

**Healthcare Information and
Management Systems Society and
its Wholly Owned Subsidiary,
HIMSS Analytics LLC**

**Consolidated Financial Statements for the
Years Ended June 30, 2009 and 2008**



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Independent Auditor's Report

Board of Directors
Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC
Chicago, Illinois

We have audited the accompanying consolidated statements of financial position of **Healthcare Information and Management Systems Society and its Wholly Owned Subsidiary, HIMSS Analytics LLC** as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Healthcare Information and Management Systems Society and its Wholly Owned Subsidiary, HIMSS Analytics LLC** as of June 30, 2009 and 2008, and changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Blackman Kallick, LLP

September 15, 2009

**Consolidated Statements of
Financial Position Follow**

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Consolidated Statements of Financial Position

June 30, 2009 and 2008

| <u>Assets</u> | | |
|---|----------------------|----------------------|
| | <u>2009</u> | <u>2008</u> |
| Cash | \$ 1,697,467 | \$ 4,748,033 |
| Investments | 17,539,834 | 20,749,267 |
| Accounts Receivable | | |
| Exhibitor and other (Net of allowance for doubtful accounts of \$214,581 and \$44,009) | 5,578,647 | 4,950,744 |
| Interest receivable | 104,826 | 98,875 |
| Affiliate | - | 5,045 |
| Inventories | 115,496 | 95,731 |
| Prepaid Expenses | 680,111 | 679,575 |
| Other Assets | | |
| Other | 73,795 | 90,899 |
| Investments under deferred compensation | 485,661 | 622,253 |
| Property and Equipment (Net of accumulated depreciation and amortization) | 2,791,055 | 3,630,844 |
| Intellectual Property | 2,444,704 | 2,280,030 |
| Goodwill | 386,421 | - |
| Intangible Assets (Net of accumulated amortization) | 910,389 | - |
| | <u>\$ 32,808,406</u> | <u>\$ 37,951,296</u> |

The accompanying notes are an integral part of the consolidated financial statements.

Liabilities and Net Assets

Liabilities

| | | |
|--|-----------------------------|-----------------------------|
| Accounts payable | | |
| Other | \$ 1,416,378 | \$ 1,646,909 |
| Affiliate | 43,814 | - |
| Accrued bonus, wages and salaries | 1,517,071 | 1,805,258 |
| Accrued expenses | 144,161 | 114,647 |
| Deferred gain on sale/leaseback of building | 879,803 | 1,209,730 |
| Deferred compensation | 2,536,870 | 2,310,462 |
| Deferred revenue | 13,063,546 | 13,908,097 |
| Deferred rent | 405,556 | 437,905 |
| | <u>20,007,199</u> | <u>21,433,008</u> |
| Net Assets, Unrestricted, Before Currency Translation | 13,099,151 | 16,620,114 |
| Cumulative Foreign Currency Translation Adjustment | <u>(297,944)</u> | <u>(101,826)</u> |
| Total Net Assets | <u>12,801,207</u> | <u>16,518,288</u> |
| | <u><u>\$ 32,808,406</u></u> | <u><u>\$ 37,951,296</u></u> |

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Consolidated Statements of Activities

