

**AGENDA**  
**AUDIT COMMITTEE MEETING**

**August 6, 2019**

**9:00-10:30am**

**NH Insurance Department**

**Walker Building, Room 274**

**Call In #: 646 558 8656 Meeting ID: 209 785 777**

**Committee Members:** David Sky, Chair; Susan Tenney, Vice Chair; Elizabeth Daly; Jason Margus

**Administrator Staff:** Patrick Miller, Keith Nix, Erin Meagher

**Invited Guests:** Karen Carew, Carew & Wells, PLLC; Dona Murray and Arlene Folsom, Bank of New Hampshire

<b>9:00am</b>	<b>1. Call to Order</b>
<b>9:00-9:05am</b>	<b>2. Review and Accept April 11, 2019 Audit Committee Meeting Minutes – vote</b>
<b>9:05-9:30am</b>	<b>3. Review of FY2019 Draft Audit Report, Karen Carew, Carew &amp; Wells, PLLC – vote</b>
<b>9:30-9:50am</b>	<b>4. Investments Review, Dona Murray and Arlene Folsom, Bank of New Hampshire</b>
<b>9:50-10:20am</b>	<b>5. Administrator Updates</b> <b>a. CY2020 Assessment Process Review and Discussion, Patrick Miller, Administrator</b> <b>b. Late Payment Interest Policy Revisions – vote</b>
<b>10:20-10:30am</b>	<b>6. New Business</b>
<b>10:30am</b>	<b>7. Call to Adjourn</b>

**Next Audit Committee Meeting:**

September 16, 2019

**Next Board of Directors Meeting:**

September 25, 2019

**MINUTES**

**Audit Committee Meeting**

**April 11, 2019**

**2:30pm**

**Presiding Officer: David Sky, Chair, Audit Committee**

A meeting of the Audit Committee of the Board of Directors of the New Hampshire Vaccine Association (NHVA) was held in person at the offices of Helms & Company, Inc. in Concord, NH with a quorum present.

The meeting was called to order by Mr. Sky at 2:30pm.

**I. Welcome and Introductions**

**Attendance** – The following individuals attended the meeting, including by phone (P) as indicated:

**Committee Members:**

David Sky, NHID, Chair  
Laura Condon, Public Member  
Elizabeth Daly, NH DHHS  
Jason Margus, Anthem  
Susan Tenney, HPHC

**Other Attendees:**

Patrick Miller, Helms & Company  
Keith Nix, Helms & Company  
Erin Meagher, Helms & Company  
Jessica Kliskey, Stratham, NH, Member of the Public (P)  
Chrystal Tanguay, Derry, NH, Member of the Public (P)

Mr. Miller and Ms. Condon both announced they were recording the meeting.

**II. Review and Accept September 26, 2018 Audit Committee Minutes**

**VOTE RECORDED:** *On a motion by Ms. Tenney, seconded by Mr. Margus, it was unanimously*

**VOTED:** *To accept the September 26, 2018 Audit Committee minutes as presented.*

**III. Executive Director Report**

Mr. Miller stated he had several things to review with the group starting with financial statements, an assessment update, and the draft administrative budget for FY2020.

- FYTD Financial Statements (July 1, 2018 – March 31, 2019) – Mr. Miller directed the Committee to the Statement of Changes in Net Assets document in the meeting packet, and called attention to two items related to income: the TRICARE settlement of \$4,047,931 was received in January and the FYTD interest income from investments \$121,767 which is a higher than the \$9,770 budgeted. Related to expenses there were two items: the additional \$71,858 paid to

Washington Vaccine Association (WVA) on behalf of their TRICARE work and the \$58,115 which was refunded to EBPA.

The Statement of Cash Flow document was reviewed. Mr. Miller reviewed the assessment collections by quarter and the interest income. Ms. Condon asked if the reason for the overage in expenses is directly linked to the additional dollars that were paid to WVA and Mr. Miller confirmed this was the case.

The Statement of Financial Position was reviewed. Mr. Miller indicated NHVA was doing well from a cash perspective because of the Tufts retro assessments payments, the Tufts late interest payments, the TRICARE settlement, and the account investment interest.

Mr. Sky mentioned the June 30, 2019 liability to the State and it not being reflected on the Statement of Financial Position. Mr. Nix explained because NHVA is a cash-based entity, the liability does not show until the actual payment is made. Therefore, the anticipated payment amount of \$9,234,656 will not show until June 2019. Mr. Miller stated the liability is reflected on the Statement of Changes in Net Assets and the Statement of Cash Flow. Ms. Condon asked about the \$9,234,656 payment to the State and Ms. Daly indicated the amount was determined when setting the FY2019 budget in 2017, and Mr. Miller reminded the Committee this amount was voted on at the September 26, 2018 Board meeting and will be paid by June 30, 2019. In September 2018, the Board also agreed that the amount would be reviewed again before payment is made in June 2019 to determine if it needs to be adjusted to take into account the unexpended funds held by DHHS.

General discussion ensued regarding the State liability and how best to reflect it on the Statement of Financial Position. It was determined Mr. Nix will add a notation on the bottom of the Statement. Mr. Nix pointed out that the Net Income on the Statement of Financial Position ties back to the Statement of Changes in Net Assets document.

- FY Q1 and Q2 Assessments Update – Mr. Miller directed the Committee to the TRICARE Payment Acceptance Form in the packet. He explained TRICARE has developed an interim process to pay the additional assessment from Martin's Point. The TRICARE form will need to be signed before each quarterly payment is made. The second TRICARE payer, Humana Government Business, has been able to automate their assessment process starting with the current quarter (January-March 2019). Ms. Tenney advised the Committee that neither entity can be charged interest for late payment as Federal law prohibiting this supersedes the State law.

