

**HEALTHCARE BILLING AND
MANAGEMENT ASSOCIATION**

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

DECEMBER 31, 2014

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Independent Auditor's Report

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

We have audited the accompanying statements of financial position of Healthcare Billing and Management Association ("HBMA"), a non-profit organization, which comprise the statement of financial position as of December 31, 2014, and the related statement 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 of 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 the Healthcare Billing and Management Association as of December 31, 2014, and its changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note F to the financial statements, certain errors resulting in understatement of amounts previously reported for accounts payable as of December 31, 2013, were discovered by management of the Healthcare Billing and Management Association during the current year. Accordingly, amounts reported for accounts payable have been restated in the 2014 financial statements now presented, and an adjustment has been made to net assets as of December 31, 2014 to correct the error.

Jan Mauer & McQuade PA

Washington, DC
September 16, 2015

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

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 210,514
Accounts receivable	111,032
Prepaid expenses	21,159
Total Current Assets	<u>342,705</u>

TOTAL ASSETS	<u>\$ 342,705</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 64,583
Deferred revenue	224,101
Total Current Liabilities	<u>288,684</u>

NET ASSETS

Unrestricted net assets	<u>54,021</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 342,705</u>
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See independent auditor's report and accompanying notes to the financial statements.

**HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

UNRESTRICTED REVENUE AND SUPPORT

Membership dues	\$ 499,489
Conferences and seminars	793,003
Registration fees	21,269
Publications and newsletters	142,328
Certification program	23,350
Products	2,609
Other income	26,835
Total Unrestricted Revenue and Support	<u>1,508,883</u>

EXPENSES

Program services:	
Annual and regional meetings	431,484
Educational conferences	288,683
Owners and management meetings	38,769
Newsletters and publications	86,362
Committees	205,977
Certifications	17,375
Total Program Services	<u>1,068,650</u>
Support services:	
General administration and association fees	476,380
Total Expenses	<u>1,545,030</u>

CHANGE IN UNRESTRICTED NET ASSETS (36,147)

UNRESTRICTED NET ASSETS

Beginning of year	366,107
Prior period adjustment	<u>(275,939)</u>
Beginning of the year, as restated	<u>90,168</u>
End of the year	<u><u>\$ 54,021</u></u>

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

**HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014**

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (36,147)
Adjustments to reconcile change in net assets to net cash provided by (used) for operating activities	
Prior period adjustment	(275,939)
Decrease (increase) in assets:	
Accounts receivable	(106,542)
Prepaid expenses	16,894
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(17,406)
Deferred revenue	78,171
Net Cash Used By Operating Activities	<u>(340,969)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(340,969)
CASH AND CASH EQUIVALENTS, beginning of year	<u>551,483</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 210,514</u></u>

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

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

NOTE A – NATURE OF THE ORGANIZATION

Healthcare Billing and Management Association (“HBMA”) is a Minnesota non-profit organization formed to represent third-party medical billers on issues affecting third-party medical billing companies, to promote the professional image of the healthcare billing industry, to educate members, to foster cooperation and networking and to 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 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.

Education – 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 in accordance with generally accepted accounting principles. Revenue is recognized when earned and expenses are recorded as incurred.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and Cash Equivalents

HBMA considers all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and cash equivalents include any cash on hand, checking account balances, and money market accounts. 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, 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 FINANCIAL STATEMENTS
DECEMBER 31, 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 income tax 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 tax returns for the years ended December 31, 2011 through 2013 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 has an agreement with SmithBucklin Corporation to manage its operations. Per the agreement, SmithBucklin Corporation provides general management, financial services, convention and overhead operating services.

For the year ended December 31, 2014, SmithBucklin Corporation fees consisted of the following:

	<u>2014</u>
Administrative services	\$ 148,755
Financial management and accounting	25,000
Management and headquarters	150,000
Sales services	25,169
Convention and trade show services	109,822
Design services	43,515
Education and program services	58,944
Marketing and communications	55,793
Total Management Fees	<u>\$ 616,998</u>

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

NOTE E – CONTINGENCY

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. Management believes that HBMA's future exposure to such losses is unlikely.

NOTE F – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2013, accounts payable was understated, and therefore net assets were overstated by \$29,579 due to expenses for prior periods not being properly recorded. Also during the year ended December 31, 2013, deferred membership revenue was understated, and therefore net assets were overstated by \$246,360 due to deferred revenues not being properly accrued. A prior period adjustment of \$275,939 was therefore recorded as of January 1, 2014, to decrease beginning unrestricted net assets from \$366,107 to \$90,168.

NOTE G – SUBSEQUENT EVENTS

In preparing these financial statements, HBMA's management has evaluated events and transactions for potential recognition or disclosure through September 16, 2015, 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 disclosure.