Years Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|---|-----------------------|----------------------|
| Revenues | | |
| North America advocacy | \$ 165,584 | \$ 49,899 |
| North America communities | 1,915,931 | 1,787,262 |
| North America interoperability | 1,512,245 | 1,556,699 |
| North America professional development | 9,753,721 | 10,764,627 |
| Organizational services communities | 4,101,669 | 3,558,752 |
| Organizational services professional development | 20,208,552 | 20,664,850 |
| Global | 2,762,230 | 1,984,327 |
| Corporate services | 58,710 | 82,972 |
| Finance and administration | 223,141 | 33,693 |
| Total Revenues | 40,701,783 | 40,483,081 |
| Operating Expenses | | |
| North America advocacy | 1,258,113 | 1,229,231 |
| North America communities | 1,252,262 | 1,232,526 |
| North America interoperability | 3,775,118 | 3,405,975 |
| North America professional development | 7,466,455 | 6,188,329 |
| North America quality and efficiency | 44,451 | 56,786 |
| Organizational services communities | 1,068,691 | 791,031 |
| Organizational services professional development | 7,189,519 | 6,620,831 |
| Global | 3,446,518 | 3,739,286 |
| Corporate services | 6,987,113 | 7,374,604 |
| Finance and administration | 10,568,260 | 9,518,862 |
| Total Operating Expenses | 43,056,500 | 40,157,461 |
| Other Income (Expenses) | | |
| Gain on sale of building | 329,927 | 329,928 |
| Loss on disposal of property and equipment | (3,321) | - |
| Total Other Income, Net | 326,606 | 329,928 |
| Revenues (Under) Over Expenses Before Investment Income (Loss) | (2,028,111) | 655,548 |
| Investment Income (Loss) | | |
| Interest and dividends | 546,715 | 1,000,662 |
| Realized losses | (182,927) | (49,206) |
| Change in unrealized gains/losses | (1,856,640) | (975,876) |
| Total Investment Loss, Net | (1,492,852) | (24,420) |
| Change in Net Assets | (3,520,963) | 631,128 |
| Net Assets Before Currency Translation, Beginning of Year | 16,620,114 | 15,988,986 |
| Net Assets Before Currency Translation, End of Year | \$ 13,099,151 | \$ 16,620,114 |
| Change in Net Assets, Reflecting Change in Currency Translation | \$ (3,717,081) | \$ 625,984 |

The accompanying notes are an integral part of the consolidated financial statements.

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Consolidated Statements of Cash Flows

Years Ended June 30, 2009 and 2008

| | 2009 | 2008 |
|---|----------------|--------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ (3,520,963) | \$ 631,128 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities | | |
| Depreciation and amortization | 3,077,859 | 2,864,057 |
| Gain on sale of building | (329,927) | (329,928) |
| Loss on disposal of property and equipment | 3,321 | - |
| Net realized and unrealized loss on investments | 2,039,567 | 1,025,082 |
| Provision for bad debt | 67,780 | 21,800 |
| (Increase) decrease in | | |
| Accounts receivable | (672,160) | (314,791) |
| Inventories | (19,765) | (16,020) |
| Other assets | 17,104 | (22,376) |
| Prepaid expenses | (536) | (190,124) |
| Increase (decrease) in | | |
| Accounts payable | (230,531) | (1,030,959) |
| Accrued expenses | (258,673) | 170,450 |
| Deferred compensation | 226,408 | 769,690 |
| Deferred revenue | (825,325) | (1,044,571) |
| Deferred rent | (32,349) | (6,621) |
| Total Adjustments | 3,062,773 | 1,895,689 |
| Net Cash (Used in) Provided by Operating Activities | (458,190) | 2,526,817 |
| Cash Flows from Investing Activities | | |
| Purchases of property and equipment | (690,332) | (1,407,192) |
| Intellectual property expenditures | (1,612,543) | (1,446,610) |
| Acquisition of intangible assets | (1,400,000) | - |
| Purchases of investments | (5,347,455) | (10,227,337) |
| Proceeds from sales of investments | 6,653,913 | 12,498,004 |
| Net Cash Used in Investing Activities | (2,396,417) | (583,135) |
| Effect of Currency Exchange Rate Changes | (195,959) | (5,144) |
| Net (Decrease) Increase in Cash | (3,050,566) | 1,938,538 |
| Cash, Beginning of Year | 4,748,033 | 2,809,495 |
| Cash, End of Year | \$ 1,697,467 | \$ 4,748,033 |

The accompanying notes are an integral part of the consolidated financial statements.

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 1 - Industry Operations

Healthcare Information and Management Systems Society (HIMSS) is the healthcare industry's membership organization exclusively focused on providing global leadership for the optimal use of healthcare information technology (IT) and management systems for the betterment of healthcare. Founded in 1961 with offices in Chicago, Washington D.C., Brussels, Singapore, which opened in 2009, and other locations across the United States, HIMSS represents more than 23,000 individual members and over 380 corporate members that collectively represent organizations employing millions of people. HIMSS frames and leads healthcare public policy and industry practices through its advocacy, educational and professional development initiatives designed to promote information and management systems' contributions to ensuring quality patient care. Approximately \$628,000 of total assets are held overseas.

