

# Healthcare Business Management Association

## Financial Statements

For the Years Ended December 31, 2019 and 2018



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

# Healthcare Business Management Association

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For the Years Ended December 31, 2019 and 2018

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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, 2019 and 2018, 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.

## **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, 2019 and 2018, 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 2 of the financial statements, during the year ended December 31, 2019, the Organization adopted Financial Accounting Standards Board Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

As discussed in Note 2 of the financial statements, during the year ended December 31, 2019, the Organization adopted ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

*Hertzbach & Company, P.A.*

Owings Mills, MD  
August 28, 2020

# Healthcare Business Management Association

Statements of Financial Position  
As of December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 102,508	\$ 152,636
Accounts receivable	23,770	30,185
Prepaid expenses	<u>2,120</u>	<u>12,209</u>
Total assets	<u>\$ 128,398</u>	<u>\$ 195,030</u>
<b>Liabilities and Net Deficit</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 6,617	\$ 244,662
Contract liabilities	<u>189,344</u>	<u>134,671</u>
Total liabilities	195,961	379,333
<b>Net deficit</b>		
Without donor restrictions	<u>(67,563)</u>	<u>(184,303)</u>
Total liabilities and net deficit	<u>\$ 128,398</u>	<u>\$ 195,030</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, 2019 and 2018

	2019	2018
<b>Revenue and other support</b>		
Membership dues	\$ 437,147	\$ 351,353
Annual meeting and educational conferences	445,372	388,609
Publications and newsletters	75,852	60,111
Certification program	34,588	18,348
Other	7,382	22,809
	<u>1,000,341</u>	<u>841,230</u>
Total revenue and other support	1,000,341	841,230
<b>Expenses</b>		
Program services:		
Annual meeting	348,076	349,841
Educational conferences	41,253	47,729
Publications and newsletters	62,488	88,605
Government relations	135,929	139,285
Certification program	7,916	18,672
Committee support	93,632	112,516
	<u>689,294</u>	<u>756,648</u>
Total program services	689,294	756,648
Management and general	<u>194,307</u>	<u>212,495</u>
Total expenses	<u>883,601</u>	<u>969,143</u>
<b>Change in net deficit without donor restrictions</b>	116,740	(127,913)
Net deficit without donor restrictions, beginning of year	<u>(184,303)</u>	<u>(56,390)</u>
Net deficit without donor restrictions, end of year	<u>\$ (67,563)</u>	<u>\$ (184,303)</u>

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

# Healthcare Business Management Association

## Statement of Functional Expenses For the Year Ended December 31, 2019

	Program Services						Supporting Services	Total	
	Annual meeting	Educational conferences	Publications and newsletters	Government relations	Certification program	Committee support	Total program services		Management and general
Food and beverage	\$ 98,967	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,967	\$ -	\$ 98,967
Speaker fees	16,722	-	-	-	-	-	16,722	-	16,722
Event and other services	107,172	-	-	-	-	-	107,172	-	107,172
Educational seminars	-	12,655	-	-	-	-	12,655	-	12,655
Printing	-	-	9,724	-	-	-	9,724	-	9,724
Outside services - editorial and publishing	-	-	34,665	-	-	-	34,665	-	34,665
Government relations	-	-	-	128,468	-	-	128,468	-	128,468
Certification program	-	-	-	-	-	-	-	-	-
Advertising, marketing, and communication services	76,875	-	-	-	7,916	-	84,791	4,846	89,637
Executive management	18,750	20,000	3,750	3,750	-	35,000	81,250	43,750	125,000
Membership and operations services	22,500	6,348	2,226	3,711	-	58,632	93,417	56,583	150,000
Board and governance	-	-	-	-	-	-	-	952	952
Financial management and accounting services	-	-	-	-	-	-	-	30,000	30,000
Bank and credit card charges	-	-	-	-	-	-	-	29,358	29,358
Legal and professional fees	-	-	-	-	-	-	-	15,877	15,877
Insurance	-	-	-	-	-	-	-	3,723	3,723
Telephone	-	-	-	-	-	-	-	5,880	5,880
Miscellaneous	7,090	2,250	12,123	-	-	-	21,463	3,338	24,801
	<u>\$ 348,076</u>	<u>\$ 41,253</u>	<u>\$ 62,488</u>	<u>\$ 135,929</u>	<u>\$ 7,916</u>	<u>\$ 93,632</u>	<u>\$ 689,294</u>	<u>\$ 194,307</u>	<u>\$ 883,601</u>