Mr. Miller directed the Committee to the FYTD 2019 Assessment Summary memo in the meeting packet. This memo is intended to provide documentation of notable events that took place during the most recent assessment period along with outlining changes between quarters. Highlights of the memo included the TRICARE settlement and ongoing activity, the Tufts retroactive assessment filings and their interest payment, EBPA's request for a refund along, and total covered lives and assessments. The Audit Committee agreed that this new report will be helpful for Helms to continue to produce.

- 81
- 82     ▪ FY2020 Administrative Budget Draft – Mr. Miller directed the Committee to the FY2020
- 83     Administrative Expense Budget in the meeting packet and briefly reviewed each line item: the
- 84     Administrative Fees are a locked in for another year and; a small amount for Subcontractors as a
- 85     contingency for IT support; Bank Fees are the lock box monthly charge; modest amounts for
- 86     Board Meeting Expense, Postage and Shipping; a dramatic decrease in the Insurance expense;
- 87     Licenses and Fees reflect the Annual Report filing fee for the State of New Hampshire; the
- 88     Professional Fees – Audit are the same as last year; the Professional Fees – Legal are the same as
- 89     last year; and the Website line item is for hosting.
- 90

91     There was discussion regarding Legal Fees. For the current fiscal year, NHVA's current expenses

92     exceed the current budget. Hinckley Allen was heavily involved in TRICARE and the change in

93     Administrators in the current fiscal year. A recommendation was made to have two legal line

94     items in the budget – one specific for Board and Audit Committee meeting support and another

95     for larger projects. For the next fiscal year, there is no currently anticipated extensive legal

96     project work.

97

98     Ms. Daly asked about the Board's role is approving over-budget expenses, using legal fees as the

99     example. After discussion, it was agreed that Helms & Company would notify the Board if

100     expenses were to approach the budgeted amount for the current fiscal year for consideration of

101     any additional appropriation of funds.

102

103     Finally, discussion took place regarding the administrative budget categories; the Plan of

104     Operation changes approved at the last Board meeting made some budget category changes.

105     The meeting packet also contains the current budget categories for comparison.

106

107     ***VOTE RECORDED:*** *On a motion by Ms. Daly, seconded by Ms. Tenney, it was unanimously*

108     ***VOTED:***             *To recommend to the Board of Directors at the next Board meeting*

109                             *scheduled for June 19, 2019 to accept the proposed FY2020 draft budget*

110                             *as presented.*

111

#### 112     **IV.     Cash Management and Investment Services Request for Information Review and Discussion**

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114     Brief discussion took place among the Committee members asking if it was necessary to go into

115     Executive Session to discuss this topic. Since the vendors that responded to the RFI have been redacted

116     in the summary provided, the group agreed it was not necessary.

117

118     Mr. Miller directed attention to the RFI Summary for Investment and Cash Management Services

119     memorandum in the meeting packet. He explained the summary was created to more easily compare

120     the vendor responses, and indicated that all original materials from the responders was available for the

121     Committee members to review if they desired. The purpose of the RFI was to determine from an

122     investment and cash management perspective if NHVA could earn higher returns and fund operations

123     through those returns. In February, the RFI was released and sent to six vendors. It was also posted to

124     the NHVA website so that other vendors not solicited by NHVA had the opportunity to respond. A total

125     of four responses were received, three from the list the RFI was sent to and one from the website

posting. Table 2 in the summary is a side by side comparison of each respondent for key questions such as percentage of non-profit businesses in their portfolios, investment manager compensation models, investment policy suggestions, type of instruments used for cash management and reserve fund management, fee structures, and performance benchmarks.

After reviewing the responses, Helms & Company is recommending to the Committee to not proceed with a Request for Proposal (RFP) at this point, but to continue in the short term with the existing vendor. Once the \$5M reserve fund is set up later this year, then Helms recommends pursuing the vendors who submitted RFI responses regarding management of the reserve fund.

The Committee agreed that this was an excellent exercise to complete. Much was learned as to what is available in the marketplace as well as learning that NHVA's current performance is solid. Mr. Miller suggested that the Audit Committee review NHVA's Investment Policy prior to making changes in the reserve fund manager.

Ms. Daly asked if our current vendor suggested different management strategies than what is currently being done. Mr. Miller indicated they did not, however, they did suggest different instruments that may be more suited for the long-term investments required by a larger reserve fund.

***VOTE RECORDED:*** *On a motion by Ms. Tenney, seconded by Mr. Sky, it was unanimously*

***VOTED:*** *To accept the recommendation from the Executive Director to not pursue an RFP at this point and to revisit vendors when the reserve fund is established later this year.*

#### **V. June 19' 2019 Audit Committee Meeting**

Mr. Sky indicated he is unable to attend the June 19 Audit Committee meeting. He asked the Committee if they would like to proceed and meet without him or cancel the meeting. After a brief discussion, and recognizing that the Committee just approved the FY2020 administrative budget, it was decided there is no need to meet and the meeting will be canceled. As a result, all agreed to move the Board meeting scheduled for 10:00 am that same day to 9:00 am instead.

#### **VI. Adjournment**

***VOTE RECORDED:*** *On a motion by Ms. Tenney, seconded by Ms. Daly, it was unanimously*

***VOTED:*** *To adjourn the Audit Committee meeting at 3:26 pm.*

Respectfully submitted by  
Patrick Miller, Helms & Company, Inc.  
April 12, 2019

# # #

July 16, 2019

Board of Directors  
New Hampshire Vaccine Association  
c/o Helms & Company  
1 Pillsbury St #200  
Concord, NH 03301

We have audited the financial statements of New Hampshire Vaccine Association for the year ended June 30, 2019, and have issued our report thereon dated July 16, 2019. 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 June 26, 2019. 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 Associations are described in Note A to the financial statements. As described in Note A, the Organization changed accounting policies related to the presentation of net assets (without donor restrictions and with donor restrictions) in the financial statements by adopting FASB Accounting Standards Update (ASU) No.2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in June 30, 2019. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

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 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.

