

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

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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 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.

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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, 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*

Carew & Wells, PLLC  
Concord, New Hampshire

July 28, 2016

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

ASSETS	June 30, 2016	June 30, 2015
<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>
 <b>TOTAL ASSETS</b>	 <u>\$ 3,984,597</u>	 <u>\$ 18,247,708</u>
 <b>LIABILITIES &amp; NET ASSETS</b>		
<i>Current Liabilities</i>		
Accounts payable	\$ -	\$ 3,692
 <b>TOTAL CURRENT LIABILITIES</b>	 <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
<b>TOTAL NET ASSETS</b>	<u>3,984,597</u>	<u>18,244,016</u>
 <b>TOTAL LIABILITIES &amp; NET ASSETS</b>	 <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
<b>UNRESTRICTED NET ASSETS</b>		
<b>REVENUE AND OTHER SUPPORT</b>		
Net assets released from restrictions		
Assets released for operations	\$ 169,826	\$ 152,573
<b>EXPENSES</b>		
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>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<u>-</u>	<u>-</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
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>
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>	<u>(14,259,419)</u>	<u>7,231,903</u>
<b>CHANGES IN NET ASSETS</b>	<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.*

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

	June 30, 2016	June 30, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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>
<b>Net Cash Provided by Operating Activities</b>	<u>(14,130,521)</u>	<u>7,250,010</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	17,910,022	12,300,000
Purchase of investments	<u>(85,751)</u>	<u>(30,600,085)</u>
<b>Net Cash Used by Investing Activities</b>	<u>17,824,271</u>	<u>(18,300,085)</u>
 <b>NET INCREASE IN CASH</b>	 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. These remittances included shortfall payments for prior years of \$1,107,265 and \$0, in 2016 and 2015 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>

NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

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.

*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.