

**NH Vaccine Association – Audit Committee Meeting  
September 9, 2015 – 8:30 – 9:30 a.m.  
Conference Room – KidsVax  
Presiding Officer: David Fredenburg, M.D.**

**I. Attendance.** Participating in all or part of the meeting in person (P) were the following individuals:

Directors:

David Fredenburg, M.D., Chair – Healthcare Provider (P)  
Susan Tenney – Harvard Pilgrim Health Care (P)  
Jason Margus – Anthem (P)  
David Sky – NHID (P)  
Everett Lamm, M.D. – Healthcare Provider (P)  
Marcella Bobinsky – DHHS (P)  
Laura Condon – Public Board Representative (P)

Absent:

Edward Moran – Public Board Representative

Carew & Wells, PLLC:

Karen Carew, CPA (P)

Others:

Mark McCue, Esq. – Hinckley Allen  
Robert Luria - GlaxoSmithKline

KidsVax:

Fred L. Potter (P)  
Claire Roberge (P)  
Terry Mills (P)

**II. Summary of Actions Taken and/or Recommended**

**A. Actions Taken (votes adopted)**

1. To recommend publication of the 2014/2015 Audited Financial Statements to the Board of Directors.
2. To defer discussion regarding the Late Payment Policy until the November meeting.

**B. Follow up Task/Action Items**

1. KidsVax will send notification to all payers regarding the new address and ACH information being provided on the updated website assessment transmittal.
2. Mrs. Roberge will send the July 2015 financial statements, bank statement, and reconciliation to Ms. Condon for her review.
3. KidsVax will inquire about the status of a self-insured employer appointment to the NHVA Board.
4. KidsVax will request the Bank of New Hampshire (“BNH”) investment team prepare a presentation regarding the investment program for the December meeting.

**III. Minutes**

Welcome and Introductions

At approximately 8:30 a.m., a quorum having been established the meeting was called to order.

Mrs. Roberge reported that two checks made payable to the State of Alaska was deposited into the New Hampshire Vaccine Association (“NHVA”) account in error. Ms. Tenney, as well as individuals at the bank, were notified of the error immediately. A refund check from the NHVA account in the amount of \$70.50 was issued to the State of Alaska to correct this oversight.

Mrs. Roberge reported that the lockbox is now up and running. It is anticipated that the lockbox system will alleviate most, if not all, deposit errors going forward. Mrs. Roberge will be working with SolutionWorx to get the website transmittal updated with the new address and ACH information and KidsVax will send a notification of these changes to all payers. Mr. Potter thanked Attorney McCue for his review of the lockbox proposals.

Ms. Carew stated there were no significant audit findings and no problems working with management or questions as to the presentation or form of the financial statements. She reported that for clarification, she expanded the audit findings themselves with respect to estimates. She felt that vaccine expense and accounts receivable are the two estimates that are the most sensitive. The actual vaccine expense is controlled by the State of New Hampshire, but the remittance from NHVA is based on their estimate. The accounts receivable are based on the assumption that the amount of covered lives self-reported by each payer is accurate and not subject to material change. There were no difficulties encountered in performing the audit and no uncorrected misstatements. She did not find anything she felt needed to be included in the financial statements that should be changed. A change was made with respect to allocating the investment income. For financial statement presentation, the individual pieces were reviewed and broken out. Ms. Carew indicated that the move to a lockbox system for assessment collections will address the past recommendation to segregate the deposits from the reconciliations. During her review of the Plan of Operation, she noted that the interest calculations on late assessments and the timing of when those are received is not well-defined in the Plan and suggested revising the policy to specifically clarify the grace period during which additional interest will not be assessed by NHVA. After that time, a new assessment for the interest on the overdue balance would be created and followed up on. It was noted that there has not historically been a significant amount of lost interest. Further discussion ensued.

Ms. Condon indicated that it was not yet clear to her whether the deficiency noted by the auditors last fall with respect to internal audit controls regarding the segregation of deposits and reconciliation had been implemented and is now being performed on an ongoing basis. Ms. Carew reported that there was a segregation in staff duties immediately implemented last fall and she feels the Association has responded appropriately to the recommendation of the auditors. Ms. Carew further recommended that the lockbox system be implemented as well. It was noted by Mr. Potter that the implementation is complete and the first payments processed utilizing the lockbox system will be the assessment payments due November 15, 2015. All NHVA payments received directly between now and that time will be mailed by KidsVax, unopened, to the NHVA lockbox for processing.