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. Management was timely and responsive to our requests and recommendations.



***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 16, 2019.

***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. In our letter dated July 16, 2019, we suggested recommendations to management regarding the board's late payment interest policy, implementing trial balance account numbers, reviewing with the board the possible need for general liability insurance, and reviewing with the board the possibility of granting check signing authority up to a certain limit to management.

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

July 16, 2019

To the Management of  
New Hampshire Vaccine Association

In planning and performing our audit of the financial statements of the New Hampshire Vaccine Association, for the year ended June 30, 2019, 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, you have dedicated and conscientious directors and administrators. However, during the course of our audit we noted additional areas of internal control that could be strengthened.

### ***Current Year Findings***

**Observation:** In preparing a predictive test of interest earned on late assessments, we found Helms interpreted and implemented the policy differently than our understanding. As written, the policy states, “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.” Our interpretation and understanding was that this language was intended to reduce the administrative burden to both NHVA and insurers of calculating and collecting interest on late assessments which might arise from reasonable processing or mail delays. Similar to the additional language “NHVA will forego pursuit of any past due interest amount under \$10.”

Helms has interpreted this policy (and calculated interest on late assessments) as that no interest will be calculated for the first two weeks following the due date regardless of how late the payment is received. The difference between the two interpretations is immaterial to the financial statements as whole. Our predictive test showed about \$3,500 of additional interest that would have been collected.

Recommendation: We would recommend the board revisit the policy and update the language to more clearly define the intentions. E.g., if NHVA decides to calculate interest effective from the due date, but only collect from those payments received after two weeks, the language could simply say, “NHVA will waive/forgive any past due interest on payments received within two weeks of the due date for that assessment.”

Management’s Response: Helms & Co has proposed revisions to the late payment policy and forwarded these to the Treasurer for review and comments. Pending this review, the revised policy will be brought to the Board for approval.



**Observation:** While reviewing the client's trial balance it was noted that there were no account numbers.

Recommendation: We would recommend Helms & Co create account numbers for all their trial balance accounts. These account numbers should agree with the account numbers that we use on our adjusted trial balance. This would make it easier to compare our adjusted trial balance to the client's trial balance, as well as save time in the audit for next year.

Management's Response: Helms & Co is adding account numbers to the chart of accounts in QuickBooks.

**Observation:** In reviewing insurance expense and coverage, we noted that the current policy only provides for Directors & Officer coverage. In our experience, typically an organization carries general liability insurance in addition to Director & Officer's coverage.

Recommendation: While this may be sufficient for the needs of the organization, we would recommend a risk assessment be performed with an insurance agent to ensure adequately covered for reasonable risks.

Management's Response: Helms & Co is reaching out to the insurance broker to assess adequate coverage and will advise the Board of their recommendations. General liability coverage is not part of the governance document requirements, nor is it carried by a similar organization of which Helms & Co is also the administrator.

**Observation:** In documenting and reviewing the internal control structure with the organization it was noted that Helms is maintaining a tracking spreadsheet outlining vendor name, invoice number, check number and amount along with date mailed and who mailed to. This spreadsheet can be an administrative burden and cumbersome.

Recommendation: We would recommend that the Executive Director have authority to sign reoccurring checks up to a reasonable dollar amount. Any amount over the agreed upon dollar threshold or for a non-recurring expense should have an additional signature from someone on the board of directors. If this recommendation is put into place, the Executive Director should not have access to process/edit transactions in QuickBooks, the check stock, nor online banking access.

These comments are intended solely for the management of NH Vaccine Association. If you have any questions, please feel free to contact us at (603) 224-3950.

Sincerely,

Karen M. Carew, CPA

**NEW HAMPSHIRE  
VACCINE ASSOCIATION**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2019 AND 2018**

## INDEX TO FINANCIAL STATEMENTS

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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, 2019 and 2018, 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, 2019 and 2018, 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 16, 2019

NEW HAMPSHIRE VACCINE ASSOCIATION  
**STATEMENTS OF FINANCIAL POSITION**  
AS OF JUNE 30, 2019 AND 2018

	June 30, 2019	June 30, 2018
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 12,220,200	\$ 3,697,484
Short term investments	261,566	256,143
Prepaid expenses	1,164	3,473
<i>Total Current Assets</i>	<u>12,482,930</u>	<u>3,957,100</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 12,482,930</u>	 <u>\$ 3,957,100</u>
 <b>LIABILITIES &amp; NET ASSETS</b>		
<i>Current Liabilities</i>		
Accrued expenses	\$ -	\$ 4,334
Assessment refund	<u>-</u>	<u>66</u>
 <b>TOTAL CURRENT LIABILITIES</b>	 <u>-</u>	 <u>4,400</u>
<i>Net Assets</i>		
Net assets without donor restrictions	250,000	250,000
Net assets with donor restrictions	<u>12,232,930</u>	<u>3,702,700</u>
<b>TOTAL NET ASSETS</b>	<u>12,482,930</u>	<u>3,952,700</u>
 <b>TOTAL LIABILITIES &amp; NET ASSETS</b>	 <u>\$ 12,482,930</u>	 <u>\$ 3,957,100</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, 2019 AND 2018

