditor's Report

RSM US LLP

Board of Directors
American Health Law Association

Report on the Financial Statements
We have audited the accompanying financial statements of American Health Law Association (the Association), which comprise the statements of financial position as of May 31, 2021 and 2020, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred above present fairly, in all material respects, the financial position of American Health Law Association as of May 31, 2021 and 2020, 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.

RSM US LLP

Washington, D.C.
October 20, 2021

American Health Law Association

Statements of Financial Position
May 31, 2021 and 2020

	2021	2020
Assets		
Cash and cash equivalents	**$ 1,326,344**	$ 1,369,626
Investments	**23,057,827**	19,956,545
Accounts receivable, net	**231,169**	700,850
Promises to give	**21,289**	24,091
Prepaid expenses and deposits	**266,878**	473,250
Property and equipment, net	**1,457,827**	524,826
	$ 26,361,334	$ 23,049,188
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 3,367,719**	$ 2,974,084
Retirement payable	**428,878**	401,533
Deferred revenue	**2,233,672**	2,226,145
Loan payable	**800,000**	800,000
Deferred rent	**1,531,003**	21,766
Total liabilities	**8,361,272**	6,423,528
Commitments and contingencies (Notes 9 and 10)		
Net assets:		
Without donor restrictions		
Undesignated	**12,511,663**	11,544,877
Designated	**5,467,110**	5,056,692
	17,978,773	16,601,569
With donor restrictions	**21,289**	24,091
	18,000,062	16,625,660
	$ 26,361,334	$ 23,049,188

See notes to financial statements.

American Health Law Association

Statements of Activities
Years Ended May 31, 2021 and 2020

	2021	2020
Change in net assets without donor restrictions:		
Revenue and support:		
Membership dues and practice group fees	**$ 3,531,054**	$ 4,384,757
In-person programs	**2,017,063**	4,278,361
Publishing	**733,888**	846,636
Dispute resolution service	**541,801**	526,228
Advertising, net	**385,346**	500,220
Distance learning	**125,832**	273,363
Other income	**5,153**	51,759
Fundraising and development contributions	**103,048**	41,736
	7,443,185	10,903,060
Net assets released from time restrictions	**11,802**	30,109
Total revenue and support without donor restrictions	**7,454,987**	10,933,169
Expenses:		
Program services:		
Publishing	**1,583,368**	1,589,449
In-person programs	**1,567,367**	2,918,080
Marketing and communications	**704,784**	610,666
Dispute resolution service	**436,401**	419,495
Distance learning	**387,607**	496,721
Total program services	**4,679,527**	6,034,411
Supporting services		
Membership, practice group services and leadership	**887,560**	764,939
Management and general:		
Finance, technology and human resources	**2,356,069**	2,700,920
Board and committee governance	**791,050**	1,137,783
Fundraising and development	**97,558**	133,130
Total supporting services	**4,132,237**	4,736,772
Total expenses	**8,811,764**	10,771,183
Change in net assets without donor restrictions before other items	**(1,356,777)**	161,986
Net investment income	**3,801,282**	428,819
Strategic use of reserves	**(1,067,301)**	(1,206,894)
Change in net assets without donor restrictions	**1,377,204**	(616,089)
Change in net assets with donor restrictions:		
Contributions	**9,000**	3,000
Net assets released from time restrictions	**(11,802)**	(30,109)
Change in net assets with donor restrictions	**(2,802)**	(27,109)
Change in net assets	**1,374,402**	(643,198)
Net assets:		
Beginning	**16,625,660**	17,268,858
Ending	**$ 18,000,062**	$ 16,625,660

See notes to financial statements.

