

# Healthcare Business Management Association

## Financial Statements

For the Years Ended December 31, 2018 and 2017



**HERTZBACH**  
*certified public accountants · consultants*

# Healthcare Business Management Association

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For the Years Ended December 31, 2018 and 2017

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## Independent Auditor's Report

To the Board of Directors  
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 statements of financial position as of December 31, 2018 and 2017, and 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 audits 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, 2018 and 2017, and the changes in its net deficit and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 3 of the financial statements, during the year ended December 31, 2018, Healthcare Business Management Association adopted Financial Accounting Standards Board Update (ASU) No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.

*Hertzbach & Company, P.A.*

Arlington, Virginia  
September 17, 2019

# Healthcare Business Management Association

Statements of Financial Position

As of December 31, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 152,636	\$ 138,984
Accounts receivable	30,185	34,185
Prepaid expenses	12,209	8,203
Total assets	<u>\$ 195,030</u>	<u>\$ 181,372</u>
<b>Liabilities and Net Deficit</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 244,662	\$ 77,382
Deferred revenue	134,671	160,380
Total liabilities	379,333	237,762
<b>Net deficit</b>		
Without donor restrictions	<u>(184,303)</u>	<u>(56,390)</u>
Total liabilities and net deficit	<u>\$ 195,030</u>	<u>\$ 181,372</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, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
<b>Revenue and other support</b>		
Membership dues	\$ 351,353	\$ 397,492
Annual meeting and educational conferences	388,609	440,622
Publications and newsletters	60,111	51,376
Certification program	18,348	31,600
Other	22,809	42,619
Total revenue and support	<u>841,230</u>	<u>963,709</u>
<b>Expenses</b>		
Program services:		
Annual meeting	349,841	398,985
Educational conferences	47,729	40,762
Publications and newsletters	88,605	89,809
Government relations	139,285	146,548
Certification program	18,672	23,553
Committee support	112,516	97,873
Total program services	<u>756,648</u>	<u>797,530</u>
Management and general	<u>212,495</u>	<u>224,079</u>
Total expenses	<u>969,143</u>	<u>1,021,609</u>
<b>Change in net assets (deficit) without donor restrictions</b>	(127,913)	(57,900)
Net (deficit) assets without donor restrictions, beginning of year	<u>(56,390)</u>	<u>1,510</u>
Net deficit without donor restrictions, end of year	<u>\$ (184,303)</u>	<u>\$ (56,390)</u>

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

# Healthcare Business Management Association

## Statements of Functional Expenses For the Year Ended December 31, 2018 and 2017

	2018								
	Program Services						Supporting Services		
	Annual Meeting	Educational conferences	Publications and newsletters	Government relations	Certification program	Committee support	Total program services	Management and general	Total
Food and beverage	\$ 85,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,032	\$ -	\$ 85,032
Speaker fees	22,180	-	-	-	-	-	22,180	-	22,180
Marketing	62,963	-	-	-	-	-	62,963	-	62,963
Event and Other Services	101,858	-	-	-	-	-	101,858	-	101,858
Educational seminars	-	16,743	-	-	-	-	16,743	-	16,743
Printing	-	-	16,488	-	-	-	16,488	-	16,488
Outside Services - Editorial and Publishing	-	-	51,511	-	-	-	51,511	-	51,511
Government relations	-	-	-	130,383	-	-	130,383	-	130,383
Certification program	-	-	-	-	18,672	-	18,672	-	18,672
Brand development	-	-	-	-	-	-	-	10,428	10,428
Advertising, marketing, and communications services	22,070	-	-	-	-	-	22,070	-	22,070
Executive management	21,750	23,200	4,350	4,350	-	40,600	94,250	50,750	145,000
Membership and operations services	27,598	7,786	2,730	4,552	-	71,916	114,582	69,403	183,985
Board and governance	-	-	-	-	-	-	-	1,293	1,293
Financial management and accounting services	-	-	-	-	-	-	-	28,114	28,114
Bank and credit card charges	-	-	-	-	-	-	-	20,881	20,881
Legal and professional fees	-	-	-	-	-	-	-	16,557	16,557
Insurance	-	-	-	-	-	-	-	3,721	3,721
Telephone	-	-	-	-	-	-	-	5,880	5,880
Miscellaneous	6,390	-	13,526	-	-	-	19,916	5,468	25,384
	<u>\$ 349,841</u>	<u>\$ 47,729</u>	<u>\$ 88,605</u>	<u>\$ 139,285</u>	<u>\$ 18,672</u>	<u>\$ 112,516</u>	<u>\$ 756,648</u>	<u>\$ 212,495</u>	<u>\$ 969,143</u>

