

**Healthcare Business
Management Association
Financial Statements**

For the Years Ended December 31, 2017 and 2016



HERTZBACH
certified public accountants · consultants

Healthcare Business Management Association

Table of Contents

For the Years Ended December 31, 2017 and 2016

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to the Financial Statements	6-9



Independent Auditor's Report

To the Board of Directors of
Healthcare Business Management Association
c/o SmithBucklin Corporation
2025 M Street NW, Suite 800
Washington, DC 20036

We have audited the accompanying financial statements of Healthcare Business Management Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Healthcare Business Management Association as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Healthcare Business Management Association (formerly Healthcare Billing and Management Association) as of December 31, 2016 were audited by other auditors, whose report dated September 13, 2017 expressed an unmodified opinion on those statements.

Hertzbach & Company, P.A.

Arlington, Virginia

November 6, 2018

Healthcare Business Management Association

Statements of Financial Position

As of December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Current assets		
Cash	\$ 138,984	\$ 342,949
Accounts receivable	34,185	43,286
Prepaid expenses	8,203	8,489
Total current assets	<u>181,372</u>	<u>394,724</u>
Total assets	<u><u>\$ 181,372</u></u>	<u><u>\$ 394,724</u></u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 77,382	\$ 172,130
Deferred revenue	160,380	221,084
Total current liabilities	<u>237,762</u>	<u>393,214</u>
Net assets (deficit)		
Unrestricted	<u>(56,390)</u>	<u>1,510</u>
Total liabilities and net assets	<u><u>\$ 181,372</u></u>	<u><u>\$ 394,724</u></u>

See independent auditor's report and accompanying notes to the financial statements.

Healthcare Business Management Association

Statements of Activities

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Unrestricted revenue and support		
Membership dues	\$ 397,492	\$ 405,847
Conferences, seminars, and registration fees	440,622	481,164
Publications and newsletters	51,376	59,851
Certification program	31,600	24,349
Other	42,619	69,191
Total revenue and support	<u>963,709</u>	<u>1,040,402</u>
Expenses		
Program services:		
Annual meeting and educational conferences	352,163	369,062
Board and governance	37,556	43,516
Publications and newsletters	83,285	97,490
Government relations	138,573	127,981
Certifications	23,553	22,240
Total program services	<u>635,130</u>	<u>660,289</u>
Support services:		
General administration and association fees	<u>386,479</u>	<u>329,610</u>
Total expenses	<u>1,021,609</u>	<u>989,899</u>
Change in net assets	(57,900)	50,503
Net assets (deficit), beginning of year	<u>1,510</u>	<u>(48,993)</u>
Net assets (deficit), end of year	<u><u>(56,390)</u></u>	<u><u>\$ 1,510</u></u>

See independent auditor's report and accompanying notes to the financial statements.

Healthcare Business Management Association

Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash flow provided (used) by operating activities		
Change in net assets	\$ (57,900)	\$ 50,503
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
(Increase) decrease in operating assets		
Accounts receivable	9,101	107,820
Prepaid expenses	286	12,484
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	(94,748)	118,667
Deferred revenue	(60,704)	(3,105)
Net cash provided by (used in) operating activities	(203,965)	286,369
Net increase (decrease) in cash and cash equivalents	(203,965)	286,369
Cash, beginning of year	342,949	56,580
Cash, end of year	<u>\$ 138,984</u>	<u>\$ 342,949</u>

See independent auditor's report and accompanying notes to the financial statements.

Healthcare Business Management Association

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

1) Nature of Business

Healthcare Business Management Association (formerly known as Healthcare Billing and Management Association), ("HBMA" or "Organization") is a non-profit organization formed in Minnesota to represent revenue cycle management professionals, 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. Effective January 1, 2018, member benefits will be applicable on a calendar year basis.

Program Descriptions

Annual Meeting - HBMA holds an annual conference in the fall.

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

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 RCM Advisor* 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.

2) Summary of Significant Accounting Policies

Method of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recognized when obligations are incurred.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

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 those estimates.

See independent auditor's report.

Healthcare Business Management Association

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

2) Summary of Significant Accounting Policies (Continued)

Basis of Presentation

HBMA complies with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*, and is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets are not subject to donor-imposed restrictions. Temporarily restricted net assets are subject to donor-imposed restrictions that will be met by actions of HBMA and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Permanently restricted net assets are subject to donor-imposed stipulations that must be maintained permanently by the Organization. There were no permanently or temporarily restricted net assets as of December 31, 2017 and 2016.

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 information and existing economic conditions.

Accounts deemed uncollectible are charged off. As of December 31, 2017 and 2016, management determined that all receivables are collectible; therefore, an allowance for doubtful accounts has not been established.

Revenue Recognition

Membership dues are recognized as revenue ratably over the applicable dues period. Membership dues received in advance, that are applicable to future periods, are included in deferred revenue in the accompanying statements of financial position.

Conference, seminar 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 statements of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

See independent auditor's report.

Healthcare Business Management Association

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

2) Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

HBMA maintains cash balances in bank deposit accounts which, at times, may exceed federal insured limits. HBMA has never experienced any losses related to these balances and believes it is not exposed to any significant credit risk on cash balances.

Income Taxes

HBMA is a tax-exempt organization under Section 501(c)(6) of the Internal Revenue Code. As a result, the Organization is not subject to federal income taxes, except for taxes on unrelated business income. There was no unrelated business net income for the years ended December 31, 2017 and 2016.

3) Management Agreement

HBMA has an agreement with SmithBucklin Corporation to manage its operations. 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, 2018.

For the years ended December 31, 2017 and 2016, SmithBucklin Corporation fees consisted of the following:

	2017	2016
Administrative services	\$ 184,000	\$ 159,238
Financial management and accounting	27,295	26,500
Management and headquarters	145,000	125,000
Sales services	18,860	16,899
Convention and trade show services	54,190	52,694
Creative and design services	12,950	11,995
Editorial and publishing services	52,993	47,679
Education and program services	59,141	54,134
Marketing and communications	41,027	43,385
Project printing and support	5,901	7,033
Promotional products and support	8,692	5,277
Total Management Fees	<u>\$ 610,049</u>	<u>\$ 549,834</u>

4) Commitments

HBMA has 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. HBMA experienced losses in the amount of \$4,622 in relation to these contracts for the year ending December 31, 2017.

See independent auditor's report.

Healthcare Business Management Association

Notes to the Financial Statements

For the Years Ended December 31, 2017 and 2016

5) Subsequent Events

HBMA has evaluated events and transactions for potential recognition or disclosure through November 6, 2018, the date the financial statements were available to be issued. There were no subsequent events that require recognition of, or disclosure in, these financial statements.

See independent auditor's report.