American Health Law Association

Statement of Functional Expenses
Year Ended May 31, 2021

	Program Services						Supporting Services						
	Publishing	In-Person Programs	Marketing and Communications	Dispute Resolution Service	Distance Learning	Total Program Services	Membership, Practice Group Services and Leadership	Finance, Technology and Human Resources	Board and Committee Governance	Fundraising and Development	Total Supporting Services	Total Expenses	(Note 9) Strategic Reserves
Salaries and benefits	$ 1,149,807	$ 927,091	$ 482,022	$ 359,300	$ 318,560	$ 3,236,780	$ 633,863	$ 1,135,240	$ 690,703	$ 78,595	$ 2,538,401	$ 5,775,181	$ 31,934
Contracted services/fees	117,708	413,527	103,980	6,870	-	642,085	90,527	626,795	1,121	958	719,401	1,361,486	652,812
Occupancy	87,416	107,462	36,291	27,664	26,390	285,223	90,332	85,193	52,204	6,851	234,580	519,803	-
Computer expense	-	-	11,475	11,018	-	22,493	-	425,193	-	-	425,193	447,686	168,468
Other expense	35,509	38,781	12,452	8,782	10,602	106,126	31,943	16,031	21,711	2,367	72,052	178,178	5,385
Depreciation	20,900	25,692	8,677	15,647	6,309	77,225	21,597	27,357	12,481	1,639	63,074	140,299	88,992
Printing	111,263	1,024	346	259	252	113,144	6,263	798	1,027	65	8,153	121,297	-
Travel and development	-	15,410	1,188	-	-	16,598	2,332	37,140	3,766	6,195	49,433	66,031	8,636
Event hotel/facilities	11,261	24,529	1,400	-	22,356	59,546	-	-	263	-	263	59,809	-
Telephone	12,213	10,695	4,776	6,332	2,624	36,640	8,766	-	4,930	754	14,450	51,090	111,074
Postage and mailing	35,588	550	38	-	-	36,176	-	592	1,816	-	2,408	38,584	-
Course materials/promotion	-	-	37,855	-	-	37,855	-	-	-	-	-	37,855	-
Office and supplies	1,703	2,606	4,284	529	514	9,636	1,937	1,730	1,028	134	4,829	14,465	-
Total expenses	$ 1,583,368	$ 1,567,367	$ 704,784	$ 436,401	$ 387,607	$ 4,679,527	$ 887,560	$ 2,356,069	$ 791,050	$ 97,558	$ 4,132,237	$ 8,811,764	$ 1,067,301

See notes to financial statements.

American Health Law Association

Statement of Functional Expenses
Year Ended May 31, 2020

	Program Services						Supporting Services						
	Publishing	In-Person Programs	Marketing and Communications	Dispute Resolution Service	Distance Learning	Total Program Services	Membership, Practice Group Services and Leadership	Finance, Technology and Human Resources	Board and Committee Governance	Fundraising and Development	Total Supporting Services	Total Expenses	(Note 9) Strategic Reserves
Salaries and benefits	$ 1,134,729	$ 929,580	$ 488,245	$ 359,974	$ 292,127	$ 3,204,655	$ 559,896	$ 1,458,738	$ 812,796	$ 116,495	$ 2,947,925	$ 6,152,580	$ -
Contracted services/fees	123,977	-	4,322	-	-	128,299	24,728	598,107	10,000	-	632,835	761,134	924,402
Occupancy	65,039	119,407	20,904	17,166	20,326	242,842	31,301	110,285	46,558	9,532	197,676	440,518	-
Computer expense	-	2,388	2,023	-	-	4,411	-	376,474	449	-	376,923	381,334	93,146
Other expense	43,112	155,932	31,491	23,117	12,065	265,717	102,689	13,658	32,086	3,293	151,726	417,443	598
Depreciation	19,939	35,644	6,463	11,845	6,122	80,013	8,607	80,347	13,624	2,279	104,857	184,870	52,015
Printing	104,485	1,885	429	1,154	273	108,226	3,230	1,490	608	91	5,419	113,645	13,815
Travel and development	8,295	53,002	14,962	1,252	973	78,484	2,965	8,379	126,055	205	137,604	216,088	29,740
Event hotel/facilities	3,521	1,275,905	11,874	-	-	1,291,300	11,381	-	85,343	-	96,724	1,388,024	34,823
Telephone	23,581	6,086	3,793	3,127	163,167	199,754	4,161	44,769	5,831		54,761	254,515	224
Postage and mailing	49,687	27,181	1,730	639	217	79,454	13,090	413	510	1,049	15,062	94,516	6,420
Course materials/promotion	7,688	4,712	22,355	-	-	34,755	-	-	-	-	-	34,755	11,477
Office and supplies	5,346	2,765	2,075	1,221	1,451	12,858	2,891	8,260	3,371	186	14,708	27,566	59
Faculty fees and travel	50	303,593	-	-	-	303,643	-	-	552	-	552	304,195	40,175
Total expenses	$ 1,589,449	$ 2,918,080	$ 610,666	$ 419,495	$ 496,721	$ 6,034,411	$ 764,939	$ 2,700,920	$ 1,137,783	$ 133,130	$ 4,736,772	$ 10,771,183	$ 1,206,894

See notes to financial statements.

American Health Law Association

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

	2021	2020
Cash flows from operating activities:		
Change in net assets	**$ 1,374,402**	$ (643,198)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized (gain) loss on investments	**(3,495,263)**	101,961
Depreciation and amortization	**229,291**	236,885
Deferred rent	**346,810**	(119,323)
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	**469,681**	(554,585)
Promises to give	**2,802**	19,625
Prepaid expenses and deposits	**206,372**	(250,374)
Increase (decrease) in:		
Accounts payable and accrued expenses	**393,635**	323,199
Retirement payable	**27,345**	(21,467)
Deferred revenue	**7,527**	(2,153,214)
Net cash used in operating activities	**(437,398)**	(3,061,107)
Cash flows from investing activities:		
Proceeds from sales of investments	**7,495,142**	9,726,970
Purchases of investments	**(7,101,161)**	(9,008,291)
Purchases of property and equipment	**135**	(394,567)
Net cash provided by investing activities	**394,116**	323,496
Cash flows from financing activities:		
Proceeds from loan payable	**-**	800,000
Net cash provided by financing activities	**-**	800,000
Net decrease in cash and cash equivalents	**(43,282)**	(1,937,611)
Cash and cash equivalents:		
Beginning	**1,369,626**	3,307,237
Ending	**$ 1,326,344**	$ 1,369,626
Supplemental disclosure of cash flow information:		
Cash paid for taxes	**$ 1,407**	$ 5,663
Supplemental disclosure of noncash investing activities:		
Tenant allowance received for leasehold improvements	**$ 1,162,427**	$ -

See notes to financial statements.