Ms. Condon requested clarification with respect to the late payment interest and whether there was a significant amount of interest monies that were not being collected. Ms. Carew had addressed this concern prior to Ms. Condon's arrival to the meeting and indicated there is not a significant amount of monies or opportunities at this point, but rather that the policy for when the date interest will be assessed could be made more clear. This is not material in any way and Ms. Carew is not concerned that there has been a significant loss of revenue at any time.

Ms. Condon noted that one of the other recommendations from NHVA's auditors last fall was that the Board receive the monthly financials, including the bank statements and the reconciliations, but has not received this information since June 2015. After brief discussion, Mrs. Roberge indicated that she would send the information to Ms. Condon.

Ms. Carew reported that there were a couple of changes on the financial statements themselves. The notes were flushed out and there minor changes in the presentation were made. The financial statements are fairly stated and there is nothing significant or material missing or omitted. It is considered a clean opinion by the auditors. No significant changes were made to the Statements of Financial Position in terms of presentation. The only change made to the Statements of Activities and Changes in Net Assets was with the condensing of the expenses. The Statement of Cash Flows had no significant changes concerning how it is presented. The notes were changed to more clearly describe the NHVA's organization and what its purpose is. On Note "A", a description was added stating that the RSA requires all assessment revenue, including the assessments and investments, be considered temporarily restricted net assets. Further discussion and explanation followed. To provide a better understanding of how the organization operates and how any subsequent adjustments are recorded, minor changes were made in the wording pertaining to the RSA, where appropriate, with respect to receivable collection, recording of revenue, and specifically about NHVA not having a requirement to identify or verify the self-reported covered lives. If there is an adjustment, it is revenue at the time it is reported and does not go back and become revenue in another year. An additional note was added with respect to Related Party Transactions. The RSA requires NHVA to have payers who are on the Board and those payers have significant transactions with the organization. That being said, Ms. Carew felt it was important to note that there are no transactions that are outside of the ordinary course of business and nothing unusual about those transactions as compared to those of all other assessed entities.

Dr. Fredenburg inquired whether there are four payer representatives on the Board. Ms. Tenney indicated that there is supposed to be a self-insured employer representative appointed to the Board, but that position was never appointed by Governor and Council. Mr. Potter indicated that he inquired about the appointment last fall, but will once again follow-up on the status of that appointment.

It was reported that a note was also included under Concentrations to clarify for anyone reviewing the financial statements that the Association derives nearly all of its revenue from assessments of licensed insurers in the State of New Hampshire, with 58% of the assessments derived from three assessable entities. Due to the requirements of RSA 126-Q, the Plan of Operation, and the industry in which assessable entities operate, management does not believe the Association is exposed to significant risk from the concentration of assessment revenue, nor from a concentration with a particular entity.

With respect to Short Term Investments, Ms. Carew explained that in the past everything had been considered cash equivalents. They were very short term, with typically less than three months until maturity. That is no longer the position, so this note is required and all of the detail is presented there. This relates to one journal entry that Ms. Carew proposed and posted allocating the entry between the various types of investment return and showing how it gets summarized in the financial statements. The current investments are very secure and not every unrealized gain or loss that is shown will be recognized, but there are some.

Ms. Condon asked about the CDARS program being used for NHVA's investments. Mr. Potter indicated that it is not being used as an investment tool right now, but is being used as a cash collected protection tool. Ms. Carew clarified the current process used for short term investments and indicated that the account being referred to is only on the deposit bank account and not the investment account. Mr. Potter stated that KidsVax anticipates that the BNH investment team will provide a full presentation concerning the investment program at the November Audit Committee meeting. Mr. Potter indicated that the current investment strategy is extraordinarily conservative, as decided by the Board, but the Board may determine that it is acceptable for NHVA to have some limited corridor of risk that is entirely a Board policy.

Ms. Carew stated that since there are no plans to dissolve, the Association does not record a commitment or contingency related to Termination of the Association and this was referenced in Note "E" in further detail.

Executive Session Summary [Prepared by outside general counsel, Attorney Mark McCue of Hinckley Allen.]

The Audit Committee of the Board of Directors (the "Committee") of the NHVA then voted by unanimous roll call vote to enter into executive session to discuss personnel and proprietary financial matters at 9:15 a.m.