  

	2017								
	Program Services						Supporting Services		
	Annual Meeting	Educational conferences	Publications and newsletters	Government relations	Certification program	Committee support	Total program services	Management and general	Total
Food and beverage	\$ 105,089	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 105,089	\$ -	\$ 105,089
Speaker fees	35,004	-	-	-	-	-	35,004	-	35,004
Marketing	69,871	-	-	-	-	-	69,871	-	69,871
Event and Other Services	118,607	-	-	-	-	-	118,607	-	118,607
Educational seminars	-	11,361	-	-	-	-	11,361	-	11,361
Printing	-	-	17,509	-	-	-	17,509	-	17,509
Outside Services - Editorial and Publishing	-	-	51,504	-	-	-	51,504	-	51,504
Government relations	-	-	-	138,573	-	-	138,573	-	138,573
Certification program	-	-	-	-	23,553	-	23,553	-	23,553
Brand development	-	-	-	-	-	-	-	13,579	13,579
Advertising, marketing, and communications services	14,454	-	-	-	-	-	14,454	-	14,454
Executive management	21,750	23,200	4,350	4,350	-	40,600	94,250	50,750	145,000
Membership and operations services	21,979	6,201	2,174	3,625	-	57,273	91,252	55,272	146,524
Board and governance	-	-	-	-	-	-	-	37,556	37,556
Financial management and accounting services	-	-	-	-	-	-	-	27,295	27,295
Bank and credit card charges	-	-	-	-	-	-	-	18,849	18,849
Legal and professional fees	-	-	-	-	-	-	-	20,281	20,281
Insurance	-	-	-	-	-	-	-	3,613	3,613
Telephone	-	-	-	-	-	-	-	6,038	6,038
Miscellaneous	12,231	-	14,272	-	-	-	26,503	(9,154)	17,349
	<u>\$ 398,985</u>	<u>\$ 40,762</u>	<u>\$ 89,809</u>	<u>\$ 146,548</u>	<u>\$ 23,553</u>	<u>\$ 97,873</u>	<u>\$ 797,530</u>	<u>\$ 224,079</u>	<u>\$ 1,021,609</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, 2018 and 2017

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	<u>2018</u>	<u>2017</u>
<b>Cash flow provided (used) by operating activities</b>		
Change in net assets (deficit)	\$ (127,913)	\$ (57,900)
Adjustments to reconcile change in net assets (deficit) to net cash and cash equivalents provided by (used in) operating activities: operating activities:		
(Increase) decrease in operating assets		
Accounts receivable	4,000	9,101
Prepaid expenses	(4,006)	286
Increase (decrease) in operating liabilities		
Accounts payable and accrued liabilities	167,280	(94,748)
Deferred revenue	(25,709)	(60,704)
Net cash provided by (used in) operating activities	<u>13,652</u>	<u>(203,965)</u>
<b>Net change in cash and cash equivalents</b>	13,652	(203,965)
Cash and cash equivalents, beginning of year	<u>138,984</u>	<u>342,949</u>
Cash and cash equivalents, end of year	<u>\$ 152,636</u>	<u>\$ 138,984</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, 2018 and 2017

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## 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 are applied 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.

*Publications and Newsletters* - 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.

*Certification program* - 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.

*See independent auditor's report.*

# Healthcare Business Management Association

Notes to the Financial Statements (Continued)  
For the Years Ended December 31, 2018 and 2017

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## 2) Summary of Significant Accounting Policies (Continued)

### *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.

### *Basis of Presentation*

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified as net assets without donor restrictions, which represent funds that are available for support of the operations of the Organization, and that are not subject to donor stipulation. Net assets with donor restrictions consist of contributions that have been restricted by the donor for specific purposes or are time restricted, including contributions that stipulate the resources are to be maintained in perpetuity, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. As of December 31, 2018 and 2017, the Organization did not have any net assets with donor restrictions.

### *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, 2018 and 2017, 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.

*See independent auditor's report.*

# Healthcare Business Management Association

Notes to the Financial Statements (Continued)  
For the Years Ended December 31, 2018 and 2017

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## 2) Summary of Significant Accounting Policies (Continued)

### *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 using estimates. Although these allocation estimates are reasonable, actual expense by function may differ. Expenses directly attributed to a specific functional area of the Organization are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis. Management and general expenses include those expenses that are not directly identifiable with any specific function but provided for the overall support and direction of the Organization.

### *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, 2018 and 2017.

In accordance with ASC 740, *Income Taxes*, HBMA recognizes the tax benefit from uncertain tax positions only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. Based on its evaluation, HBMA has concluded that there are no significant uncertain tax positions requiring recognition in the financial statements.