HIMSS Analytics LLC was established in May 2004 as a Delaware limited liability corporation. HIMSS Analytics LLC supports improved decision-making for healthcare organizations and healthcare IT companies and consulting firms by delivering high-quality data and analytical expertise. HIMSS Analytics LLC collects and analyzes healthcare organization data relating to IT processes and environments, products, IS department composition and costs, IS department management metrics, healthcare delivery trends and purchasing-related decisions.

HIMSS Analytics LLC is a wholly owned subsidiary of the Healthcare Information and Management Systems Society (HIMSS).

For purposes of the financial statements, "the Company" refers to both HIMSS and HIMSS Analytics LLC.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the accounts of HIMSS and HIMSS Analytics LLC. All intercompany transactions have been eliminated. These consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Aspects of the Limited Liability Company

In Delaware, a limited liability company (LLC) retains the corporate characteristics of limited liability for its managers and members.

The LLC is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for, the LLC. Members are taxed individually on their shares of the LLC's earnings.

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies

Aspects of the Limited Liability Company (Continued)

The LLC's net income or loss is allocated to its members in accordance with the LLC's operating agreement. Accordingly, the consolidated financial statements do not reflect a provision for income taxes.

The term of HIMSS Analytics LLC shall be perpetual unless the LLC is dissolved. HIMSS is the sole member of HIMSS Analytics LLC.

Cash

The Company maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risk on cash.

Accounts Receivable

Accounts receivable are uncollateralized customer obligations with signed contracts with predetermined payment deadlines. Accounts receivable are stated at the invoice amount. Account balances with invoices over 90 days past the due date are considered delinquent.

Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices. Management reviews accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible, if any, or to require an excessive collection cost are written off to the allowance for losses.

Fair Value Measurements

Effective January 1, 2008, the Company partially adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 does not require any new fair value measurements but may require some entities to change their measurement practices.

In February 2008, the Financial Accounting Standards Board (FASB) deferred the effective date of FAS 157 for one year for certain nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company completed its adoption of FAS 157 for these assets and liabilities in 2009.

The Company's partial adoption of FAS 157 in 2009 did not have a significant effect on the Company's financial position or results of operations.

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Investments

HIMSS carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Fair value is determined primarily on the basis of quoted market prices. Unrealized gains and losses are included in the change in net assets in the consolidated statements of activities.

HIMSS' investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and will materially affect the amounts reported in the consolidated financial statements.

Depreciation and Amortization

The Company's policy is to depreciate or amortize the cost of furniture and equipment over the estimated useful lives of the assets using the straight-line method. The cost of leasehold improvements is amortized over the remaining term of the lease or the estimated useful lives, if shorter.

| | <u>Years</u> |
|------------------------|---------------|
| Computer equipment | 3 |
| Software development | 3 |
| Furniture and fixtures | 5-7 |
| Leasehold improvements | Life of lease |

Intellectual Property

Intellectual property consists of a database acquired on July 16, 2004 as well as additional costs incurred to expand the database and keep the information current. Intangible assets with definite useful lives are amortized over the estimated useful lives using the straight-line method. The estimated useful life of the database is three years. (See Note 7.)

HIMSS Analytics LLC will continue to annually evaluate the remaining useful life of the above assets to determine whether events and circumstances warrant a revision to the remaining period of amortization.

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Intangibles

Goodwill and trademark, acquired in fiscal 2009 (see Note 3), while not amortized, are subject to annual impairment tests as of June 30 of each year as required by Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets." The Company determined, by utilization of a discounted cash flow analysis, that there was no goodwill or trademark impairment as of June 30, 2009.

Intangible assets with estimated useful lives consist of a website/domain and a noncompete agreement, the cost of which is amortized using the straight-line method. The circulation list is amortized based on a retention rate, which approximates the economic benefits over the life of the asset.

Amortization expense is recorded based on the estimated useful lives, which is 2.5 years for the website/domain name and five years for the noncompete agreement and circulation list.