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

# Healthcare Business Management Association

## Statement of Functional Expenses For the Year Ended December 31, 2018

	Program Services						Supporting Services	Total	
	Annual meeting	Educational conferences	Publications and newsletters	Government relations	Certification program	Committee support	Total program services		Management and general
Food and beverage	\$ 85,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 85,032	\$ -	\$ 85,032
Speaker fees	22,180	-	-	-	-	-	22,180	-	22,180
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
Advertising, marketing, and communication services	85,033	-	-	-	-	-	85,033	10,428	95,461
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>

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, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>Cash flow (used in) provided by operating activities</b>		
Change in net deficit	\$ 116,740	\$ (127,913)
Adjustments to reconcile change in net deficit to net cash and cash equivalents (used in) provided by operating activities:		
(Increase) decrease in operating assets		
Accounts receivable	6,415	4,000
Prepaid expenses	10,089	(4,006)
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(238,045)	167,280
Contract liabilities	54,673	(25,709)
Net cash and cash equivalents (used in) provided by operating activities	<u>(50,128)</u>	<u>13,652</u>
<b>Net change in cash and cash equivalents</b>	(50,128)	13,652
Cash and cash equivalents, beginning of year	<u>152,636</u>	<u>138,984</u>
Cash and cash equivalents, end of year	<u>\$ 102,508</u>	<u>\$ 152,636</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, 2019 and 2018

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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 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.

### ***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 (Continued)  
For the Years Ended December 31, 2019 and 2018

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

### ***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 in the following two classes:

**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 have been restricted by the donor that stipulate the resources 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.

**Net assets without donor restrictions** represents funds that are available for support of the operations of the Organization, and that are not subject to donor stipulation.

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. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets. As of December 31, 2019 and 2018, 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. For each of the years ended December 31, 2019 and 2018, management is of the opinion that all accounts receivable are fully collectible and therefore no allowance for doubtful accounts is provided.

### ***Contract Liabilities***

Contract liability consists primarily of deferred membership dues and deferred conference and event registrations. HBMA recognizes member dues in the applicable membership period. HBMA recognizes conference and event revenue when the related event has occurred.

### ***Revenue Recognition***

The Organization is supported primarily from membership dues, conference fees and event fees. HBMA members pay annual dues in order to obtain member benefits. Membership dues are recorded at the amount that reflects the consideration the Organization expects to receive in exchange for the goods and services provided. Dues are invoiced on a calendar year basis and exclusive member benefits are provided continuously over the course of the year. As a result, revenue is recognized on a straight-line basis over the one-year membership period as performance obligations are fulfilled.

Annual meeting and education conference revenues are recognized at a point in time when the conferences or meetings are held. Publication and newsletter revenue is recognized at the point in time when the products, such as books and audiovisual, are sold and ownership has transferred to the member or other customer. Certification revenue is recognized at the point in time 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, 2019 and 2018

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

### ***Disaggregation of Revenue***

HBMA recognizes revenue over time or at a point in time based on the performance obligation of each contract. Various economic factors affect revenues and cash flows. Substantially all members are in the United States. Revenue for each source is typically collected within 90 days.

### ***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, 2019 and 2018.

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.

### ***Change in Accounting Principle***

On January 1, 2019, the Organization adopted FASB Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) using the modified retrospective method of adoption to all contracts with customers at January 1, 2019. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to members in amounts that reflect the consideration to which HBMA expects to be entitled in exchange for those goods or services. The amount to which HBMA expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services. Because contracts are generally completed within a year, HBMA used the actual transaction price rather than estimating variable consideration amounts for contracts completed during the period ending December 31, 2019. ASU No. 2014-09 also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The adoption of the standard did not result in a change to the way HBMA recognizes revenue; therefore, there was no cumulative effect adjustment to beginning net deficit.

