

**NH Vaccine Association – Audit Committee Meeting
September 27, 2016 – 8:30 a.m. – 9:30 a.m.
Conference Room – KidsVax®
Presiding Officer: Susan Tenney**

I. Attendance. Participating in all or part of the meeting by telephone (T) were the following individuals:

Directors:

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

Others:

Mark McCue, Esq. – Hinckley Allen
Larry Hart, Compass Health Analytics, Inc.
Karen Carew, Carew & Wells
Shauna Ferguson, Carew & Wells

KidsVax:

Fred L. Potter (T)
Nicole G. Price
Claire Roberge
Terry Mills
Matthew Miller (T) – WebEx Monitor

II. Summary of Actions Taken and/or Recommended

A. Actions Taken (votes adopted)

1. To approve the June 21, 2016, Audit Committee Meeting minutes as presented.
2. To recommend publication of the 2015/2016 audited financials to the Board of Directors, as amended at the meeting.
3. To move into executive session to speak with the auditors about the relationship with management and other confidential matters.

III. Minutes

Welcome and Introductions

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

Consent Items

Upon motion made by Mr. Sky and seconded by Mr. Margus, it was unanimously

VOTED: To approve the June, 21, 2016, Audit Committee Meeting minutes as presented.

Report by Outside Auditor – Karen Carew of Carew & Wells presented the audited financials for FYE 2016 to the Audit Committee. The Communications of Governance letter was distributed. As an auditor, they are required to communicate with the Board and other individuals in addition to management as to the work completed, the nature of the work, and any of their findings. This was a very typical letter with nothing unusual to report. There are a few accounting estimates that were used in preparing the financial statements related to the estimate of the vaccine expense, any balance due or collectible accounts receivable, and also the fair value of short term investments, which identify a healthy total return. Ms. Carew explained that sometimes, in order to obtain a better interest rate, there may be an unrealized loss in the meantime, but it all nets out in the overall composition of securities and is intended to both maximize the interest while protecting the underlying funds. With respect to performing the audit, Ms. Carew reported no difficulties. There were no differences of opinion between the auditors and management with respect to the presentation of the information. There were no misstatements identified during the audit. The typical reclassification done in allocating some of the return out across the different pieces was done. The total return on dividends and interest was accurately recorded. There were no disagreements with management. They were asked to provide representations that they have disclosed and provided all pertinent financial information needed by the auditors or other users of the financial statement.

The Management letter was also distributed. This year, there were no new recommendations by the auditors for strengthening internal controls. The last recommendation with respect to interest only receivables has been implemented and a policy was adopted and everything looked very good.

The Auditor's Opinion letter was reviewed and reports a clean opinion. Based on their work, they are confident that there are no material misstatements or anything missing from the financial statements that should be added or disclosed that they are aware of in order to comply with GAAP. Ms. Carew provided a brief summary of the Statements of Financial Position and indicated that there have been some significant swings between cash and cash equivalents and the short term investments in terms of both the composition of those, as well as combined. They declined by about \$14 M primarily due to the increased assessments in the prior year. The assessments were lowered this year because a significant portion had been assessed and raised earlier. Those funds have been remitted to the State as expected and now the financials reflect that decline and movement toward a more normal operational level. As discussed earlier, there are no assessment receivables this year, whereas last year there was \$103,000. This year, KidsVax® made some additional changes with respect to follow-up with insurers regarding outstanding payments if they have not remitted payment within two weeks of the deadline. This process has effectively eliminated any outstanding receivables during the current year. There was a brief overview of the Net Assets. The unrestricted net assets are funds held for sufficient cash flow and temporary restricted net assets are what is held for either remittance to the State or in the event the program should close, it gets returned back to the payers. The Statements of Activities and Change in Net Assets was also briefly discussed. All of the revenue was raised from assessment income and returned on that. The net assets released from restrictions is the portion of that revenue that is released to cover operating expenses, include administrative services, professional fees, and insurance. There were no significant changes within expenses other than the professional fees which were approximately \$25,000 higher for the TRICARE collections and expenses incurred with that. Assessment income this year was much lower than the prior year, consistent with the reduced \$0.14 assessment rate that was put into effect in order to provide a refund to payers. . Return on investments is also higher at \$55,000 due to the \$18 M invested for 12 months. This will come back down next year. The only other large change was the remittance to the State of New Hampshire, climbing to \$19 M, which was the combination of two factors; it includes a \$6.1 M increase in the assessments to New Hampshire and it also included a \$1.1 M deficiency from the prior year that was remitted to the State.