Revenue Recognition

Individual member dues revenue is initially deferred when received and then amortized over a 12-month period based upon the individual member's renewal month. Corporate member dues are also initially deferred when received and then amortized over a 12-month period based upon the corporate member's renewal month. Individual member dues are recognized as North America communities revenue, while corporate dues are recognized as organizational services communities revenue in alignment with the organization's overall strategic goals.

HIMSS records a receivable for the full amount of exhibit space contracted for in advance of its next Annual and Global Conferences. Exhibitor revenues are deferred at the time the contract is entered into and then recognized when the Annual and Global Conferences are held. Registration fees from the conferences are recognized when the conferences are held. Revenue from the conferences is included in North America professional development and Global in the statement of activities.

The majority of North America professional development revenue is from annual conference registrations and sponsorships related to annual conferences. Sponsorship revenue is recognized when the conferences are held. Organizational professional development revenue consists of database sales, as described in the following paragraph, annual conference exhibit booth sales and related exhibitor products. North America interoperability revenue, which is recognized when the event is held, is principally derived from Integrating the Healthcare Enterprise education programs and sponsorships.

HIMSS Analytics LLC recognizes revenue from data base sales on a straight-line basis over the life of the contract. Revenue from consulting and research activities is recognized at the completion of the services performed. Revenue from the contracts pertaining to database sales and the consulting and research activities is included in Operational Service professional development in the statement of activities.

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 2 - Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Deferred revenue for HIMSS Analytics LLC represents payments received from contracts paid in advance to be recognized as revenue in the future over the life of the contract as services are provided. Total contracts signed during the years ended June 30, 2009 and 2008 were \$6,483,496 and \$8,204,040, respectively. Total payments received on all contracts for the years ended June 30, 2009 and 2008 amounted to \$6,687,453 and \$6,701,585, respectively; revenue recognized amounted to \$7,032,470 and \$7,290,590, respectively, resulting in deferred revenue of \$1,655,918 and \$1,843,170, respectively, for HIMSS Analytics LLC.

Income Tax Status of HIMSS

HIMSS is a tax-exempt organization as defined by Section 501(c)(6) of the Internal Revenue Code.

Management 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 as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through September 15, 2009, the date the financial statements are available to be issued, as defined by FASB.

Note 3 - Acquisitions

On July 16, 2004, HIMSS Analytics LLC acquired certain assets of Sheldon I. Dorenfest & Associates, Ltd. for the aggregate purchase price of \$6,265,000. The purchase price represents the estimated fair value of the intellectual property acquired as of the date of acquisition. The purpose of the acquisition was for HIMSS Analytics LLC to generate revenue by providing high-quality data and analytical expertise to healthcare organizations.

On December 31, 2008, the Company purchased certain assets of 1105 Media Inc. in a transaction accounted for as a purchase. The total purchase price, paid in cash, was \$1,400,000 and represents the estimated fair value of the assets listed in Note 8 as of the date of the acquisition. The purpose of the acquisition was to enhance the Company's membership, educational and publishing programs for the government health information technology sector.

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 4 - Fair Value Measurements

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 describes three approaches to measuring the fair value of assets and liabilities: the market approach, the income approach and the cost approach. Each approach includes multiple valuation techniques. The standard does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority. Financial assets and liabilities carried at fair value are classified in one of the following three categories based upon the inputs to the valuation technique used:

- Level 1 - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 - Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using its own assumptions about the assumptions a market participant would use in pricing the asset or liability.

The Company currently uses no Level 3 inputs.

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 4 - Fair Value Measurements (Continued)

The following table sets forth by level within the fair value hierarchy the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2009. As required by FAS 157, assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect their placement within the fair value hierarchy levels.