The Committee inquired of NHVA's auditor, Karen Carew of Carew & Wells, PLLC, whether her firm's audit revealed any concerns with NHVA's administrator, KidsVax, or with NHVA's administrative practices or procedures. Ms. Carew informed the Committee that she did not have any concerns, and complimented KidsVax for its cooperation and attentiveness to the audit process and the financial materials provided. In response to an inquiry, Ms. Carew also outlined the segregation of duties and oversight that was implemented by KidsVax following the concern raised in last year's audit regarding the monthly banking and reconciliation process. Ms. Carew stated that the current process adequately addressed the audit concern, and that the institution of a lockbox was an additional security measure.

Upon a motion by Mr. Sky, seconded by Dr. Fredenburg and by unanimous roll call vote, the Committee voted to end the executive session at 9:30 a.m.

Respectfully submitted,

**Mark S. McCue**  
Secretary pro tem

At 9:30 a.m., the Audit Committee reconvened with KidsVax personnel present.

Upon motion duly made by Ms. Tenney and seconded by Mr. Sky, it was unanimously

VOTED: To recommend publication of the 2014/2015 Audited Financial Statements to the Board of Directors.

Upon further discussion, it was unanimously

VOTED: To defer discussion regarding the Late Payment Policy until the November meeting.

At 9:35 a.m., it was unanimously voted to adjourn.

What: New Hampshire Vaccine Association (NHVA) – Audit Committee Meeting  
Date and Time: Wednesday, September 9, 2015 – 8:30 – 9:30 a.m.  
Location: KidsVax® Conference Room, 125 North State Street, Concord, NH  
Call-In: **Please register at:**

<https://attendee.gotowebinar.com/register/6401730899771474178>

**After registering, you will receive a confirmation email containing information about joining the meeting.**

***NHVA Agendas are subject to revision up to and including the time of the meeting.***

<b>Approx. Time</b>	<b>Topic/[Anticipated Action]</b>	<b>Presented by:</b>
8:30 – 8:35 a.m.	1. Welcome and Introductions	D. Fredenburg
8:35 – 8:40 a.m.	2. Operational Update	C. Roberge
	* a. AK deposit error	
	b. Lockbox Setup	
	c.	
8:40 – 9:00 a.m.	3. Report by Outside Auditors on 2014/15 Audit	Carew & Wells, LLC
	* a. Audit Transmittal Letter	
	* b. Audited Financials	
	* c. Management Letter	
	d. Other	
9:00 – 9:10 a.m.	* 4. Draft Late Payment Policy	F. Potter
9:10 – 9:20 a.m.	5. Executive Session w/KidsVax Personnel Excused, Auditors Present	D. Fredenburg
9:25 a.m.	<b>[Adjourn]</b>	

\*Indicates agenda item attached

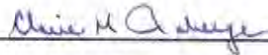
Memo To: NHVA Audit Committee  
From: Claire M Roberge  
Date: September 3, 2015  
RE: Alaska deposit error

On August 3<sup>rd</sup>, 2 small checks made out to Alaska Vaccine Assessment were accidentally deposited with NHVA checks at Bank of New Hampshire. The checks were for \$58.74 and \$11.76 respectively, totaling \$70.50.

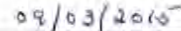
The mail was picked up from the post office on that day, opened and deposited in the NHVA account at BNH by a KidsVax employee. Upon receipt of paperwork in accounting, it was discovered that the checks were made out to Alaska and that the carrier did not have an invoice with NHVA. Since the deposit had already gone to the bank, an NHVA check made out to the State of Alaska Vaccine Assessment was sent to Susan Tenney for signature along with copies of the checks deposited in error and an explanation of the error.

The NHVA check #252 for \$70.50 has been signed by Sue and forwarded to Alaska for processing.

The lockbox system, now in the process of being set up, will eliminate these errors by processing only checks made out to New Hampshire Vaccine Association or NHVA.



Claire M Roberge



Date



August 9, 2015

Board of Directors  
New Hampshire Vaccine Association  
c/o KidsVax.org  
PO Box 1885  
Concord, NH 03302-1885

We have audited the financial statements of New Hampshire Vaccine Association for the year ended June 30, 2015, and have issued our report thereon dated August 9, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 1, 2015. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by New Hampshire Vaccine Association are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended, June 30, 2015. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the vaccine expense is based on the amount projected and requested for remittance by the State of New Hampshire. We evaluated the key factors and assumptions used to develop the vaccine estimate in determining that is reasonable in relation to the financial statements taken as whole.

Management's estimate of the balance due and collectible in accounts receivable is based on the assumption that the amount of covered lives self-reported by the payor is accurate and not subject to change materially. We evaluated the key factors and assumptions used to develop the balance due and collectible in accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the fair value of short-term investments is based on the published market price of publically traded securities as of June 30, 2015. We evaluated the key factors and assumptions used to develop the unrealized gain or loss in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated August 9, 2015.