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: American Health Law Association (the Association), was established to provide a forum for interaction and information exchange to enable its members to serve their clients more effectively; to produce the highest quality non-partisan educational programs, products and services concerning health law issues; and to serve as a public resource on selected healthcare legal issues.

A summary of the Association's significant accounting policies follows:

Basis of presentation: The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of FASB ASC, the Association is required to report information regarding its financial position and activities according to two classes of net assets, net assets without donor restrictions and net asset with donor restrictions.

Net assets without donor restrictions – undesignated: These funds are used for general operations, managing cash flows and for expenses that are not anticipated during the budget process.

Net assets without donor restrictions – designated: The Board of Directors (the Board) created the AHLA Innovation and Improvement Fund (AIF) as the sole board-designated net asset fund. The AIF is intended to provide a source of funding for special projects consistent with the mission of the Association. The AIF is not intended to be used to fund general operations or projects that fund capital or operating expenditures for such general operations. Of this designated amount, the Board has committed $845,937 and $758,792 as of May 31, 2021 and 2020, respectively, for special projects.

Net assets with donor restrictions: Net assets with donor restrictions include those net assets whose use has been restricted either by an implied time restriction or by donors for a specific purpose. AHLA had no net assets with donor restrictions that were restricted by donors for specified purposes as of May 31, 2021 and 2020. All net assets with donor restrictions as of May 31, 2021 and 2020, were restricted by the implied time restrictions associated with future promises to give.

Cash and cash equivalents: For financial statement purposes, the Association considers demand deposits and money market funds which are not included within its investment portfolio to be cash and cash equivalents.

The Association maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to the Association.

Investments: Investments in marketable debt and equity securities are carried at fair value. Unrealized and realized gains and losses are reported in the statements as part of investment income.

The Association invests in a professionally managed portfolio that includes fixed income and equity mutual funds. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Therefore, the Association's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

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

Accounts receivable: Accounts receivable are presented at the gross, or face, amount due to the Association, less an allowance for doubtful accounts. Accounts receivable primarily consisted of publication royalties. The Association's management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Association's relationship with the customer and the age of the receivable balance. As a result of these reviews, balances for which collection is deemed doubtful have been charged to bad debt expense and an allowance has been established. The allowance for doubtful accounts totaled $5,238 and $7,238 at May 31, 2021 and 2020, respectively.

Promises to give: Promises to give consist of several multi-year gifts from various donors. These promises to give will be paid over periods ranging from one to five years. Multi-year promises to give are generally discounted to their net present value at the time the revenue is recorded, using a risk adjusted rate of return determined by management. Management determined that any discount would be nominal at May 31, 2021 and 2020. Therefore, no discount was recorded during the years ended May 31, 2021 and 2020. Management deemed that all promises to give were collectable at May 31, 2021 and 2020; therefore, no allowance for uncollectible promises to give was recorded.

Property and equipment: Purchases of property and equipment greater than $2,500 are recorded at cost and depreciated using the straight-line method over the following estimated useful lives: furniture and equipment – three to seven years; and leasehold improvements over the lesser of their estimated useful lives or the remaining term of the lease.

Valuation of long-lived assets: The Association accounts for the valuation of long-lived assets under the Property, Plant and Equipment Topic of the ASC. This topic requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Deferred revenue: Revenue received in advance of the period in which it will be earned is reported as deferred revenue. Membership dues and practice group fees are recognized as revenue over the period to which the dues or fees apply. In-person programs include registration fees, exhibit fees and sponsorships which are recognized in the year in which the event occurs. Professional resources include advertising and subscription revenue which is recognized over the period of the subscription.

Deferred rent: The Association recognizes the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as deferred rent in the statements of financial position, along with the unamortized landlord-provided tenant improvement allowance (see Note 10).

Revenue recognition: Revenue includes line items that have performance obligations such as membership dues, in-person programs revenue, publishing revenue, dispute resolution services revenue, advertising revenue and distance learning revenue.

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

Revenue from contracts with customers includes performance obligations that are satisfied either at a point in time or over time and most contracts have initial terms of one year or less. The Association performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if the Association is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for good and services for which control has been transferred to the customer. If certain criteria are met, revenue is recognized at a point in time.