| Description | Fair Values 2009 | Fair Value Measurements as of Reporting Date | | |
|--|----------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets | | | | |
| Investments | | | | |
| Money market accounts | \$ 352,898 | \$ 352,898 | \$ - | \$ - |
| Corporate bonds | 657,992 | 657,992 | - | - |
| Certificates of deposit | 4,249,968 | - | 4,249,968 | - |
| Mutual funds - Equity | 2,729,725 | 2,729,725 | - | - |
| Mutual funds - Other | 220,911 | 220,911 | - | - |
| Common stock | 5,180,894 | 5,180,894 | - | - |
| U.S. government agency securities | 3,293,438 | - | 3,293,438 | - |
| | <u>\$ 16,685,826</u> | <u>\$ 9,142,420</u> | <u>\$ 7,543,406</u> | <u>\$ -</u> |
| Investments under deferred compensation | | | | |
| Money market accounts | \$ 68,606 | \$ 68,606 | \$ - | \$ - |
| Mutual fund - Fixed income | 121,187 | 121,187 | - | - |
| Mutual funds - Equity | 282,626 | 282,626 | - | - |
| Mutual funds - Other | 13,242 | 13,242 | - | - |
| | <u>\$ 485,661</u> | <u>\$ 485,661</u> | <u>\$ -</u> | <u>\$ -</u> |

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 4 - Fair Value Measurements (Continued)

Level 1 Inputs

Estimated fair values for the Company's money market accounts, corporate bonds, mutual funds - equity, mutual funds - other and common stock were based on quoted market prices.

Level 2 Inputs

Certificates of Deposit - Estimated fair values for the certificates of deposit are based upon similar certificates of deposit as of June 30, 2009. All certificates of deposit investments of the Company are covered fully by government insurance.

U.S. Government Agency Securities - Estimated fair values for the Company's U.S. Government holdings were based on similar investments that are traded on the secondary market.

Note 5 - Investments

Investments consist of the following:

| | 2009 | | | 2008 | | |
|---|----------------------|----------------------|--|----------------------|----------------------|--|
| | Cost | Market | Unrealized Appreciation (Depreciation) | Cost | Market | Unrealized Appreciation (Depreciation) |
| Money market accounts | \$ 352,898 | \$ 352,898 | \$ - | \$ 452,865 | \$ 452,865 | \$ - |
| Corporate bonds | 657,760 | 657,992 | 232 | 1,154,159 | 1,148,099 | (6,060) |
| Certificates of deposit | 4,234,358 | 4,249,968 | 15,610 | 5,060,457 | 5,036,643 | (23,814) |
| Mutual funds - Equity | 3,706,089 | 2,729,725 | (976,364) | 9,056,137 | 8,638,631 | (417,506) |
| Mutual funds - Other | 297,480 | 220,911 | (76,569) | 211,526 | 226,949 | 15,423 |
| Common stock | 6,692,583 | 5,180,894 | (1,511,689) | 982,117 | 972,553 | (9,564) |
| U.S. government holdings | 3,242,003 | 3,293,438 | 51,435 | 3,456,869 | 3,476,280 | 19,411 |
| Total | \$ 19,183,171 | \$ 16,685,826 | \$ (2,497,345) | \$ 20,374,130 | \$ 19,952,020 | \$ (422,110) |
| Investment in MedTech Publishing Company, LLC under the equity method | | 854,008 | | | 797,247 | |
| Total Investments | | \$ 17,539,834 | | | \$ 20,749,267 | |

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 5 - Investments (Continued)

On October 1, 2003, HIMSS entered into an agreement with a publishing venture, in order to provide diversification of income and to reposition the HIMSS newsletter within a more widely distributed periodical, giving it a broader audience. The HIMSS investment of \$854,008 and \$797,247 for the years ended June 30, 2009 and 2008, respectively, represents a minority ownership in the new venture. The HIMSS investment in MedTech Publishing Company, LLC is accounted for using the equity method.

Note 6 - Property and Equipment

| | 2009 | 2008 |
|--|---------------------|---------------------|
| Computer equipment | \$ 4,915,180 | \$ 4,541,406 |
| Software development | 1,484,046 | 1,190,332 |
| Furniture and fixtures | 1,316,939 | 1,309,323 |
| Leasehold improvements | 2,421,669 | 2,409,076 |
| | 10,137,834 | 9,450,137 |
| Accumulated depreciation and amortization | (7,346,779) | (5,819,293) |
| | \$ 2,791,055 | \$ 3,630,844 |

HIMSS Analytics LLC accounts for software development costs in conformity with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed." Software development costs consist of upgrades to improve the navigation of the intellectual property. Unamortized computer software development costs were \$467,099 and \$476,261 as of June 30, 2009 and 2008, respectively. Total software development amortization for the year ended June 30, 2009 and 2008 was \$302,876 and \$279,944, respectively.

