

**HEALTHCARE BILLING AND
MANAGEMENT ASSOCIATION**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2015 AND 2014

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Independent Auditor's Report

To the Board of Directors of
Healthcare Billing and Management Association
Washington, DC

We have audited the accompanying financial statements of Healthcare Billing and Management Association, a non-profit organization, which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities 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 to above present fairly, in all material respects, the financial position of Healthcare Billing and Management Association as of December 31, 2015 and 2014, and its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jane Murren & McQuade PA

Washington, DC
September 30, 2016

**HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014**

	2015	2014
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 56,580	\$ 210,514
Accounts receivable	151,106	111,032
Prepaid expenses	20,973	21,159
Total Current Assets	228,659	342,705
TOTAL ASSETS	\$ 228,659	\$ 342,705
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 53,463	\$ 64,583
Deferred revenue	224,189	224,101
Total Current Liabilities	277,652	288,684
NET ASSETS (DEFICIT)		
Unrestricted	(48,993)	54,021
TOTAL LIABILITIES AND NET ASSETS	\$ 228,659	\$ 342,705

The accompanying notes are an integral part of these financial statements.

HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015	2014
UNRESTRICTED REVENUE AND SUPPORT		
Membership dues	\$ 433,356	\$ 499,489
Conferences and seminars	678,351	793,003
Registration fees	32,381	21,269
Publications and newsletters	91,000	142,328
Certification program	12,550	23,350
Products	240	2,609
Other	30,368	26,835
Total Revenue and Support	1,278,246	1,508,883
EXPENSES		
Program Services:		
Annual and regional meetings	335,654	431,484
Educational conferences	304,429	288,683
Owners and management meetings	41,667	38,769
Newsletters and publications	109,417	86,362
Committees	185,202	205,977
Certifications	18,770	17,375
Total Program Services	995,139	1,068,650
Support Services:		
General administration and association fees	386,121	476,380
Total Expenses	1,381,260	1,545,030
CHANGE IN NET ASSETS	(103,014)	(36,147)
NET ASSETS (DEFICIT)		
Beginning of year	54,021	90,168
End of the year	\$ (48,993)	\$ 54,021

The accompanying notes are an integral part of these financial statements.

**HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (103,014)	\$ (36,147)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Decrease (increase) in assets:		
Accounts receivable	(40,074)	(106,542)
Prepaid expenses	186	16,894
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(11,120)	(293,345)
Deferred revenue	88	78,171
Net Cash Used By Operating Activities	(153,934)	(340,969)
NET DECREASE IN CASH	(153,934)	(340,969)
CASH, beginning of year	210,514	551,483
CASH, end of year	\$ 56,580	\$ 210,514

The accompanying notes are an integral part of these financial statements.

**HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE A – NATURE OF THE ORGANIZATION

Healthcare Billing and Management Association (“HBMA”) is a non-profit organization formed in Minnesota to represent third-party medical billers on issues affecting third-party medical billing companies, to promote the professional image of the healthcare billing industry, educate members, foster cooperation and networking and cultivate working relationships with insurance carriers. HBMA is supported primarily from membership dues, conference fees and event fees. HBMA members pay annual dues in order to obtain member benefits. Member benefits begin on the date the member signs up and expire annually on each member’s anniversary date.

Program Descriptions

Annual and Regional Meetings – HBMA holds two annual conferences; one in the spring and one in the fall. The spring conference is the Executive Conference and the fall conference includes the annual membership meeting.

Educational Conferences – HBMA offers webinars for educational purposes. Webinars are sponsored and free to members while others require a registration fee.

Owners and Management Meetings – HBMA holds an operational boot camp for billing company executives.

Newsletters and Publications – The HBMA newsletter is published twice a month and sent electronically to the members. Members receive six issues per year of *HBMA Billing* via print and electronically.

Committees – HBMA offers members volunteer opportunities to serve on several committees that serve the interest of the membership.

Certifications – HBMA offers a certification for healthcare revenue cycle management professionals. Completion of required continuing education unit’s (“CEU”) and successfully passing an examination is required.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

HBMA prepares its financial statements on the accrual basis of accounting. Therefore, revenue and the related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash

HBMA maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. HBMA believes it is not exposed to any significant credit risk on cash or cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information and existing economic conditions. Accounts deemed uncollectible are charged off. As of December 31, 2015 and 2014, management determined that all receivables are collectible within one year or less; therefore an allowance for doubtful accounts has not been established.

Revenue Recognition

Membership dues are recognized ratably over the applicable dues period, which coincides with HBMA's calendar year. Revenue received for dues which relates to subsequent years is reflected as deferred revenue. Conference, seminars and registration revenues are recognized in the year in which the conferences and meetings are held. Publication revenue is recognized when the product, such as books and audiovisual, is sold. Amounts received in advance are recorded as deferred revenue. Certification revenue is recognized when the certification is completed.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and support services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE C – INCOME TAXES

HBMA is a 501(c)(6) entity exempt from federal income tax under Section 501(a) of the Internal Revenue Code. HBMA is, however, subject to tax on business income unrelated to their exempt purpose.

HBMA believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

HBMA’s information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. HBMA’s Form 990 information returns for the years ended December 31, 2012 through 2014 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – MANAGEMENT AGREEMENT

HBMA entered into an agreement with SmithBucklin Corporation to manage its operations on October 28, 2013. Per the agreement, SmithBucklin Corporation provides general management, financial services, convention and overhead operating services. This agreement is automatically renewed on a yearly basis, with the current agreement scheduled to expire on December 31, 2016.

For the years ended December 31, 2015 and 2014, SmithBucklin Corporation fees consisted of the following:

	<u>2015</u>	<u>2014</u>
Administrative services	\$ 154,600	\$ 148,755
Financial management and accounting	25,750	25,000
Management and headquarters	119,500	150,000
Sales services	20,295	25,169
Convention and trade show services	109,750	109,822
Design services	63,420	43,515
Education and program services	61,251	58,944
Marketing and communications	51,156	55,793
Total Management Fees	<u>\$ 605,722</u>	<u>\$ 616,998</u>

HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(continued)

NOTE E – COMMITMENTS

HBMA entered into various contracts for services and accommodations related to future meetings. Some of these contracts include penalty clauses, which would require HBMA to pay a monetary penalty if a meeting is cancelled or if HBMA does not meet room block guarantees. Generally these contracts provide for variable cancellation fee amounts depending on the date of notice of cancellation. Management believes that HBMA's future exposure to such losses is unlikely.

NOTE F – SUBSEQUENT EVENTS

In preparing these financial statements, HBMA's management has evaluated events and transactions for potential recognition or disclosure through September 30, 2016, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.