***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Other Matters***

During the course of planning and performing our audit, we considered the Association's internal controls over financial reporting for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Association's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Association's internal controls. However, during the course of our work, we identified improvements that could be made to strengthen internal controls. In addition, we considered the material weakness identified in internal control by the

previous auditor, Mason + Rich, PA, as well as the Association's response to that reported weakness. These items have been addressed in our letter dated August 9, 2015 (see attached).

This information is intended solely for the use of the Board of Directors and management of New Hampshire Vaccine Association and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Carew & Wells, PLLC".

Carew & Wells, PLLC



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**NEW HAMPSHIRE  
VACCINE ASSOCIATION  
FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED  
JUNE 30, 2015 AND 2014**

**DRAFT**

**INDEX TO FINANCIAL STATEMENTS**

Independent Auditors' Report .....1-2  
Statements of Financial Position.....3  
Statements of Activities and Changes in Net Assets .....4  
Statements of Cash Flows.....5  
Notes to Financial Statements.....6-10

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
New Hampshire Vaccine Association  
Concord, NH

We have audited the accompanying financial statements of New Hampshire Vaccine Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

*Continued on next page*

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Vaccine Association, as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The financial statements of the New Hampshire Vaccine Association as of June 30, 2014, and for the year then ended were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated September 10, 2014

Carew & Wells, PLLC  
Concord, New Hampshire

August 9, 2015

NEW HAMPSHIRE VACCINE ASSOCIATION  
**STATEMENTS OF FINANCIAL POSITION**  
 AS OF JUNE 30, 2015 AND 2014

**DRAFT**

ASSETS	June 30, 2015	June 30, 2014
<i>Current Assets</i>		
Cash and cash equivalents	\$ 34,951	\$ 11,085,026
Short term investments	18,105,764	-
Assessment receivable	103,748	46,870
Prepaid expenses	<u>3,245</u>	<u>3,849</u>
<b>Total Current Assets</b>	<u>18,247,708</u>	<u>11,135,745</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 18,247,708</u>	 <u>\$ 11,135,745</u>
 <b>LIABILITIES &amp; NET ASSETS</b>		
<i>Current Liabilities</i>		
Accounts payable	\$ 3,692	\$ 1,023
Assessment payable	<u>-</u>	<u>122,609</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,692</u>	<u>123,632</u>
<i>Net Assets</i>		
Unrestricted net assets	250,000	250,000
Temporarily restricted net assets	<u>17,994,016</u>	<u>10,762,113</u>
<b>TOTAL NET ASSETS</b>	<u>18,244,016</u>	<u>11,012,113</u>
 <b>TOTAL LIABILITIES &amp; NET ASSETS</b>	 <u>\$ 18,247,708</u>	 <u>\$ 11,135,745</u>

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

NEW HAMPSHIRE VACCINE ASSOCIATION  
**STATEMENTS OF ACTIVITIES  
 AND CHANGES IN NET ASSETS**  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

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	June 30, 2015	June 30, 2014
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUE AND OTHER SUPPORT</b>		
Net assets released from restrictions		
Assets released for operations	\$ 152,573	\$ 201,514
<b>EXPENSES</b>		
Administrative services	122,618	150,153
Professional fees	22,336	39,577
Public information	-	4,750
Insurance	7,094	6,534
License and fees	25	-
Bank & investment fees	500	500
<i>Total Expenses</i>	<u>152,573</u>	<u>201,514</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<u>-</u>	<u>-</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Assessment income	19,724,797	21,867,380
Interest on late assessments	40,593	-
Return on investments	29,384	24,503
Net assets released from restrictions		
Remittance to the State of New Hampshire	(12,410,298)	(16,004,025)
Assets released for operations	<u>(152,573)</u>	<u>(201,514)</u>
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>7,231,903</u>	<u>5,686,344</u>
<b>CHANGES IN NET ASSETS</b>	7,231,903	5,686,344
<i>Net Assets, Beginning of Year</i>	<u>11,012,113</u>	<u>5,325,769</u>
<i>Net Assets, End of Year</i>	<u>\$ 18,244,016</u>	<u>\$ 11,012,113</u>

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

NHVA Audit 2015-09-09 03.b. 7

NEW HAMPSHIRE VACCINE ASSOCIATION  
**STATEMENTS OF CASH FLOWS**  
 FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