Note 7 - Intellectual Property

| | 2009 | 2008 |
|--------------------------------|---------------------|---------------------|
| Intellectual property acquired | \$ 6,265,000 | \$ 6,265,000 |
| Additional costs for upgrades | 7,171,266 | 5,558,723 |
| Accumulated amortization | (10,991,562) | (9,543,693) |
| | \$ 2,444,704 | \$ 2,280,030 |

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 7 - Intellectual Property (Continued)

The amortization expense for the years ended June 30, 2009 and 2008 was \$1,447,869 and \$1,127,400, respectively. The original purchase price of \$6,265,000 was fully amortized as of June 30, 2007.

Estimated amortization expense for the next three years is as follows:

| | | |
|----------------------|-----------|-------------------------|
| Year Ending June 30: | | |
| 2010 | \$ | 1,308,750 |
| 2011 | | 829,258 |
| 2012 | | <u>306,696</u> |
| | \$ | <u>2,444,704</u> |

Note 8 - Intangible Assets

Intangible assets consist of the following as of June 30, 2009:

| | As of June 30, 2009 | |
|-------------------------------|-----------------------------|-----------------------------|
| | Gross Carrying Amount | Accumulated Amortization |
| Amortized intangible assets | | |
| Website/domain name | \$ 75,000 | \$ 15,000 |
| Circulation list | 250,000 | 63,442 |
| Noncompete | <u>247,477</u> | <u>24,748</u> |
| Total | <u>\$ 572,477</u> | <u>\$ 103,190</u> |
| Unamortized intangible assets | | |
| Trademark | \$ 441,102 | |
| Goodwill | <u>386,421</u> | |
| Total | <u>\$ 827,523</u> | |

Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 8 - Intangible Assets (Continued)

Aggregate amortization expense for the year ended June 30, 2009 was \$103,190
Estimated amortization expense for the next five years is as follows:

| Year Ending June 30: | |
|----------------------|-------------------|
| 2010 | \$ 175,291 |
| 2011 | 128,349 |
| 2012 | 74,408 |
| 2013 | 62,199 |
| 2014 | 29,040 |
| | <u>469,287</u> |
| | <u>\$ 469,287</u> |

Note 9 - Related Party Transactions

HIMSS makes grants and provides administrative support to the Healthcare Information and Management Systems Society Foundation (the Foundation). The Foundation is a separately incorporated 501(c)(3) organization, which supports the research and educational activities of HIMSS by providing scholarships that will benefit people in the areas of healthcare and information management. HIMSS and the Foundation have certain common board members. For the years ended June 30, 2009 and 2008, HIMSS made grants of \$101,872 and \$131,900, respectively, to the Foundation. There was \$43,814 due to and \$5,045 due from the Foundation as of June 30, 2009 and 2008, respectively.

Note 10 - Operating Leases

HIMSS has entered into leases for its office facilities. (See Note 13.) Rent expense is recognized on a straight-line basis over the terms of the leases. Rent expense for the years ended June 30, 2009 and 2008 was \$1,036,965 and \$878,251, respectively. The following is a schedule by year of future minimum lease payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2009:

| Year Ending June 30: | |
|---------------------------------|---------------------|
| 2010 | \$ 958,699 |
| 2011 | 973,532 |
| 2012 | 756,867 |
| 2013 | 343,548 |
| 2014 | 351,935 |
| Thereafter | 324,383 |
| | <u>3,708,964</u> |
| Total Minimum Payments Required | <u>\$ 3,708,964</u> |

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 10 - Operating Leases (Continued)

On May 1, 2008, HIMSS entered into a lease for its office facility in Brussels, Belgium. The term of the lease is nine years with an option to terminate every three years. Rent payments are due quarterly in Euros and will be adjusted annually based on the Consumer Price Index. The Brussels lease is included in the schedule of future minimum payments above; however, it is stated in U.S. dollars at the June 30, 2009 exchange rate.