	June 30, 2019	June 30, 2018
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>REVENUE AND OTHER SUPPORT</b>		
Net assets released from restrictions		
Assets released for operations	\$ 388,786	\$ 178,953
<b>OPERATING EXPENSES</b>		
Administrative services	148,318	127,553
Professional fees	39,589	43,202
Insurance	4,304	5,954
License and fees	75	75
Bank fees	3,033	2,169
Washington Vaccine Association, TRICARE settlement costs	191,858	-
Stationary & printing	222	-
Subcontractors	1,250	-
Advertising	137	-
<i>Total Operating Expenses</i>	<u>388,786</u>	<u>178,953</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<u>-</u>	<u>-</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Assessment income, less refunds of \$58,115 and \$0 in 2019 and 2018	13,667,614	18,588,579
TRICARE settlement income	4,128,793	-
Interest on late assessments	131,362	1,569
Bank and sweep interest	220,479	13,690
Return on investments	5,424	2,909
Net assets released from restrictions		
Remittance to the State of New Hampshire	(9,234,656)	(18,819,145)
Assets released for operations	<u>(388,786)</u>	<u>(178,953)</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS</b>	<u>8,530,230</u>	<u>(391,351)</u>
<b>CHANGES IN NET ASSETS</b>	<u>8,530,230</u>	<u>(391,351)</u>
<i>Net Assets, Beginning of Year</i>	<u>3,952,700</u>	<u>4,344,051</u>
<i>Net Assets, End of Year</i>	<u>\$ 12,482,930</u>	<u>\$ 3,952,700</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, 2019 AND 2018

	June 30, 2019	June 30, 2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 8,530,230	\$ (391,351)
<i>Adjustments to reconcile changes in net assets</i>		
(Increase) decrease in:		
Prepaid expenses	2,310	3,000
Increase (decrease) in:		
Accrued expenses	(4,334)	2,334
Assessment refund	(66)	(26)
<i>Total Adjustments</i>	(2,090)	5,308
<b>Net Cash Provided (Used) by Operating Activities</b>	8,528,140	(386,043)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(5,424)	(3,513)
<b>Net Cash Used by Investing Activities</b>	(5,424)	(3,513)
<b>NET INCREASE (DECREASE) IN CASH</b>	8,522,716	(389,556)
<i>Cash, Beginning of Year</i>	3,697,484	4,087,040
<i>Cash, End of Year</i>	\$ 12,220,200	\$ 3,697,484

*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 two classes of net assets that are based upon the existence or absence of donor-imposed restrictions:

*Net assets without donor restrictions* are those currently available at the discretion of the board for use in the Association's operations.

*Net assets with donor restrictions* are those subject to stipulations imposed by law. Restrictions may be temporary in nature; those restrictions would be met by actions of the Association or by the passage of time. Other donor restrictions may be perpetual in nature, where by the donor may stipulate the funds be maintained in perpetuity. The Association does not have any net assets with perpetual donor restrictions.

***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. During the fiscal year ended, June 30, 2018, the Association wrote off \$58,270 of assessment receivables reported in the current fiscal year from one assessable entity which is insolvent and no longer in operation (see Note F). 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***

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.

NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

***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 net assets with donor restrictions. All remaining expenses are related to management and general activities. Following is an analysis of expenses by natural and functional classifications:

	2019	2018
<b><i>Program Expense</i></b>		
Remittance to State of NH	\$ <u>9,234,656</u>	\$ <u>18,819,145</u>
<b><i>Management &amp; General</i></b>		
Administrative services	148,318	127,553
Professional fees	39,589	43,202
Insurance	4,304	5,954
License and fees	75	75
Bank fees	3,033	2,169
Washington Vaccine Association, TRICARE settlement costs	191,858	-
Stationary & printing	222	-
Subcontractors	1,250	-
Advertising	<u>137</u>	<u>-</u>
<b><i>Total Management &amp; General</i></b>	<u>388,786</u>	<u>178,953</u>
<b><i>TOTAL EXPENSES</i></b>	<u>\$ 9,623,442</u>	<u>\$ 18,998,098</u>

***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, 2019 and 2018, 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.

(Continued on next page)

NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

***New Accounting Pronouncement***

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

There was no effect on the amounts of previously reported net assets as a result of this implementation. Previously stated “Unrestricted Net Assets” and “Temporarily Net Assets” have been presented as “Net Assets Without Donor Restrictions” and “Net Assets With Donor Restrictions” to conform with the current year presentation.

**B | CONCENTRATIONS**

***Revenue***

The Association derives nearly all of its revenue from assessments of licensed insurers in the State of New Hampshire. In addition 38% 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 | CURRENT RESOURCES**

***Financial Assets Available to Meet Cash Needs for General Expenditures within One Year***

The Association has \$12,481,766 of financial assets available within 1 year of the balance sheet date (June 30, 2019) to meet cash needs for general expenditures consisting of:

Cash and cash equivalents	\$ 12,220,200
Short-term investments	<u>261,566</u>
Total	\$ <u>12,481,766</u>

Cash and short-term investments are available for general expenditures within one year of the balance sheet date year ended June 30, 2019. General expenditures include the required remittance to the State of New Hampshire and reasonable and necessary operating costs.

***Liquidity Management***

The Association is substantially supported by assessment income. As part of the Association’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Association also invests cash in excess of daily requirements in short-term investments.

The Board of Directors have designated \$250,000 to ensure adequate cash flow for operating expenses. In addition, the Association works to retain a sufficient cash balance to provide consistent and stable assessment rates to insurers.



NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

**D | 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 purchasing vaccines for children in the State of New Hampshire. The Association transferred \$9,234,656 and \$18,819,145 to the State of New Hampshire in 2019 and 2018, 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.