**DRAFT**

	June 30, 2015	June 30, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 7,231,903	\$ 5,686,344
<i>Adjustments to reconcile changes in net assets</i>		
Net realized & unrealized (gain) loss on investments	71,712	-
(Increase) decrease in:		
Prepaid expenses	604	634
Assessment receivable	(56,878)	(46,870)
Increase (decrease) in:		
Accounts payable	2,669	(1,502)
Assessment payable	-	122,609
<i>Total Adjustments</i>	<u>18,107</u>	<u>74,871</u>
<b>Net Cash Provided by Operating Activities</b>	<u>7,250,010</u>	<u>5,761,215</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	12,300,000	-
Purchase of investments	<u>(30,600,085)</u>	<u>-</u>
<b>Net Cash Used by Investing Activities</b>	<u>(18,300,085)</u>	<u>-</u>
 <b>NET INCREASE IN CASH</b>	 (11,050,075)	 5,761,215
<i>Cash, Beginning of Year</i>	<u>11,085,026</u>	<u>5,323,811</u>
<i>Cash, End of Year</i>	<u>\$ 34,951</u>	<u>\$ 11,085,026</u>

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

NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

**DRAFT**

**A | NATURE OF ACTIVITIES & SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Nature of Activities***

New Hampshire Vaccine Association is a nonprofit corporation established pursuant to Chapter 126-Q of the New Hampshire Revised Statutes Annotated. The Association was formed to assess certain entities for a portion of the cost of vaccines provided for children in New Hampshire. The Association accomplishes its mission by assessing "assessable entities," as defined by RSA 126-Q:1,II. That definition encompasses all insurers, all government health benefit plans and essentially all third party administrators administering health benefits for any child in New Hampshire. The Association remits funds to the State of New Hampshire so that the NH Department of Health and Human Services is able to purchase and distribute, without charge to health care providers in the State of New Hampshire, all federally-recommended childhood vaccines.

***Basis of Accounting***

The financial statements of New Hampshire Vaccine Association have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

***Basis of Presentation***

The Association is required to report information regarding its financial position and activities according to classes of net assets:

*Unrestricted* net assets include revenues and expenses which are not subject to any restrictions. Unrestricted net assets can be designated by the Executive Board for special projects and expenditures.

*Temporarily Restricted* net assets include revenue for which time or use restrictions have not yet been met. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. In accordance with RSA 126-Q, all assessment revenue including interest on late assessments and investment income are considered temporarily restricted until remitted to the State or released for operating expenses.

*Permanently Restricted* net assets include assets that are invested in perpetuity and only the income or a portion thereof can be made available for program operations in accordance with donor restrictions. The Association had no permanently restricted net assets at June 30, 2015 and 2014.

***Estimates***

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

New Hampshire Vaccine Association considers all short-term highly liquid investments with original maturities of three months or less to be cash equivalents with the exception of temporary cash and money market funds held in the investment account.



NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

**DRAFT**

***Investments***

New Hampshire Vaccine Association carries investments in debt and equity securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

***Assessment Receivables***

Assessment receivables are stated at the amount the Association expects to collect from covered lives self-reported by assessable entities. The Association evaluates collectability by considering factors such as historical experience, the age of the accounts receivable balance, current economic conditions, and other circumstances, which may affect an entity's ability to pay. Past due receivables are written off at management's discretion using the direct write off method; this is not considered a departure from accounting principles generally accepted in the United States because the effects of the direct write off method approximate those of the allowance method. The Association charges a late fee at a rate of 18% per annum (about 1.5% monthly) on all past due assessments until paid in full or written off as uncollectible.

***Assessment Revenue***

During the year ended, June 30, 2014, the New Hampshire Revised Statutes Annotated (RSA) 126-Q was amended. The amendment allowed the Association to develop an operational plan to collect assessments on a quarterly basis from assessable entities based on child covered lives for the cost of vaccines. Assessable entities self report the number of covered lives for each month of the quarter. The assessment is due 45 days after the close of the preceding quarter. Assessment revenue is recognized as an increase in temporarily restricted net assets at that time.

RSA 126-Q and the Plan of Operation do not provide any requirement for the Association to identify or verify the self-reported covered lives of assessable entities. Accordingly, revenue is recognized as self-reported by the assessable entities. Any subsequent adjustments in covered lives reported to the Association are treated as an increase or decrease in assessment revenue at that time.

***Restricted Revenue***

RSA 126-Q restricts all revenue, including assessments, interest on late payment of assessments, and investment income. Unexpended assessments (including related interest earned) are included in reducing the next year's assessment rate.