Prices are specific to a distinct performance obligation and contracts with customers do not have multiple performance obligations. Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of revenue recognized in the financial statements. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Association or can have a positive impact on cash flows in favorable economic conditions.

Membership dues and practice group fees: Membership dues are recognized monthly over the membership period as benefits are provided ratably over the membership period. The Association bills for membership dues in advance of the membership period. Membership dues payments paid in advance of the membership period are recorded as deferred revenue in the statements of financial position.

In-person programs: In-person programs revenue is recognized as revenue once the programs take place. Amounts received in advance are recorded as deferred revenue.

Publishing: Publishing revenue includes publication sales, on-line royalties, subscriptions and product sales with revenue recognized upon shipping or access provided.

Dispute resolution service: Dispute resolution services revenue includes filing fee and commission revenue. Filing fee revenue is recognized upon acceptance of a completed and submitted claim form for approval to move forward with resolution services, while commission revenue is recognized upon completion of work related to mediation services provided.

Advertising: Advertising revenue is earned over the period of the subscription net of commissions paid and the benefits consumed.

Distance learning: Distance learning is recognized as revenue when the event occurs.

Contributions: Unconditional contributions are recorded as support with or without donor restrictions depending upon the existence and/or nature of donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions, as applicable. Within net assets with donor restrictions, amounts are reclassified to net assets without donor restrictions as purpose restrictions are satisfied or when time restrictions expire. In addition, support with donor restrictions that expire in the same period are classified as net assets without donor restrictions. Conditional contributions are recognized when conditions are met. There were no conditional contributions as of May 31, 2021 and 2020.

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

Functional allocation of expenses: The costs of providing various program and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, rent, depreciation, office supplies, contracted services and other expenses, which are allocated on the basis of estimates of time and effort.

Use of estimates: The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income taxes: The Association is exempt from the payment of income taxes on its exempt purpose activities under Section 501(c)(3) of the Internal Revenue Code (IRC), and was originally classified as other than a private foundation within the meaning of Section 509(a)(2) of the IRC. However, the Association may be subject to tax on its net unrelated business income which consists of advertising revenue. For the years ended May 31, 2021 and 2020, the Association recorded a tax expense of $1,407 and $5,663, respectively.

The Association follows the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Association may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes and accounting in interim periods.

Management evaluated the Association’s tax positions and concluded that the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Reclassifications: Certain amounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

Recently adopted accounting pronouncement: FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606),* requires that the Association recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods and services to customers. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP. The ASU also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. The Association adopted the new standard, effective for the year ended May 31, 2021, using the modified retrospective method analyzing all contracts not yet completed as of June 1, 2020. All of the Association’s revenue line items are affected by this standard except for public interest contributions and investment income. Based on management’s review of its contracts with customers, the timing and amount of revenue recognized previously is materially consistent with how revenue is recognized under this new standard. Therefore, the adoption of this standard had no material impact on the Association’s financial statements.

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

Upcoming accounting pronouncement: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases.* Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements 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 statements of activities. During November 2019, the FASB issued ASU 2019-10, *Leases (Topic 842) Effective Dates*, which delayed the effective date of ASU 2016-02 by one year. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities,* further delaying the effective date an additional year, making it effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Association is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: Subsequent events have been evaluated through October 20, 2021, which is the date the financial statements were available to be issued.

Note 2. Fair Value Measurement and Investments

In accordance with U.S. GAAP, the Association uses the following prioritized input levels to measure investments carried at fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

Level 2: Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity’s assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

Investments recorded at fair value include fixed income and equity mutual funds, consisting of both open ended and exchange traded funds. The values of the mutual funds were determined using Level 1 inputs because they were valued based on quoted prices for identical assets in active markets.

Investments recorded at fair value using Level 2 inputs include corporate bonds and notes, asset-backed securities and government securities, the fair values for which are determined by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield and other terms and conditions of each security.

Management believes the estimated fair value of investments to be a reasonable approximation of the exit price for the assets.

Investments recorded at cost include cash and money market funds. Investments recorded at cost are not required to be classified in one of the levels prescribed by the fair value hierarchy.

Note 2. Fair Value Measurement and Investments (Continued)

Investments consisted of the following at May 31, 2021:

	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual funds – equity	$ 14,615,849	$ 14,615,849	$ -	$ -
Mutual funds – fixed income	3,906,779	3,906,779	-	-
Mutual funds – alternatives	1,398,977	1,398,977	-	-
Corporate bonds and notes	1,301,889	-	1,301,889	-
Asset-backed securities	981,230	-	981,230	-
Government securities	656,859	-	656,859	-
Investments carried at fair value	22,861,583	$ 19,921,605	$ 2,939,978	$ -
Investments, at cost:				
Cash	196,244			
Total investments	$ 23,057,827			

Investments consisted of the following at May 31, 2020:

	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual funds – equity	$ 9,358,318	$ 9,358,318	$ -	$ -
Mutual funds – fixed income	4,527,611	4,527,611	-	-
Mutual funds – alternatives	1,653,388	1,653,388	-	-
Corporate bonds and notes	1,002,116	-	1,002,116	-
Asset-backed securities	1,242,597	-	1,242,597	-
Government securities	783,028	-	783,028	-
Money market funds	401,614	401,614	-	-
Investments carried at fair value	18,968,672	$ 15,940,931	$ 3,027,741	$ -
Investments, at cost:				
Cash	987,873			
Total investments	$ 19,956,545			

The Association's net investment return consisted of the following for the years ended May 31, 2021 and 2020:

	2021	2020
Net realized and unrealized gain (loss) on investments	$ 3,495,263	$ (101,961)
Interest and dividends	397,244	624,794
Investment management fees	(91,225)	(94,014)
	$ 3,801,282	$ 428,819

Note 3. Liquidity and Availability

Financial assets available for the Association's general expenditure, that is, financial assets without donor or other restrictions limiting their use, within one year of the date of the statements of financial position, are comprised of the following as of May 31, 2021 and 2020:

	2021	2020
Cash and cash equivalents	$ 1,326,344	$ 1,369,626
Investments	23,057,827	19,956,545
Accounts receivable, net	231,169	700,850
Promises to give	21,289	24,091
Subtotal financial assets	24,636,629	22,051,112
Less amounts not available within one year:		
Board-designated net assets	(5,467,110)	(5,056,692)
Donor restricted net assets	(21,289)	(24,091)
Financial assets available to meet cash needs for general expenditures within one year	$19,148,230	$16,970,329

The Association manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. In addition, financial assets in excess of daily cash requirements are invested in financial instruments that can be converted to cash within a short period of time in accordance with the Association's operating reserve policy. The Association also has access to a $2,000,000 line of credit (see Note 7).

Short-term investment fund: Included within investments is the short-term investment fund, the purpose of which is to meet the expenses that may occur as a result of unanticipated activities, address short-term cash flow imbalances and to improve return on investments held for expenditure within one to three years.

Long-term investment fund: Included within investments is the long-term investment fund which consists of board-approved transfers from the operating/short-term fund and the net investment income on long-term investments. Although classified as undesignated, the long-term investment fund is subject to certain restrictions on the use of the funds for the amount classified as board-designated net assets. In the event the need arises to utilize these funds for liquidity purposes, such funds could be drawn upon through board approval.

Note 4. Property and Equipment

Property and equipment consisted of the following at May 31, 2021 and 2020:

	2021	2020
Leasehold improvements	$ 1,162,472	$ 549,386
Furniture and equipment	778,505	1,040,378
	1,940,977	1,589,764
Less accumulated depreciation and amortization	(483,150)	(1,064,938)
	$ 1,457,827	$ 524,826

Note 5. Deferred Revenue

Deferred revenue consisted of the following at May 31, 2021 and 2020:

	2021	2020
Membership dues	$ 1,905,653	$ 1,628,459
In-person programs	268,614	213,025
Publishing	59,382	81,971
Practice group fees	23	302,690
	$ 2,233,672	$ 2,226,145

Note 6. Loan Payable

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the Association applied for the Paycheck Protection Program (PPP) with the Small Business Administration (SBA) and received $800,000 during the year ended May 31, 2020. The Association elected to record the loan under the ASC Topic 470, and will recognize income for any amount forgiven when formally approved. The PPP loan has a maturity date of May 8, 2022, with 18 monthly payments of $45,030 to begin on February 23, 2022, with a fixed interest rate of 1%. At May 31, 2021, the PPP funds were recognized as a loan payable of $800,000 on the statements of financial position, with $8,000 in accrued interest reported with accounts payable and accrued expenses. In August 2021, the SBA approved forgiveness of the entire loan and all accrued interest.

Note 7. Line of Credit

In October 2020, the Association executed a $2,000,000 line of credit agreement with a financial institution. Any outstanding balance is collateralized by the Association's investments held with the financial institution. The line bears interest at a variable rate of the London Interbank Offered Rate (LIBOR) plus 2%. There were no advances during the year ended May 31, 2021 and no outstanding balance at May 31, 2021.

Note 8. Retirement Plan

Defined contribution plan: The Association sponsors a defined contribution profit-sharing plan. The Association's contributions to the plan totaled approximately $432,300 and $398,200 for the years ended May 31, 2021 and 2020, respectively.

Through February 28, 2014, the plan was available to employees who met age and length of service requirements, as defined by the plan document. In addition, while employer contributions were made at the discretion of the Association, the plan required a profit-sharing contribution equal to a minimum of 5% of participant compensation. The Association also had the discretion to provide additional contributions to participants, subject to limitations as stipulated by the Employee Retirement Income Security Act of 1974 (ERISA).