## 3) Accounting Pronouncements Adopted

In 2018, HBMA adopted ASU No. 2016-14 – *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. The main provisions of this update include: presentation of two classes of net assets (reduced from three classes); reporting investment return net of external and direct internal investment expenses; qualitative information about management of liquidity; quantitative information about financial assets available within one year; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions.

For the year ended December 31, 2017, adoption of this update results in net deficit of \$56,390 previously classified as unrestricted before adoption of ASU 2016-14, to be classified as net deficit without donor restrictions after adoption of ASU 2016-14. The Organization did not have any permanently or temporarily restricted net assets as of December 31, 2017.

## 4) 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, 2019.

*See independent auditor's report.*

# Healthcare Business Management Association

Notes to the Financial Statements (Continued)  
For the Years Ended December 31, 2018 and 2017

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## 4) Management Agreement (Continued)

For the years ended December 31, 2018 and 2017, SmithBucklin Corporation fees consisted of the following:

	2018	2017
Administrative services	\$ 183,985	\$ 184,000
Financial management and accounting	28,114	27,295
Management and headquarters	145,000	145,000
Sales services	16,997	18,860
Convention and trade show services	44,882	54,189
Creative and design services	11,105	12,950
Editorial and publishing services	51,511	52,993
Education and program services	59,604	59,141
Marketing and communications	36,573	41,028
Project printing and support	4,071	5,901
Promotional products and support	7,065	8,692
Total Management Fees	<u>\$ 588,907</u>	<u>\$ 610,049</u>

## 5) Commitments and Contingencies

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 \$0 and \$4,622 in relation to these contracts for the years ending December 31, 2018 and 2017, respectively.

The Organization, from time to time, may be subject to lawsuits and other legal actions. The Organization is aware of a potential legal matter that could have a material impact on the financial statements; however, there has been no formal lawsuit filed. The accompanying financial statements do not include any adjustment for this matter since, as of the date the financial statements were available to be issued, management is unable to estimate the possible outcome of any legal action that may be filed.

*See independent auditor's report.*

# Healthcare Business Management Association

Notes to the Financial Statements (Continued)  
For the Years Ended December 31, 2018 and 2017

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## 6) Liquidity Analysis

The following reflects the Organization's financial assets available to meet cash needs for general expenditure within one year as of December 31, 2018. All HBMA assets are available for general use as there are no donor-imposed restrictions.

Financial assets as of December 31, 2018

Cash and cash equivalents	\$ 152,636
Accounts receivable	30,185
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 182,821</u>

As part of the HBMA's liquidity management, HBMA has a policy to structure its financial assets to be available and liquid as its obligations become due. The Organization has no debt on the statement of financial position and typically pays its obligations using cash. As of December 31, 2018, the Organization has financial assets equal to approximately 2 months of operating expenses (See Note 7). The Organization expects to use its financial assets to reduce accounts payable and accrued liabilities in 2019

## 6) Financial Condition

As of December 31, 2018, the Organization had a deficit in net assets of \$184,303 and its current liabilities exceeded current assets by \$184,303. Revenue and support decreased from \$963,709 in 2017 to \$841,230 in 2018, a decrease of \$122,479. The Organization incurred net losses from operations of \$57,900 and \$127,913 in 2017 and 2018, respectively. Those factors create an uncertainty about the ability of the Organization to continue as a going concern.

Management attributes HBMA's losses to a reduction of new and existing memberships, decreased participation in yearly conferences, and increasing operational costs without corresponding increases in member dues. To address the losses, management has taken actions in 2018 and 2019 to increase membership and sponsorship of their annual conference by releasing the conference schedule and opening registration earlier in the year. Management and the Board of Directors are actively recruiting new members and, for the first time in 10 years, HBMA implemented a membership dues increase for 2019 - 2020 dues. Dues rates increased from 30% to 100% depending on the category of membership. Management has also added new dues categories to attract new members. Management is also in process of reducing costs and has negotiated reductions in fees with their most significant vendors for 2019.

Management anticipates that its plan will include further reductions of program and general costs and increase in memberships and sponsorships. The ability of HBMA to continue as a going concern for a period of one year after the date the financial statements are available to be issued is contingent upon the company being able to meet its current obligations as they become due and a return to profitability in 2019 and 2020.

*See independent auditor's report.*

# Healthcare Business Management Association

Notes to the Financial Statements (Continued)  
For the Years Ended December 31, 2018 and 2017

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## 7) Subsequent Events

HBMA has evaluated events and transactions for potential recognition or disclosure through September 17, 2019, 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.*