No significant changes were made to the Notes to Financial Statements. A more significant note pertains to Related Party Transactions, Note C. The RSA established this entity to collect and remit the assessments, making NHVA a related party with the State of New Hampshire, along with the Board of Directors. The note clearly indicates that there were no direct transactions with either the three directors who are employees of assessable entities or the assessable entities under the same terms and conditions as all other assessable entities. Mr. Sky asked if there is a note that identifies that part of the \$19 M was \$1.5 M from the prior year. Ms. Carew indicated that there is currently not a note in that regard. After further discussion, and at the direction of the Committee, Ms. Carew will add an additional sentence to the note under Expense Allocation to include the short-fall deficiency payment to the State for the prior year in the amount of \$1,107,265. Ms. Carew indicated her desire to keep the notes consistent for comparability. Therefore, going forward, she will leave that sentence in place even if no deficiency is being paid and would indicate that there was no deficiency in the current year. Note D, Short Term Investments and Note G Subsequent Events were briefly summarized. There were no subsequent events to disclose. Ms. Condon requested clarification regarding Note E, Termination of the Association. Ms. Carew indicated that in the event of termination, any unexpended assessments, interest, etc. would be used to either cover the expenses of the organization in the wrap-up of the termination or assessments would be returned to payers.

In closing, Ms. Carew indicated her willingness to answer questions concerning any audit period for items that the Committee would like her to look at or consider while she is completing the audit, and invited the Committee members to reach out to her at any time.

Upon motion made by Ms. Condon and seconded by Mr. Margus, it was unanimously

VOTED: To recommend publication of the 2015/2016 audited financials to the Board of Directors, as amended at the meeting.

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

VOTED: To move into executive session to speak with the auditors about the relationship with management and other confidential matters.

To adjourn the Audit Committee Meeting at 9:30 a.m.

What: New Hampshire Vaccine Association (NHVA) – Audit Committee Meeting
Date and Time: Tuesday, September 27, 2016 – 8:30 – 9:30 a.m.
Location: KidsVax® Conference Room, 125 North State Street, Concord, NH
Call-In: **Please register at:**
Registration URL: <https://attendee.gotowebinar.com/register/1774248204646155524>
Webinar ID: 145-110-475
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.

Approx. Time	Topic/[Anticipated Action]	Presented by:
8:30 – 8:35 a.m.	1. Welcome and Introductions	D. Fredenburg
8:35 – 8:40 a.m.	2. Consent Items	D. Fredenburg
	* a. Approve Audit Committee Minutes (June 21, 2016)	
	b.	
8:35 – 9:00 a.m.	3. Report by Outside Auditors on 2015/16 Audit	Carew & Wells, LLC
	* a. Audited Financials	
	* b. Management Letter (Carew & Wells)	
	* c. Government Letter (Carew & Wells)	
	d. Other	
9:00 – 9:10 a.m.	4. Other Matters	N. Price
	a.	
	b.	
9:10 – 9:30 a.m.	5. Executive Session w/KidsVax Personnel Excused, Auditors Present	D. Fredenburg
9:30 a.m.	[Adjourn]	
	6. Reference Documents	
	a. Proposed Form of Votes	

*Indicates agenda item attached



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NH Vaccine Association – Audit Committee Meeting
June 21, 2016 – 8:30 a.m. – 9:15 a.m.
Conference Room – KidsVax®
Presiding Officer: David Fredenburg, M.D.

I. Attendance. Participating in all or part of the meeting by telephone (T) were the following individuals:

Directors:

David Fredenburg, M.D., Chair – Healthcare Provider
 Susan Tenney – Harvard Pilgrim Health Care
 Jason Margus – Anthem
 David Sky – NHID
 Laura Condon – Public Board Representative

Others:

Mark McCue, Esq. – Hinckley Allen

KidsVax:

Fred L. Potter (T)
 Nicole G. Price
 Claire Roberge
 Terry Mills
 Thomas Philbrick (T) – WebEx Monitor

Absent:

Everett Lamm, M.D. – Healthcare Provider

II. Summary of Actions Taken and/or Recommended

A. Actions Taken (votes adopted)

1. To approve the January 27, 2016, Audit Committee Meeting minutes as presented.
2. To recommend the full Board authorize KidsVax®, acting through their designees, Claire M. Roberge or Theresa M. Mills, to transfer funds from the BNH investment account to the BNH operating account as needed in accordance with NHVA established policies and procedures
3. To recommend the adoption of the NHVA Expense Budget for 2016/2017 to the full Board, as presented.
4. To have Dr. Fredenburg sign the Carew and Wells (auditors) engagement letter to audit FY16.

III. Minutes

Welcome and Introductions

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

Consent Items

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

VOTED: To approve the January 27, 2016, Audit Committee Meeting minutes as presented.