Effective March 1, 2014, the plan was amended and restated so that it now includes features supporting both traditional 401(k) and Roth 401(k) options. Under the restated and amended defined contribution plan, participants of the Association 401(k) Profit Sharing Plan are eligible to make pre-tax and after-tax contributions to the plan after six months of employment. The Association also contributes a safe harbor contribution of 3% to each participant, which is made even if there is no employee contribution. The Association also has the discretion to provide profit sharing contributions to eligible participants after one year of employment, subject to limitations as stipulated by the ERISA.

Note 9. Strategic Use of Reserves

The Association does not include strategic use of reserves in the change in net assets before other items. Strategic use of reserves primarily includes items related to the budgeted use of net assets and it may also include certain unanticipated or unbudgeted expenses, which have been approved by the Board.

Strategic use of reserves consisted of the following for the years ended May 31, 2021 and 2020:

	2021	2020
Digital transformation	$ 354,724	$ -
Leveraging new dues model and brand	134,497	-
CRM optimization migration to cloud version	111,293	214,512
Prior years board approved use of reserves expense recognition	88,993	52,015
Diversity and inclusion process change analysis	51,600	-
Technology initiatives – UX/MX	44,973	228,926
Content innovation	35,377	-
Financial management system	34,210	42,856
Diversity and inclusion training	30,000	15,797
Organizational culture improvement and staff development initiative	29,745	17,755
Virtual conference simulcast project	27,732	104,268
Strategic marketing planning projects	25,000	-
Innovation fund FY20 pilots	23,094	16,906
Innovation fund FY21	21,874	-
Data analytics strategy and implementation	11,240	3,019
In-person meeting/dues modeling project	11,225	38,775
Diversity and inclusion for DRS	11,070	-
Collaboration and productivity	9,459	30,541
Governance consultant	8,000	-
Reengineer website social media	2,975	-
Law school moot court competition	220	-
Strategic technology consultant and contractor	-	199,701
Rebranding AHLA	-	120,957
Publication writing	-	31,415
Intellectual property protection and compliance	-	22,487
FY18 – FY20 strategic planning	-	21,830
Diversity and inclusion training for leaders	-	19,043
Fundraising consultant/professional fee	-	8,750
Artificial intelligence and health law convener	-	5,835
Phase 3 – BOD meeting – new dues structure	-	5,063
Career center upgrade	-	4,023
Member dues structure consultant	-	2,420
	$ 1,067,301	$ 1,206,894

Note 10. Commitments and Contingencies

Office lease: The Association leased office space under an operating lease which expired in July 2020. The lease required that the Association hold a standby letter of credit with a bank for $72,954 in lieu of a security deposit.

In February 2020, the Association entered into a new operating lease for office space, the term of which is 134 months and began in September 2020. A security deposit in the form of a letter of credit is required in the amount of $142,870. The first 14 months' rent will be abated, and the lease contains scheduled fixed rental increases for future periods. The Association will account for the impact of the rent abatement and fixed rent increases on a straight-line basis over the lease term beginning in September 2020. The lease also contains a provision whereby the landlord will provide the Association with a tenant improvement allowance of up to $1,162,427 which is recorded in the deferred rent liability and is being amortized on a straight-line basis over the life of the lease as a reduction of rent expense. Accordingly, the Association recorded a liability for deferred rent and lease incentive totaling $1,531,003 and $21,766 as of May 31, 2021 and 2020, respectively.

Rent expense is recognized on a straight-line basis and totaled $442,740 and $416,230 for the years ended May 31, 2021 and 2020, respectively. Future minimum cash-basis rental payments, excluding increases in real estate taxes and operating expenses, are as follows:

Years ending May 31:	
2022	$ 341,728
2023	596,798
2024	611,736
2025	627,001
2026	642,642
Thereafter	3,769,934
	$ 6,589,839

Employment agreement: The Association has an employment agreement with a key executive. Under the terms of the agreement, should the executive be terminated without cause, the Association would be obligated to pay severance, the terms of which are stipulated in the employment agreement.

Hotel agreements: The Association has entered into several agreements with hotels providing room accommodations and service for its future meetings and conferences. Many of the agreements contain a clause whereby the Association is liable for liquidated damages if an event is cancelled or if the Association experiences lower than expected room accommodations.

Coronavirus pandemic: On January 30, 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and, on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate the spread of it 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 and holds meetings and other activities. It is unknown how long the adverse conditions associated with COVID-19 will last and what the complete financial effect will be to the Association. The extent to which the COVID-19 pandemic impacts the Association's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain it or its impact, among others.