**E | 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 money market funds reported at fair value based on quoted market prices (Level 1) as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
<i>Fiscal year ended June 30, 2019</i>			
Money market	\$ <u>261,566</u>	\$ <u>261,566</u>	\$ <u>-</u>
<i>Fiscal year ended June 30, 2018\</i>			
Money market	\$ <u>256,143</u>	\$ <u>256,143</u>	\$ <u>-</u>

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

	2019	2018
Interest & dividend income	\$ 5,424	\$ 2,704
Realized gains (losses)	-	-
Unrealized gains (losses)	-	-
Return on investment	\$ <u>5,424</u>	\$ <u>2,704</u>

(Continued on next page)

NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

**F | 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.

***TRICARE Assessment***

Through its previous administrator, KidsVax®, and continuing with its current administrator, Helms & Company, the Association has been pursuing collection from the Federal Defense Agency ("DHA") assessments for TRICARE child beneficiaries resident in the State of New Hampshire. Effective December 23, 2016, Congress adopted Section 719 of the 2017 National Defense Authorization Act ("NDAA") which authorized the DHA to make payments to the Association and certain other state vaccine programs. The 2017 NDAA provides for reimbursement of the amount assessed by the Association further limited to an amount that may not exceed the amount the Department would reimburse an entity under the TRICARE program for providing vaccines.

In a memorandum dated November 29, 2018, the Association has accepted a stipulated sum of \$3,970,307 with regards to arrearages for the TRICARE specified assessments from July 17, 2010 to September 30, 2018. This stipulated sum is less by \$1,492,489 for the TRICARE increment (the difference between the TRICARE inflation and vaccine adjusted per capita cap, and the total Association assessments amounts). In addition to the \$3,970,307 stipulated sum received, the Association has collected \$158,486 in TRICARE increment payments during the fiscal year ended, June 30, 2019. The remaining TRICARE increment of \$1,334,003 is being incorporated into future TRICARE specific assessments and is expected to be paid over multiple years. Given that collection is not certain and that the amounts collected can not be determined until future budgets and assessments are implemented, the

TRICARE increment payments will be recognized as revenue in future quarterly assessment as they become determined and due.

Section 718 of the 2018 NDAA requires DHA to reimburse entities carrying out State vaccination programs for costs of vaccines provided to covered beneficiaries without further limitation. Martin's Point USFHP began making regular quarterly assessment payments in NH on February 15, 2018 and has continued reporting on covered lives timely in accordance with the Association's Plan of Operation. Humana Government began making regular quarterly assessments payment in NH August 15, 2018 and has continued reporting on covered lives timely in accordance with the Association's Plan of Operation.

*(Continued on next page)*

NEW HAMPSHIRE VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS

***Minuteman Health, Inc. Assessment***

As of December 31, 2017, Minuteman Health, Inc. ("MHI"), is no longer in operation and the Massachusetts Commissioner of Insurance has been appointed to liquidate MHI under the supervision of the Massachusetts Supreme Judicial Court for Suffolk County (Docket No. SJ-2017-0288). MHI self-reported an assessment of \$58,270 for 5,602 covered lives for the quarter ended, December 31, 2017 (due February 15, 2018) which remained unpaid as of June 30, 2018 and June 30, 2019. The Association had determined collectability was uncertain and written off the receivable as of June 30, 2018. Bankruptcy proceedings are ongoing as of June 30, 2019, however the Association has received a letter, dated June 19, 2019, from the Commission of Insurance, as Liquidator of Minuteman Health, Inc. This letter indicated that MHI is insolvent and does not have adequate assets to pay all of its obligations to members and their healthcare providers. Further, it has determined that the Association is a priority class 7 claim and that no distribution will be possible on class 7 claims. Accordingly, the Association has removed both the receivable and allowance account for the year ended, June 30, 2019.

**G | DESIGNATION OF NET ASSETS**

***Net Assets Without Donor Restrictions***

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, 2019 and 2018, the board designated balance for this purpose was \$250,000.

***Net Assets With Donor Restrictions***

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, 2019 and 2018, unexpended assessments reported as net assets with donor restrictions totaled \$12,232,930 and \$3,702,700, respectively.

**H | SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 16, 2019, 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.

**Prepared Exclusively**

**for**



**Audit Committee**

**August 6, 2019**

**Presented by**

Dona G. Murray, Vice President and Investment Officer



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# History and Relationship

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# NHVA Historical Relationship

January 7, 2005: NHVA initiated an investment relationship with Bank of New Hampshire's Wealth Department with \$2,850,000 in investable assets. Our money market fund was yielding 4.59% , and BNH purchased two 6-month T-Bills yielding 5.25%. Income generated was \$30,000 with a fee of \$500 per transaction. Rates remained generous over the course of the next three years as the Federal Reserve reversed its recent trend of rate cuts and started raising rates again.

By 2007 (mortgage collapse, financial crisis and subsequent recession), the Fed started cutting rates to spur the economy: six-month T-Bills dropped from yielding 3.32% in January 2008 to 0.27% by December. BNH Wealth changed strategies to investing in higher-yielding laddered FDIC-insured CDs. Government Sponsored Enterprises (FNMA and FHLMC) were not an option as they had been placed in conservatorship. By 2012, six-month T-Bills were only yielding 0.06% while CDs generated 0.50% for 6-month and 1.1% for 12-month paper. By 2015, we were investing ~\$15million in NHVA assets in over 120 laddered securities. As shorter CDs matured, cash was reinvested such that assets were as fully invested as possible up to the June 1 distribution date.

Interest rates have been very low from 2008 and 2015 when the Fed kept its rate at zero. As rates declined, so did our fees. As a nonprofit, NHVA was not charged for services in years two through five and then offered an annual rate of \$500 which was the cost of maintaining an account with our third party vendors. All research and implementation of investment strategies along with record-keeping, statements, etc. were provided gratis. In 2016, a new investment policy statement was adopted by the Board and Audit Committee along with a fee of 12 basis points.

Cash normally flowed into NHVA's checking account throughout fall and early winter which the consultant requested Wealth to withdraw so that it could be invested to mature by June 1. In June, residual post-vaccine cash was generally deposited into the checking account. In the spring of 2016, the former consultant started depositing all cash flows in the lower-yielding Insured Cash Sweep (ICS). Wealth initiated attempts to discuss better investment alternatives over the next couple of years, but there was no response, and the cash remained in ICS.