***Expense Allocation***

Due to the limited purpose of the Association's mandate as defined in RSA 126-Q, the remittance of assessments to the State comprises the entirety of program activities. The remittance is reflected on the financial statements as a release of temporarily restricted net assets. All remaining expenses are related to management and general activities. Total program expense (remittance to the State) for the years ended June 30, 2015 and 2014 were \$12,410,298 and \$16,004,025, respectively. Total management and general expenses for the years ended June 30, 2015 and 2014 were \$152,573 and \$201,514, respectively. The costs to administer this program (management and general) are about 1% of total expenses in fiscal years ended June 30, 2015 and 2014.

NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

**DRAFT**

***Income Tax Status***

The Association was organized as a nonprofit corporation under RSA 292. On January 20, 2004, the Internal Revenue Service ruled that the Association was a nonprofit 501(c)(3) organization, furthermore that it was not a private foundation within the meaning of Internal Revenue Code Section 509(a). Accordingly, the Association has not made any provision for income taxes.

In addition, the Internal Revenue Service ruled that the Association met the requirements set forth in Revenue Procedure 95-48, 1995-2 CB 418 section 4.02(b) and 4.03. Therefore, the Association is not required to file Form 990 annually.

For the years ended June 30, 2015 and 2014, management has evaluated its tax positions in accordance with financial accounting standards board (FASB) accounting standards codification (ASC) 740-10, *Accounting for Uncertain Tax Positions*. This evaluation includes consideration that the Association is operating in compliance with its tax-exempt status and that there are no matters that would create taxable income. The Association's management does not believe they have taken uncertain tax positions, therefore, a liability for income taxes associated with uncertain tax positions has not been recognized.

**B | CONCENTRATIONS**

***Revenue***

The Association derives nearly all of its revenue from assessments of licensed insurers in the State of New Hampshire. In addition 58% of the assessments are derived from 3 assessable entities. Given the requirements of RSA 126-Q, the Plan of Operations and the industry within which assessable entities operate, management does not believe the Association is exposed to significant risk from the concentration of assessment revenue, nor from a concentration with a particular assessable entity.

**C | RELATED PARTY TRANSACTIONS**

***State of New Hampshire***

The Association collects assessments for the State of New Hampshire. The organizations are financially interrelated as they meet the following criteria:

1. The State of New Hampshire has the ability to influence the Association's operating and financial decisions.
2. The State of New Hampshire has an ongoing economic interest in the net assets of the Association.

The Association transfers monies to the State of New Hampshire to fund a specified portion of the cost of providing vaccines for children in the State of New Hampshire. The Association transferred \$12,410,298 and \$16,004,025 to the State of New Hampshire in 2015 and 2014, respectively.

***Board of Directors***

In accordance with RSA 126-Q, the board composition includes three (3) directors who are also employees of assessable entities. There were no direct transactions with either the directors or the assessable entities which did not meet the same terms and conditions as all other assessable entities.

NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

**DRAFT****D | SHORT TERM INVESTMENTS**

Generally accepted accounting principles provide a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The Association's short term investments are comprised of publicly traded securities reported at fair value based on quoted market prices (Level 1).

Short term investments consist primarily of money market, US Government Agency obligations and certificates of deposit reported at fair value as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
<i>Fiscal year ended June 30, 2015</i>			
Cash	\$ -	\$ -	\$ -
Money market	14,083,998	14,083,998	-
US Government Agency obligations	3,582,550	3,522,042	(60,508)
Certificates of deposit	<u>501,209</u>	<u>499,724</u>	<u>(1,484)</u>
Total short term investments	<u>\$ 18,167,757</u>	<u>\$ 18,105,764</u>	<u>\$ (61,992)</u>

*Fiscal year ended June 30, 2014*

There were no investments for the fiscal year.

The return on investments is reported as a change in temporarily restricted net assets in the Statement of Activities. Investment return is summarized as follows:

	2015	2014
Interest & dividend income	\$ 101,096	\$ -
Realized gains (losses)	(9,720)	-
Unrealized gains (losses)	<u>(61,992)</u>	<u>-</u>
Return on investment	<u>\$ 29,384</u>	<u>\$ -</u>

**E | COMMITMENTS AND CONTINGENCIES*****Risk of Reconsideration of Assessments***

The Association's plan of operations provides that assessable entities are assessed a fee based upon the number of covered lives as self-reported. No request for reconsideration of any assessment or refund of payment made shall be considered by the Association with respect to any request which is not filed with the Association, in writing, on or before that date which is six months after the first due date for the corresponding assessment year. The Association's plan of operations also states that any overpayments are first considered in connection with the assessment determination for the following year and may, depending upon the cash flow needs of the Association, be spread over multiple years. As a result, the Association does not record a commitment or contingency related to this matter.

NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**DRAFT***Termination of the Association*

In the event of dissolution of the Association, unexpended assessments, including unexpended funds from prior assessments, shall be returned to assessable entities in proportion to their respective assessments paid over the most recent 8 quarters preceding the discontinuation of the Association's operations. As there are no plans to dissolve, the Association does not record a commitment or contingency related to this matter.

**F | DESIGNATION OF NET ASSETS***Unrestricted Net Assets*

It is the policy of the Board of Directors of the Association to designate appropriate sums of unrestricted net assets to assure adequate cash flow for operations. As of June 30, 2015 and 2014, the board designated balance for this purpose was \$250,000.

*Temporarily Restricted Net Assets*

The Association is a limited purpose entity whose funds are dedicated for remittance to the State of New Hampshire to fund a specified portion of the cost of providing recommended vaccines to children regardless of income or insurance coverage. The Association has collected assessments in excess of amounts required to be remitted to the State. These unexpended assessments will be applied to the determination of future assessments, or reasonable and necessary operating costs of the Association. As of June 30, 2015 and 2014, unexpended assessments reported as temporarily restricted net assets totaled \$17,994,016 and \$10,762,113, respectively.

**G | SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 9, 2015, the date which the financial statements were available to be issued, and has not evaluated subsequent events after that date. The Association did not identify any subsequent events that would require disclosure in these financial statements.



August 9, 2015

New Hampshire Vaccine Association  
c/o KidsVax.org  
PO Box 1885  
Concord, NH 03302-1885

In planning and performing our audit of the financial statements of New Hampshire Vaccine Association, for the year ended June 30, 2015, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Clearly, the Association has dedicated and conscientious directors and administrative staff. However, during the course of our work, we noted additional areas of internal control that could be strengthened.

#### *Current Year*

**Observation:** Our work included obtaining an understanding of the policies and procedures adopted by the Association, as well as the actual implementation and application of those policies to the amounts recorded in the financial statements. During our review of the Plan of Operation, we noted that the calculation of interest on late assessments is defined in the Plan using “the number of days late” (Article VI). This definition is unclear as to the actual date upon which the calculation will end, e.g., date of self-reporting, date the payment is postmarked, or the date the payment is actually received by the Association.

In implementing this policy, the Association should give consideration to and balance the following factors:

- The size and nature of the payors; many large companies process payables over a weekly, bi-weekly or standard 30 day terms.
- The burden placed on administrative staff in collecting and re-computing interest using postmarks or date the payment is received; especially if only for a few days time reflecting a nominal amount of interest.
- The foregone interest not collected in setting a date based solely on the date of self-reporting.

For example, a payor might realize they made an error in reporting covered lives for Q1 or failed to report timely (45 days from the end of the quarter). When the payor corrects or reports those covered lives, the system automatically calculates the interest due on that assessment and provides a remittance to the payor. That information is then forwarded to the accounts payable department where it is approved, entered and then subsequently paid. Depending on the payor’s process, it could reasonably take a week or more until the payment is mailed and then an additional 3-5 business days until received by the Association. During this time, additional interest which was not included in the remittance generated by the system could be earned depending on the definition of “the number of days late.”

**Recommendation:** The Audit Committee should clearly define the “number of days late” with respect to calculating the interest on late assessments. It should further adopt a policy for assessing additional interest after a defined window for receiving payment. Following is a sample, proposed policy the committee should consider, adapt and adopt as it deems appropriate for the Association:

Expand Article VI to clarify the number of days late for calculating the interest on late assessment is the number of days between the due date (45 days subsequent to quarter end) and the actual date the covered lives or corrected covered lives is self-reported to the Association.

Adopt a grace period to provide a reasonable window of opportunity for the payors to process and remit that payment. During the grace period, no additional interest will be assessed on payments postmarked within 14 days of the date the lives are self-reported to the Association.

However, payments not postmarked within 14 days of the date the lives are self-reported, will be subject to a reassessed rate of interest at that time and additional invoice will be sent to the payor. At this point, the 14 days grace period should begin again to provide time for the payor to process and remit the payment.