RSM

RSM US LLP

Independent Auditor's Report on the Supplementary Information

Board of Directors
American Health Law Association

We have audited the financial statements of American Health Law Association (the Association) as of and for the years ended May 31, 2021 and 2020, and have issued our report thereon, which contains an unmodified opinion on those financial statements. See page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Washington, D.C.
October 20, 2021

American Health Law Association

Schedule of In-person Program Revenue and Expenses
Year Ended May 31, 2021

	Fundamentals	Academic Medical Centers	In-House Counsel	Fraud and Compliance	Tax Issues	Long-Term Care	Health Law Week	DRS Training	Convener	Medicare/ Medicaid	Annual Meeting	Physicians and Hospitals	Transactions	Health Plan Law and Compliance Institute	Antitrust and Healthcare	Co-Sponsored Programs	In-Person Program Administration	Total
Revenue:																		
Registration fees	$ 127,075	$ 28,285	$ 120,518	$ 99,710	$ 28,450	$ 61,145	$ -	$ 35,915	$ -	$ 172,155	$ 699,547	$ 71,335	$ 69,930	$ 38,950	$ 18,590	$ 32,204	$ -	$ 1,603,809
Sponsorship and exhibit fees	4,000	21,500	-	48,500	8,000	23,500	-	-	-	24,500	147,650	46,500	54,500	18,000	16,000	-	-	412,650
Royalties	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	604	604
Total revenue	131,075	49,785	120,518	148,210	36,450	84,645	-	35,915	-	196,655	847,197	117,835	124,430	56,950	34,590	32,204	604	2,017,063
Expense:																		
Contracted services and continuing education fees	-	16,246	16,450	37,117	15,540	35,810	-	-	-	110,057	94,320	44,089	21,532	15,330	1,163	-	4,163	411,817
Faculty	-	-	-	-	-	-	-	-	-	(850)	14,667	-	-	-	-	-	985	14,802
Office and miscellaneous	38	-	(150)	-	-	92	-	-	-	-	820	16	378	-	-	-	5,910	7,104
Hotel costs	-	(856)	-	241	-	194	(200)	957	-	-	(2,146)	(3,697)	-	-	-	-	1,481	(4,026)
	38	15,390	16,300	37,358	15,540	36,096	(200)	957	-	109,207	107,661	40,408	21,910	15,330	1,163	-	12,539	429,697
Administrative/allocated expenses	104,882	59,642	55,369	92,131	63,294	84,512	19,951	23,531	7,677	121,428	258,565	98,730	83,613	63,313	290	-	742	1,137,670
Total expenses	104,920	75,032	71,669	129,489	78,834	120,608	19,751	24,488	7,677	230,635	366,226	139,138	105,523	78,643	1,453	-	13,281	1,567,367
Excess of revenue (deficit) over expenses	$ 26,155	$ (25,247)	$ 48,849	$ 18,721	$(42,384)	$ (35,963)	$ (19,751)	$ 11,427	$ (7,677)	$ (33,980)	$ 480,971	$ (21,303)	$ 18,907	$ (21,693)	$ 33,137	$ 32,204	$ (12,677)	$ 449,696

American Health Law Association

Schedule of Memberships, Practice Group Services and Leadership Revenue and Expenses
Year Ended May 31, 2021

Revenue:	
Membership dues	$ 3,228,388
Practice group fees	302,666
Advertising	178,279
Total dues and fees revenue	3,709,333
Expenses:	
Membership services:	
Membership retention	36,575
Mentoring	12,058
	48,633
Administrative/allocated expenses	379,750
Total membership services	428,383
Leadership governance and training:	
Administrative/allocated expenses	459,177
Total leadership governance and training	459,177
Total member services, practice group services and leadership expenses	887,560
Excess of revenue over expenses	$ 2,821,773

American Health Law Association

Schedule of Distance Learning Revenue and Expenses
Year Ended May 31, 2021

Revenue:	
Webinars	$ 102,332
Webinar sponsorships	23,500
Advertising	17,560
Total revenue	143,392
Expenses:	
Distance learning activities (CLE’s, products exp, etc.)	21,923
	21,923
Administrative/allocated expenses	365,684
Total expenses	387,607
Excess of expenses over revenue	$ (244,215)

American Health Law Association

Schedule of Publishing Revenue and Expenses
Year Ended May 31, 2021

Revenue:	
Lexis publication sales	$ 242,454
On-line royalties	239,608
Advertising	155,905
Sponsorships	107,250
Health Law Archive subscriptions	71,871
AHLA product sales	69,313
Journal subscriptions	3,392
Total revenue	889,793
Expenses:	
AHLA Connections	142,979
Health Law Daily	71,374
Contracted services and online royalties	24,750
Journal	14,838
Lexis publication expense	9,583
AHLA product expense	8,968
	272,492
Administrative/allocated expenses	1,310,876
Total expenses	1,583,368
Excess of expenses over revenue	$ (693,575)

American Health Law Association

Schedule of Marketing, Communications and Business Development Revenue and Expenses
Year Ended May 31, 2021