Bank of New Hampshire (BNH) needs to have approval from the Board to authorize Claire M. Roberge and Theresa M. Mills to transfer funds between NHVA's investment account and operation account. Ms. Roberge explained funds between these accounts are transferred automatically quite often, except when there is occasion to prepare a manual check to the State Treasury. However, the bank does not currently have a Board authorization giving Ms. Roberge or Ms. Mills authority to transfer funds manually. BNH needs to maintain the Board vote in their files. Ms. Roberge requested that the Committee make this recommendation to the full Board at its upcoming Annual Meeting. After extensive discussion, it was the sense of the Committee to recommend the transfer authorization request to the full Board as follows, "The Board votes to authorize KidsVax®, acting through its designees, Claire M. Roberge or Theresa M. Mills, to transfer funds from the BNH investment account to the BNH operating account as needed in accordance with NHVA established policies and procedures."

Upon motion made by Ms. Tenney and seconded by Dr. Fredenburg, by 4 to 1, it was

VOTED: To recommend the Board authorize KidsVax®, acting through their designees, Claire M. Roberge or Theresa M. Mills, to transfer funds from the BNH investment account to the BNH operating account as needed in accordance with NHVA established policies and procedures.

1 Auditor Engagement Letter

2
3 The audit engagement letter prepared and received by Carew & Wells was reviewed. Ms. Roberge reported that no substantive
4 changes were made to the agreement and their fee remains the same as last year. Ms. Condon noted that the agreement indicates
5 that five bound copies of the audited financials are included in the cost of the audit, but that does not provide each Board member
6 with a copy. Ms. Roberge stated that KidsVax® makes additional copies for Board distribution. The auditors also provide the
7 final audited financials in .pdf format, which are then posted on the website. NHVA will move forward with the engagement of
8 Carew and Wells for the FY16 audit.
9

10 NHVA Expense Budget for 2016/2017

11
12 Ms. Price provided a brief overview of the recommended NHVA Expense Budget for the next fiscal year. She reported that the
13 amounts are fairly consistent with past years. However, line 10 reflects a proposed increase in bank fees and service charges for
14 next year which are attributable to the utilization of a full year of lockbox services. It is not anticipated that there will be
15 additional TRICARE expense for next year and are not included in the budget. The increase in administrative costs reflects the
16 percentage increase that is already written in.
17

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

19
20 VOTED: To recommend the adoption of the NHVA Expense Budget for 2016/2017 to the full Board, as presented.
21

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

23
24 VOTED: To adjourn the Audit Committee Meeting at 9:00 a.m.

**NEW HAMPSHIRE
VACCINE ASSOCIATION
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2016 AND 2015**

DRAFT

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DRAFT

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 statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carew & Wells, PLLC
Concord, New Hampshire

July 28, 2016

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NEW HAMPSHIRE VACCINE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
 AS OF JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 3,728,701	\$ 34,951
Short term investments	249,423	18,105,764
Assessment receivable	-	103,748
Prepaid expenses	6,473	3,245
<i>Total Current Assets</i>	<u>3,984,597</u>	<u>18,247,708</u>
 TOTAL ASSETS	 <u>\$ 3,984,597</u>	 <u>\$ 18,247,708</u>
 LIABILITIES & NET ASSETS		
<i>Current Liabilities</i>		
Accounts payable	\$ -	\$ 3,692
 TOTAL CURRENT LIABILITIES	 <u>-</u>	 <u>3,692</u>
<i>Net Assets</i>		
Unrestricted net assets	250,000	250,000
Temporarily restricted net assets	3,734,597	17,994,016
TOTAL NET ASSETS	<u>3,984,597</u>	<u>18,244,016</u>
 TOTAL LIABILITIES & NET ASSETS	 <u>\$ 3,984,597</u>	 <u>\$ 18,247,708</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, 2016 AND 2015

	June 30, 2016	June 30, 2015
UNRESTRICTED NET ASSETS		
REVENUE AND OTHER SUPPORT		
Net assets released from restrictions		
Assets released for operations	\$ 169,826	\$ 152,573
EXPENSES		
Administrative services	118,126	122,618
Professional fees	43,060	22,336
Insurance	6,135	7,094
License and fees	-	25
Bank & investment fees	2,505	500
<i>Total Expenses</i>	<u>169,826</u>	<u>152,573</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	<u>-</u>	<u>-</u>
TEMPORARILY RESTRICTED NET ASSETS		
Assessment income	5,466,211	19,724,797
Interest on late assessments	7,508	40,593
Return on investments	55,387	29,384
Net assets released from restrictions		
Remittance to the State of New Hampshire	(19,618,699)	(12,410,298)
Assets released for operations	<u>(169,826)</u>	<u>(152,573)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	<u>(14,259,419)</u>	<u>7,231,903</u>
CHANGES IN NET ASSETS	<u>(14,259,419)</u>	<u>7,231,903</u>
<i>Net Assets, Beginning of Year</i>	<u>18,244,016</u>	<u>11,012,113</u>
<i>Net Assets, End of Year</i>	<u>\$ 3,984,597</u>	<u>\$ 18,244,016</u>