Given the nominal nature of some of the interest that will be earned and collected, as well as minor timing differences between when the payment is received and posted, it is common practice for some organizations to permit the accounts receivable clerk to waive immaterial interest adjustments on payments. The Association should consider adopting a percentage or dollar value upon which variances in interest calculated and received can be waived regardless of the policies above.

For instance, if in the current year, a payor self reports Q1 covered lives of 10,000, but failed to self report until 90 days after it was due, the system would automatically calculate an assessment of \$1,400 and interest on that assessment of \$62. The payor would then send \$1,462 with the remittance generated from the system. Even if the payment was not received until 30 days after self reported, the foregone, additional interest would only be \$20. The cost of collections would far exceed the additional revenue received.

**Observation:** The prior auditors, Mason + Rich, PA, issued a letter dated September 10, 2014, describing a deficiency in internal controls. They noted that during the fiscal year ended, June 30, 2014, a new system was implemented and internal controls failed to segregate duties with respect to the collection of data for self-reported covered lives, collection and deposit of payments, recording the transactions in the QuickBooks, and reconciling the bank statements. During our work, we noted the Association responded by further segregating these duties. Effective, Fall 2014 (the time of the auditor’s recommendation), the assessments are being sent to a PO box. These payments are collected and deposited by staff other than the KidsVax’ CFO. Copies are provided to the KidsVax’ CFO who is responsible for recording and reconciling the assessments. Further there has been discussion by the Audit Committee to implement a lockbox system with a bank which would further segregate duties and strengthen internal controls.

Recommendation: Given the segregation of duties implemented Fall 2014, we believe the Association has responded appropriately to the recommendations. We would continue to recommend the lockbox system be implemented and understand the Association is taking steps to do so at this time.

These comments are intended solely for the use of the Board of Directors and management of New Hampshire Vaccine Association. Please do not hesitate to contact us if you have any questions or would like assistance in implementing any of these suggestions.

Sincerely,



Karen M. Carew, CPA, CFE  
Carew & Wells, PLLC



Policy Title:	New Hampshire Vaccine Association (NHVA) Late Payment Interest Policy	
Policy Number:		EFFECTIVE: September __, 2015
Purpose:	To afford guidance to NHVA's Executive Director and Assessment Administrator with respect to collection for late payment interest.	

This Late Payment Interest Policy (the "Policy") will guide the NHVA Executive Director and Assessment Administrator and its staff with respect to follow-up to collect interest on overdue assessments paid to NHVA by assessable entities.

#### A. CONSIDERATIONS

For purposes of this policy,

1. NHVA desires to remain an entity which is "easy to do business with" for payers who make payments, generally on a quarterly basis, with respect to NHVA assessments.
2. NHVA has a remarkable history of voluntary reporting and compliance, including a record of very high levels of timely compliance by the payers.
3. NHVA recognizes that payers themselves have internal processes which require certain turnaround time for payment processing.
4. Increasingly, envelopes arrive with the assessment payments which have no readable postmark or postage cancellation date.
5. Interest rates have been quite low for an extended period of time.

#### B. GUIDANCE

1. NHVA will, through its automated system, continue to compute interest automatically as due through the date reported as the anticipated payment date by assessable entities. Those amounts will be calculated and included in the system-generated NHVA invoices.
2. NHVA will consider payments received within two (2) weeks of the due date to have been made on the due date for all assessment payments.
3. Absent repeated late payments, the Assessment Administrator will not pursue interest for assessments received within thirty (30) days of the due date.
4. Absent repeated late payments from an assessable entity, notwithstanding any of the other guidelines, the Assessment Administrator is authorized to forego pursuit of any past due interest amount under \$100.

#### C. ENFORCEMENT, REVIEW AND REVISION:

This Policy may be updated from time to time by the Board.

DATE ADOPTED: September \_\_, 2015

LAST REVISED: \_\_\_\_\_



September 9, 2015  
Audit Committee Meeting  
Proposed Form of Votes

The following are suggested forms of votes only. They are intended to be an aid to facilitate work by individual directors. All board policy and the final form of votes is exclusively the province of the Board acting collectively as a Board of Directors.

Items under Agenda Section 3:

VOTED: To recommend publication of the 2014/2015 Audited Financials to the Board of Directors.

[To recommend publication of the 2014/2015 Audited Financials to the Board of Directors with the changes suggested at the meeting.]

VOTED: To recommend that the Board of Directors adopt the Late Payment Policy.

[To recommend that the Board of Directors adopt the Late Payment Policy with the changes suggested at the meeting.]