Fundraising and development:	
Revenue:	
Fundraising contributions	$ 103,048
Promises to give	9,000
Total revenue	112,048
Expenses:	
Event fundraising	7,394
	7,394
Administrative/allocated expenses	90,164
Total expenses	97,558
Excess of expense over revenue	14,490
Advertising:	
Revenue:	
Health Law Weekly ads	33,602
Total revenue	33,602
Expenses:	
Administrative/allocated expenses	11,076
Advertising direct expenses	8,767
Total expenses	19,843
Excess of expenses over revenue	$ 13,759
Marketing:	
Expenses:	
Consulting and legal fees	99,703
Promotions	29,087
Platforms/systems/software	11,475
Contracted services	4,277
Office supplies	3,577
Telephone	1,975
Meetings – equipment rental	1,400
Non-staff travel/meals expenses	653
Staff travel and meals expenses	534
Postage/shipping	38
	152,719
Administrative/allocated expenses	532,222
Total expenses	684,941
Excess of expenses over revenue	$ (684,941)

American Health Law Association

Schedule of Dispute Resolution Service Revenue and Expenses
Year Ended May 31, 2021

Revenue:	
User fees	$ 541,801
Total revenue	541,801
Expenses:	
Miscellaneous	22,126
Depreciation	9,160
	31,286
Administrative/allocated expenses	405,115
Total expenses	436,401
Excess of revenue over expenses	$ 105,400

American Health Law Association

Schedule of Finance, Technology and Human Resources Expenses
Year Ended May 31, 2021

Revenue:	
Miscellaneous	$ 1,153
Total revenue	1,153
Expenses:	
Finance and administration:	
Financial and admin expenses	60,278
Administrative/allocated expenses	793,061
Total finance and administration expenses	853,339
Technology:	
Network/AMS/computer expenses	744,747
Web development/maintenance	173,090
Administrative/allocated expenses	247,314
Total technology expenses	1,165,151
Human resources:	
Human resources expenses	101,164
Administrative/allocated expenses	236,415
Total human resources expenses	337,579
Total expenses	2,356,069
Excess of expenses over revenue	$ (2,354,916)

American Health Law Association

Schedule of Board and Committee Governance Revenue and Expenses
Year Ended May 31, 2021

Revenue:	
Sponsorship	$ 4,000
Total revenue	4,000
Expenses:	
Board/committees	12,187
Administrative/allocated expenses	778,863
Total expenses	791,050
Excess of expenses over revenue	$ (787,050)

American Health Law Association

Schedule of Allocable Personnel and Administrative Expenses
Year Ended May 31, 2021

Personnel:	
Compensation	$ 4,530,172
Employee benefits	920,673
Payroll taxes	324,336
Total allocable personnel expenses	5,775,181
Administrative:	
Rent and real estate taxes	445,050
Credit card and bank fees	137,871
Depreciation and amortization	123,794
Insurance	79,408
Telephone	39,971
Other	34,534
Office supplies and maintenance	10,090
Postage	4,233
Photocopying	3,471
Printing	1,464
Taxes	960
Total allocable administrative expenses	880,846
Total allocable expenses	$ 6,656,027

American Health Law Association

Schedule of Designated AIF Expenditures
Year Ended May 31, 2021

	Budgeted Expenses After AIF Policy Approval	Board Approved Funds Used/Expenses Prior to FY21	Board Approved Funds Used/Expensed in FY21	Remaining Expense Balance Per Estimated Commitment
Current projects:				
Digital Transformation	$ 462,000	$ 462,000	$ 354,724	$ 107,276
Leveraging new dues model and brand	150,000	150,000	134,497	15,503
CRM optimization migration to cloud version	325,805	111,293	111,293	-
Prior years board approved use of reserves expense recognition	523,565	380,000	88,993	291,007
Diversity and inclusion process change analysis	51,600	51,600	51,600	-
Technology initiatives – UX/MX	530,000	44,973	44,973	-
Content Innovation	266,165	266,165	35,377	230,788
Financial management system	99,887	57,031	34,210	22,821
Diversity and inclusion training	30,000	30,000	30,000	-
Organizational culture improvement and staff development initiative	47,500	29,745	29,745	-
Virtual conference simulcast project	132,000	27,732	27,732	-
Strategic marketing planning projects	75,000	27,226	25,000	2,226
Innovation fund FY20 pilots	40,000	23,094	23,094	-
Innovation fund FY21	50,000	50,000	21,874	28,126
Technology – data analytics strategy and implementation	100,000	11,240	11,240	-
In-person meeting/dues modeling project	50,000	11,225	11,225	-
Diversity and inclusion for DRS	19,500	19,500	11,070	8,430
Collaboration and productivity	40,000	9,459	9,459	-
Governance consultant	35,000	35,000	8,000	27,000
Reengineer website social media	10,000	10,000	2,975	7,025
Law school moot court competition	39,000	39,000	220	38,780
Technology – website ADA compliance	75,000	66,955	-	66,955
Total committed projects	3,152,022	$ 1,913,238	$ 1,067,301	845,937
Uncommitted fund balance	4,621,173			4,621,173
Total funds designated	$ 7,773,195			$ 5,467,110