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# Insured Cash Sweep (ICS)

ICS is generally provided by the cash management area of the bank as a short-term vehicle for accounts that require FDIC insurance. It is a courtesy account providing some earning potential for clients having cash above the normal 250,000 FDIC insurance threshold for retail accounts (for instance, checking). However, it is not meant to be a longer-term solution for large sums at higher than market rates. Accounts such as municipalities require insured deposits and have large inflows during tax season and outflows once budgets are appropriated. Clearly, NHVA might fall in this category but it also depends on whether assets require insurance.

When a client requests higher rates, it is generally a short-term solution where alternative investments will be available in the nearer future or the money will be leaving. Because it is insured, ICS is not like a checking account where assets can be used by the bank for loans. In fact, it is an expensive option because we are paying a yield on a deposit which unlike other deposits may not be used for loans to earn the return which we are paying the customer. This is why this insured deposit option generally offers a compensatory rate and why most requests for higher rates cannot normally be entertained.

In the summer and fall of 2018 Helms & Company requested two rate increases for NHVA's ICS rate to the current 2%. It would not normally be our protocol to grant deposit rates above marketable securities for any length of time, but the relationship with Helms and NHVA has always been strong and exceptions were made. Since meeting with Helms in November, Wealth has suggested alternative opportunities on a variety of security types in order to provide the best yield investment opportunities. However, the ICS rate of 2% proved to be too competitive with Treasury securities and CDs.

This all changed when the Federal Reserve raised rates a final time in December 2018. By early 2019, Wealth's money market rate increased to 2.5%. While the money market fund had a higher rate and is approved per NHVA's current investment policy statement, it does not offer the FDIC insurance available through ICS. At that time, Helms was managing an RFI for financial investment and cash management services, and we were responding. As our long NHVA relationship suggests and the following chart supports, BNH will always work to accommodate the best options for all concerned. Going forward, and particularly as the Federal Reserve is expected to lower rates, the ICS rate will necessarily drop, and Wealth is looking for a longer-term solution of investing.

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## Relationship: NHVA Net Income vs. Fees

Years	NHVA Gross Income from Wealth	Accrued Interest from Wealth Purchases	NHVA Net Income from Wealth	BNH Cash ICS (gteed reserve acct unable to use for loans)	Total NHVA Income	BNH Wealth Fees
2005	\$ 30,028.67	\$ -	\$ 30,028.67	na	\$ 30,028.67	\$ 1,000.00
2006	\$ 77,158.86	\$ -	\$ 77,158.86	na	\$ 77,158.86	\$0.00
2007	\$ 155,806.31	\$ (252.20)	\$155,554.11	na	\$155,554.11	\$0.00
2008	\$ 207,688.38	\$ -	\$207,688.38	na	\$207,688.38	\$0.00
2009	\$ 9,433.35	\$ (757.85)	\$ 8,675.50	na	\$ 8,675.50	\$0.00
2010	\$ 29,869.28	\$ (11,854.57)	\$ 18,014.71	na	\$ 18,014.71	\$ 125.00
2011	\$ 32,096.90	\$ (11,882.95)	\$ 20,213.95	na	\$ 20,213.95	\$ 500.00
2012	\$ 25,010.74	\$ (8,079.47)	\$ 16,931.27	na	\$ 16,931.27	\$ 500.00
2013	\$ 18,335.61	\$ (4,781.01)	\$ 13,554.60	na	\$ 13,554.60	\$ 500.00
2014	\$ 68,999.21	\$ (16,660.84)	\$ 52,338.37	na	\$ 52,338.37	\$ 500.00
2015	\$106,202.98	\$ (3,527.76)	\$102,675.22	\$ 19.91	\$102,675.22	\$ 500.00
2016	\$ 47,087.84	\$ (875.53)	\$ 46,212.31	\$ 5,715.81	\$ 46,212.31	\$ 1,478.76
2017	\$ 1,746.66	\$ -	\$ 1,746.66	\$ 13,861.00	\$ 15,607.66	\$ 1,619.83
2018	\$ 4,177.62	\$ -	\$ 4,177.62	\$ 57,950.08	\$ 62,127.70	\$ -
2019	\$ 2,937.98	\$ -	\$ 2,937.98	\$ 167,846.38	\$170,784.36	\$ -
		NET	\$757,908.21	\$ 245,393.18	\$997,565.67	\$ 4,598.59

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# Creating A Policy and Portfolios

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# Elements of investing and Risk and Return

## **Determine risk tolerance, required and desired returns with other objectives.**

Riding a surfboard requires coordination, balance and a certain amount of risk assessment. The more you want to ride the big waves, the more prepared you need to be for getting knocked off your board.

Understanding the elements of investment, including risk and return, is critical to creating portfolios that succeed at meeting an investor's goals.



