

**HEALTHCARE BILLING AND
MANAGEMENT ASSOCIATION**

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

DECEMBER 31, 2016 AND 2015

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Independent Auditor's Report

To the Board of Directors
Healthcare Business 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, 2016 and 2015, 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, 2016 and 2015, 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 Marusa & McQuade PA

Washington, DC
September 13, 2017

HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 342,949	\$ 56,580
Accounts receivable	43,286	151,106
Prepaid expenses	8,489	20,973
Total Current Assets	394,724	228,659
TOTAL ASSETS	\$ 394,724	\$ 228,659
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 172,130	\$ 53,463
Deferred revenue	221,084	224,189
Total Current Liabilities	393,214	277,652
NET ASSETS (DEFICIT)		
Unrestricted	1,510	(48,993)
TOTAL LIABILITIES AND NET ASSETS	\$ 394,724	\$ 228,659

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

HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
UNRESTRICTED REVENUE AND SUPPORT		
Membership dues	\$ 405,847	\$ 433,356
Conferences and seminars	448,355	678,351
Registration fees	32,809	32,381
Publications and newsletters	59,851	91,000
Certification program	24,349	12,550
Products	-	240
Other	69,191	30,368
Total Revenue and Support	1,040,402	1,278,246
EXPENSES		
Program Services:		
Annual and regional meetings	298,127	335,654
Educational conferences	70,935	304,429
Board and governance	43,516	41,667
Newsletters and publications	97,490	109,417
Government relations	127,981	185,202
Certifications	22,240	18,770
Total Program Services	660,289	995,139
Support Services:		
General administration and association fees	329,610	386,121
Total Expenses	989,899	1,381,260
CHANGE IN NET ASSETS	50,503	(103,014)
NET ASSETS (DEFICIT)		
Beginning of year	(48,993)	54,021
End of the year	\$ 1,510	\$ (48,993)

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

**HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 50,503	\$ (103,014)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Decrease (increase) in assets:		
Accounts receivable	107,820	(40,074)
Prepaid expenses	12,484	186
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	118,667	(11,120)
Deferred revenue	(3,105)	88
Net Cash Used By Operating Activities	286,369	(153,934)
NET DECREASE IN CASH	286,369	(153,934)
CASH, beginning of year	56,580	210,514
CASH, end of year	\$ 342,949	\$ 56,580

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

HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE A – NATURE OF THE ORGANIZATION

Healthcare Billing and Management Association (“HBMA”) 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.

Program Descriptions

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

Educational Conferences – HBMA offers webinars for educational purposes. Webinars are sponsored and 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 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, 2016 AND 2015
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation

Financial statement preparation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) topic Not-for-Profit Entities. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by either actions of the association 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 - Net assets are subject to donor-imposed stipulations that the assets will be maintained permanently by the Association. There were no temporarily or permanently restricted net assets as of December 31, 2016 and 2015.

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.

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, 2016 and 2015, 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.

HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE B – 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 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.

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, 2013 through 2015 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, 2017.

HEALTHCARE BILLING AND MANAGEMENT ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE D – MANAGEMENT AGREEMENT – continued

For the years ended December 31, 2016 and 2015, SmithBucklin Corporation fees consisted of the following:

	2016	2015
Administrative services	\$ 159,238	\$ 154,600
Financial management and accounting	26,500	25,750
Management and headquarters	125,000	119,500
Sales services	16,899	20,295
Convention and trade show services	52,694	109,750
Creative and design services	11,995	17,130
Editorial and publishing services	47,679	46,290
Education and program services	54,134	61,251
Marketing and communications	43,385	51,156
Project printing and support	7,033	-
Promotional products and support	5,277	-
Total Management Fees	\$ 549,834	\$ 605,722

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

During February 2017, HBMA formally changed its name to Healthcare Business Management Association, Inc. In preparing these financial statements, HBMA's management has evaluated events and transactions for potential recognition or disclosure through September 13, 2017, the date the financial statements were available to be issued. Except as noted above, there were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.