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

NHVA Audit Committee - 2016-09-27 03.a. 7

NEW HAMPSHIRE VACCINE ASSOCIATION
STATEMENTS OF CASH FLOWS
 FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ (14,259,419)	\$ 7,231,903
<i>Adjustments to reconcile changes in net assets</i>		
Net realized & unrealized (gain) loss on investments	32,070	71,712
(Increase) decrease in:		
Prepaid expenses	(3,228)	604
Assessment receivable	103,748	(56,878)
Increase (decrease) in:		
Accounts payable	(3,692)	2,669
<i>Total Adjustments</i>	<u>128,898</u>	<u>18,107</u>
Net Cash Provided by Operating Activities	<u>(14,130,521)</u>	<u>7,250,010</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	17,910,022	12,300,000
Purchase of investments	(85,751)	(30,600,085)
Net Cash Used by Investing Activities	<u>17,824,271</u>	<u>(18,300,085)</u>
NET INCREASE IN CASH	3,693,750	(11,050,075)
<i>Cash, Beginning of Year</i>	<u>34,951</u>	<u>11,085,026</u>
<i>Cash, End of Year</i>	<u>\$ 3,728,701</u>	<u>\$ 34,951</u>

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

NEW HAMPSHIRE VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015.

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

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 Statute 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, 2016 and 2015 were \$19,618,699 and \$12,410,298, respectively. Total management and general expenses for the years ended June 30, 2016 and 2015 were \$169,826 and \$152,573, respectively. The costs to administer this program (management and general) are about 1% of total expenses in fiscal years ended June 30, 2016 and 2015.

NEW HAMPSHIRE VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015, 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 49% 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 \$19,618,699 and \$12,410,298 to the State of New Hampshire in 2016 and 2015, 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

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, 2016</i>			
Money market	\$ 2,654	\$ 2,654	\$ -
US Government Agency obligations	-	-	-
Certificates of deposit	<u>250,489</u>	<u>246,769</u>	<u>(3,720)</u>
Total short term investment	<u>\$ 253,143</u>	<u>\$ 249,423</u>	<u>\$ (3,720)</u>
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
<i>Fiscal year ended June 30, 2015</i>			
Money market	\$ 14,083,998	\$ 14,083,998	\$ -
US Government Agency obligations	3,582,550	3,522,042	(60,508)
Certificates of deposit	<u>501,208</u>	<u>499,724</u>	<u>(1,484)</u>
Total short term investments	<u>\$ 18,167,756</u>	<u>\$ 18,105,764</u>	<u>\$ (61,992)</u>

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:

	2016	2015
Interest & dividend income	\$ 87,457	\$ 101,096
Realized gains (losses)	(90,342)	(9,720)
Unrealized gains (losses)	<u>58,272</u>	<u>(61,992)</u>
Return on investment	<u>\$ 55,387</u>	<u>\$ 29,384</u>

Continued on next page

NEW HAMPSHIRE VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

E | COMMITMENTS AND CONTINGENCIES

Risk of Reconsideration of Assessments

The Association's plan of operation 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.

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, 2016 and 2015, 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, 2016 and 2015, unexpended assessments reported as temporarily restricted net assets totaled \$3,734,597 and \$17,994,016, respectively.

G | SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 28, 2016, 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.

July 28, 2016

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, 2016, 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. During the course of our work, we did not uncover any additional areas in which we believed changes were needed to strengthen internal controls. Further, all prior recommendations have been addressed. Please see updates below.

Prior 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: We recommended 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.

Update: KidsVax, LLC has implemented a new automated system in place for charging additional interest if payments are made beyond the two-week notice period. The late fee added to the assessment payment will be equal to the product of the number of days late times .000493 times the amount past due. The late fee policy, as well as the collections policy for past due assessments, is outlined in Exhibit D in the revised Plan of Operation effective 6/6/16.

We are pleased to report that the measures implemented resolve our previous concerns pertaining to late interest payments.

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

DRAFT

July 28, 2016

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, 2016, and have issued our report thereon dated July 28, 2016. 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 May 2, 2016. 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, 2016. 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 estimate(s) affecting the financial statements was (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 it is reasonable in relation to the financial statements taken as a 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, 2016. 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. No such misstatements were identified.

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 July 28, 2016.

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.

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,

Carew & Wells, PLLC

September 27, 2016
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 2:

VOTED: To approve the minutes of the June 21, 2016 Audit Committee meeting.

[To approve the minutes of the June 21, 2016 Audit Committee meeting with the changes suggested at this meeting.]

Items under Agenda Section 3:

VOTED: To recommend publication of the 2015/2016 Audited Financials to the Board of Directors.

[To recommend publication of the 2015/2016 Audited Financials to the Board of Directors with the changes suggested at the meeting.]