On March 20, 2009, HIMSS entered into a lease for its office facility in Singapore. The term of the lease is two years with an option to renew for another one year. Rent payments are due monthly in Singapore Dollars. The Singapore's lease is included in the schedule of future minimum payments above; however, it is stated in U.S. dollars at the June 30, 2009 exchange rate.

Note 11 - Retirement Plans

Employees of HIMSS and HIMSS Analytics LLC are eligible to participate in the HIMSS 401(k) plan after six months of service and attaining age 21. HIMSS matches the salary reduction elected by the employee to a maximum of 6% of employee's salary.

HIMSS also provides a 3% money purchase defined contribution pension plan. Employees are eligible to participate in this plan after completing one year of service and attaining age 21. Expenses recognized by HIMSS under the two employee benefit plans were \$1,149,344 and \$983,779 for the years ended June 30, 2009 and 2008, respectively.

Effective May 1, 2006, HIMSS adopted a 457(f) deferred compensation plan for a select group of management employees. An annual contribution may be made on behalf of the participants of the plan. The amount is maintained on the Company's books in a designated account and will remain the sole property of HIMSS. This amount is available to satisfy the claims of all general creditors of HIMSS. Each participant shall have a fully vested, nonforfeitable interest in his/her deferred compensation if (1) he/she continues employment until normal retirement age; (2) dies; (3) becomes disabled; (4) termination of the plan due to change of control; (5) involuntary termination of the participant other than for cause; (6) the vesting date is not prior to the second anniversary of the date of the first Company contribution to the participant's account. For the fiscal years ended June 30, 2009 and 2008, HIMSS recorded a provision of \$0 and \$313,058, respectively, for the plan.

On March 13, 2009, HIMSS extended the employment agreement with its president/CEO through June 30, 2013. If HIMSS terminates the agreement without cause, HIMSS shall pay an amount equal to the current salary plus full insurance benefits for 15 months unless a comparable employment position has been accepted.

HIMSS maintains a 457(f) deferred compensation plan for the president/CEO. The amount is maintained on the Company's books in a designated account and will remain the sole property of HIMSS. This amount is available to satisfy the claims of all general creditors of HIMSS. For the fiscal years ended June 30, 2009 and 2008, HIMSS recorded a provision of \$96,657 and \$73,800, respectively, for this plan.

**Healthcare Information and Management Systems Society
and its Wholly Owned Subsidiary, HIMSS Analytics LLC**

Notes to Consolidated Financial Statements

Years Ended June 30, 2009 and 2008

Note 11 - Retirement Plans (Continued)

HIMSS Analytics LLC has established employment agreements with several executive level employees. These agreements contain a deferred compensation provision under which the executives are awarded a percentage of the Company's assumed value, as determined by an independent corporation valuation expert, if certain budgeted goals are met. For the fiscal year ended June 30, 2009 and 2008, HIMSS Analytics LLC recorded a provision of \$363,000 and \$536,142, respectively, under these agreements.

Note 12 - Concentrations

Accounting principles generally accepted in the United States of America require disclosure of information about current vulnerabilities due to certain concentrations. These matters include the following:

Approximately 44% and 50% of total revenues for the years ended June 30, 2009 and 2008, respectively, were provided by the HIMSS Annual Conference.

Note 13 - Sale and Leaseback of Building

Effective March 8, 2004, HIMSS sold the land and building in Chicago, Illinois, where its corporate office is located. The sale price was \$6,800,000 resulting in a gain of \$2,639,415 for the year ended June 30, 2004. HIMSS then entered into a lease for its office facilities on March 8, 2004. (See Note 10.) The leaseback of the office space resulted in a deferred gain of \$2,639,415 on the sale, which will be recognized over the eight-year life of the lease. As of June 30, 2009 and 2008, the balances of the deferred gain were \$879,803 and \$1,209,730, respectively.

Note 14 - Reclassifications

For comparability, the 2008 financial statements reflect reclassifications of the expense accounts where appropriate to conform to the financial statements presentation used in 2009. These reclassifications are the result of aligning the financial statement presentation with the strategic goals of HIMSS to better present information related to goods and services provided to members and other organizations.