*See independent auditor's report.*

# Healthcare Business Management Association

Notes to the Financial Statements (Continued)  
For the Years Ended December 31, 2019 and 2018

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

### *Change in Accounting Principle(Continued)*

In 2019, HBMA adopted ASU No. 2018-08 – *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Adoption of ASU 2018-08 resulted in no changes in presentation of financial statements.

## 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, 2020.

For the years ended December 31, 2019 and 2018, SmithBucklin Corporation fees consisted of the following:

	2019	2018
Administrative services	\$ 150,000	\$ 183,985
Financial management and accounting	30,000	28,114
Management and headquarters	125,000	145,000
Sales services	24,511	16,997
Convention and trade show services	43,103	44,881
Creative and design services	-	11,105
Editorial and publishing services	34,665	51,511
Education and program services	52,300	59,604
Marketing and communications	29,485	36,574
Project printing and support	-	4,071
Promotional products and support	5,930	7,065
Web conference tool and support	695	-
Total management fees	<u>\$ 495,689</u>	<u>\$ 588,907</u>

## 4) Commitments and Contingencies

HBMA has entered 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 did not experience any losses in relation to these contracts for the years ending December 31, 2019 and 2018.

*See independent auditor's report.*

# Healthcare Business Management Association

Notes to the Financial Statements (Continued)  
For the Years Ended December 31, 2019 and 2018

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## 4) Commitments and Contingencies (Continued)

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.

## 5) 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, 2019. All HBMA assets are available for general use as there are no donor-imposed restrictions.

Financial assets as of December 31, 2019

Cash and cash equivalents	\$ 102,508
Accounts receivable	23,770
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 126,278</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 statements of financial position and typically pays its obligations using cash. As of December 31, 2019, the Organization has financial assets equal to approximately 1.7 months of operating expenses (See Note 6).

## 6) Financial Condition

As of December 31, 2019, the Organization had a deficit in net assets of \$67,563 and its current liabilities exceeded current assets by \$67,563. The Organization incurred a net loss from operations of \$127,913 in 2018. Those factors created an uncertainty about the ability of the Organization to continue as a going concern.

Management attributed HBMA's losses in prior years 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 took 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 actively recruited 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 also added new dues categories to attract new members. Management also reduced costs and negotiated reductions in fees with their most significant vendors for 2019.

*See independent auditor's report.*

# Healthcare Business Management Association

Notes to the Financial Statements (Continued)  
For the Years Ended December 31, 2019 and 2018

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## 6) Financial Condition (Continued)

As a result of these actions, during the year ended December 31, 2019, HBMA's revenues and support increased from \$841,230 in 2018 to \$1,000,341 in 2019, an increase of \$159,111. Total expenses decreased from \$969,143 in 2018 to \$883,601 in 2019, a decrease of \$85,542. HBMA recognized an excess of revenue over expenses of \$116,740 in 2019 which decreased the net deficit from \$184,303 in 2018 to \$67,563 in 2019. 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 maintain its return to profitability in 2020 and 2021.

## 7) Business Risk Factor

The Organization could potentially be affected by natural disasters, public health crises, such as pandemics and epidemics, or other events outside of their control, which could cause their business and operating results to suffer.

## 8) Subsequent Events

HBMA has evaluated events and transactions for potential recognition or disclosure through August 28, 2020, the date the financial statements were available to be issued.

Beginning in late January 2020, the Company began to suffer a disruption in business as a result of the outbreak of the coronavirus. Given the dynamic nature of these circumstances, the duration of business disruption and the related financial impact cannot be reasonable estimated at this time.

Subsequent to December 31, 2019, HBMA received an SBA EIDL in the amount of \$150,000. Except for the events described above, there were no other events that required recognition in the combined financial statements.

*See independent auditor's report.*