## **Create Investment Policy that reflects objectives and sets goals, dictates investment parameters, and mandates performance measurement.**

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# IPS—Review Goals, Objectives, Risk and Returns

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- Determine overall goals (long-term growth for financing potential crises)
- Determine overall restrictions (may need \$ sooner than anticipated = short investment horizon; low tolerance for short-term risk due to source of funds)
- Create specific and realistic investment objectives
  - ⇒ Return objective: 3% annualized or 100 basis points over inflation
  - ⇒ Income objective: enough income to pay for certain services
  - ⇒ Liquidity objective: ease of acquiring and redeeming assets for minimal impact on portfolio if cash is needed

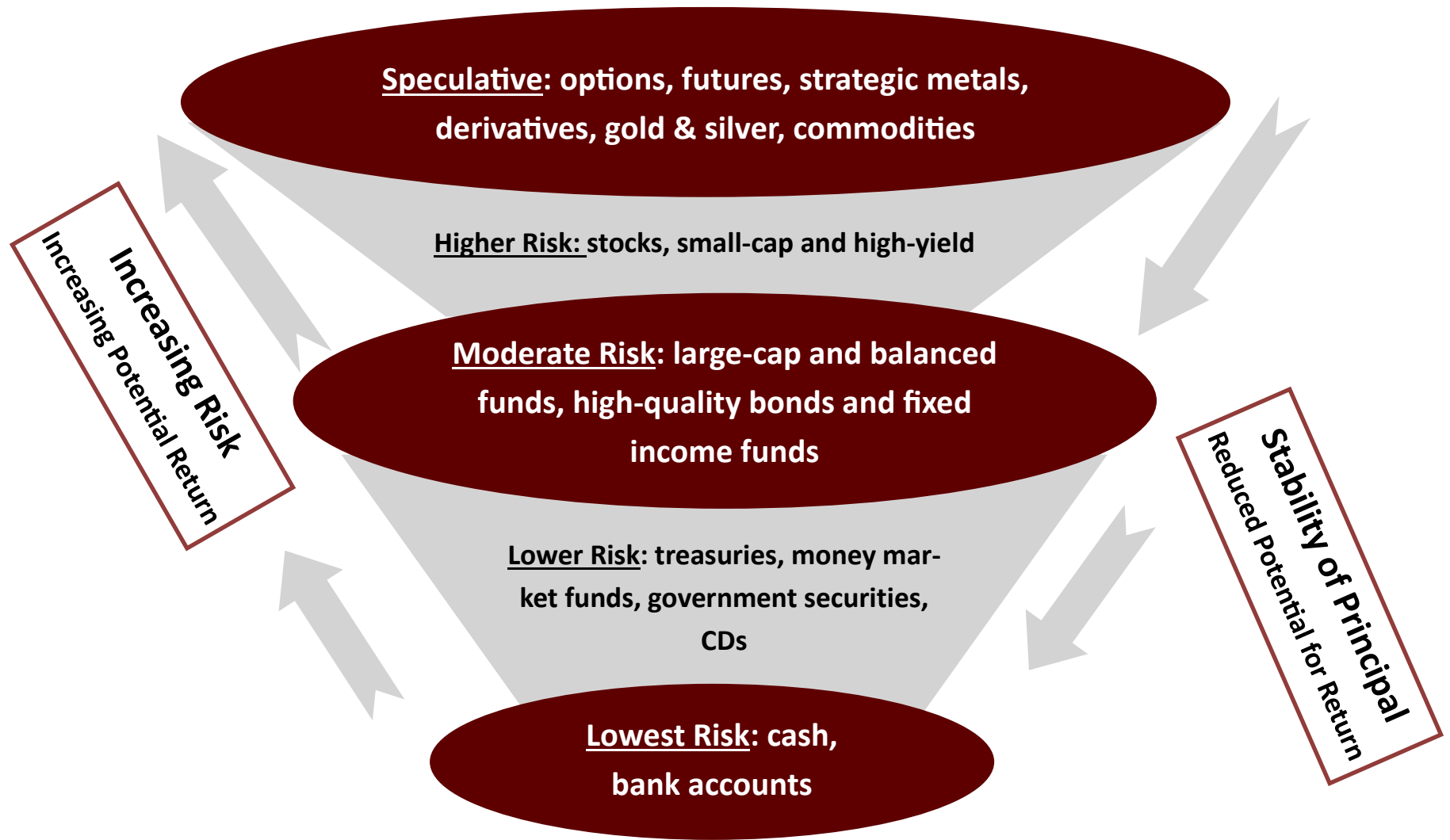
Objectives lead to determining the overall level of risk required for the portfolio to successfully meet the goals



# Review Risk/Return Relationship of Specific Classes and Assets

## Higher Risk = Higher Returns

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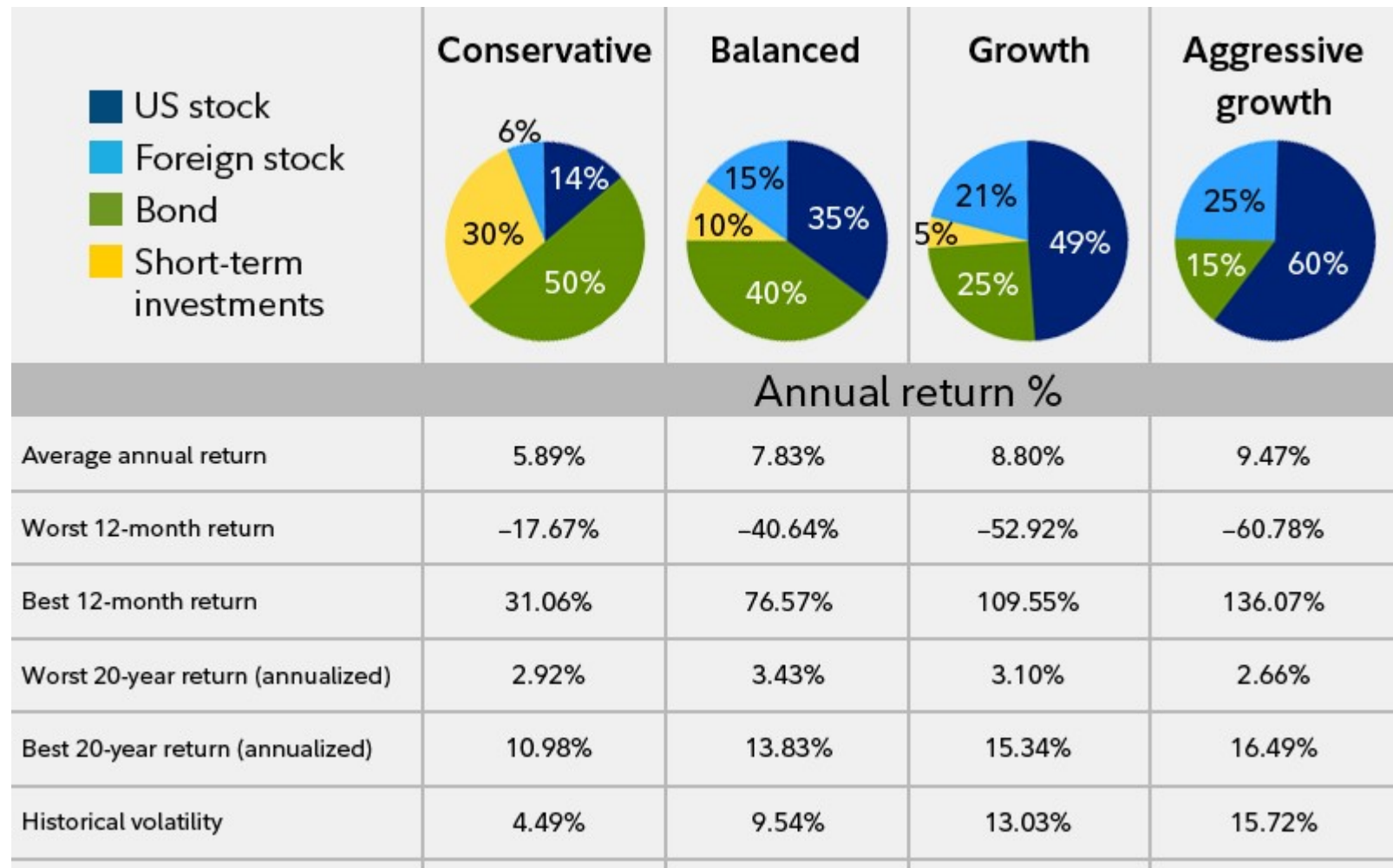
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# Review Returns per Risk Tolerance and Time Horizon

## The Power of Longevity



Historical volatility is a statistical measure of the dispersion of returns for a given security or market index over a given period of time.

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# Create Investment Policy Statement based on Horizon, Risk, Return

NHVA's current policy is written for assets that may be needed for operational purposes, for vaccine moneys invested for ultra short periods of time and for true reserves with a longer investable time horizon. However there is no language defining their segregation and how to appropriately manage each to

their individual requirement.

The policy could be simplified and provide direction for the various components.

Time-Frame	Expected Return	Risk Profile	Specific Investments
<u>Short</u> ≤ 1 year	Low 1-2%	Lowest No Loss	Treasury Bills and Notes Approved Money Market Funds Government Securities Certificates of Deposit
<u>Intermediate</u> 1 year to 5 years; higher liquidity for crisis needs	Minimum keep up with inflation 2-3%	Very Low May be Temp Loss	Above investments plus Corporate Investment Grade Bonds
<u>Intermediate</u> 1 year to 5 years; higher liquidity for crisis needs	Minimum keep up with inflation + some growth 3% - 5%	Low May be a Higher Temp Loss	Above investments plus 10-15% equity component
<u>Long</u> > 5 years	> 5%	Moderate (10% standard deviation = 25% of return within -13% and +27%)	60% equities 40% fixed income alternatives when appropriate

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# Current Yields and Expected Returns in BNH Wealth

**Vaccine Assets:** Very short term, high liquidity, no to very low risk. No loss of principal.

Assuming \$14million

ICS :

- Current exception: 2% = \$280,000 this rate is set to expire
- Current higher: 1.25% = \$175,000

Wealth:

Money Market Mutual Fund 2.35%, 2-year Agency (FHLMC/FNMA) 2.26%, 1 year Agency 2.11%, 2-year CD rates 2.2%, 1-year CD rates 2.1%.

Best rate 2.35% - .15bp fee = 2.2% x 14mill = \$308,000

**Longer-Term Assets:**

\$5 million is crisis dependent. Need liquidity = high-quality fixed income but may be laddered, longer-term bonds including high quality corporates and some assumption of risk/temporary loss of principal due to rate changes.

Any additional funds above \$5 million is potentially longer term. Suggest a combination of a prudently constructed high-quality fixed income portfolio with the possibility of adding a small equity component depending on investment horizon.

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# Appendix—Additional Material

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# We Give Back!

Throughout our history, Bank of New Hampshire has maintained a strong legacy of community service and civic leadership through countless hours invested by our employees. In addition to over \$900,000 in contributions made to over 380 organizations last year, our employees committed nearly 10,000 volunteer hours to organizations statewide.

## Notable Contributions

- \$500,000 Colonial Theater (\$100,000 per year 2016-2020)
- \$150,000 Boys & Girls Club of Lakes Region (\$150,000 per year 2017-2019)
- \$75,000 Concord Boys & Girls Club (2014 & 2015)
- \$61,000 Granite United Way (2016)
- \$30,000 Concord Hospital Trust (\$10,000 per year 2014-2016)

## Tax Credits

- \$60,000 Granite YMCA (2017)
- \$50,000 Monarch School of New England (2017)
- \$50,000 CATCH Neighborhood Housing (2017)
- \$40,000 Boys & Girls Club of Central NH (2015 & 2016)
- \$25,000 Bridge House/Whole village Family Resource Center (2016)
- \$20,000 Castle in the Clouds (2017)

## Our Mission

- To exceed our clients' expectations by providing quality client services in a courteous, friendly and professional manner
- To provide a positive atmosphere for our employees where they enjoy being part of the Bank of New Hampshire team and take great pride in building strong client relationships and delivering superior service
- To support and enhance the communities where we serve, live and work

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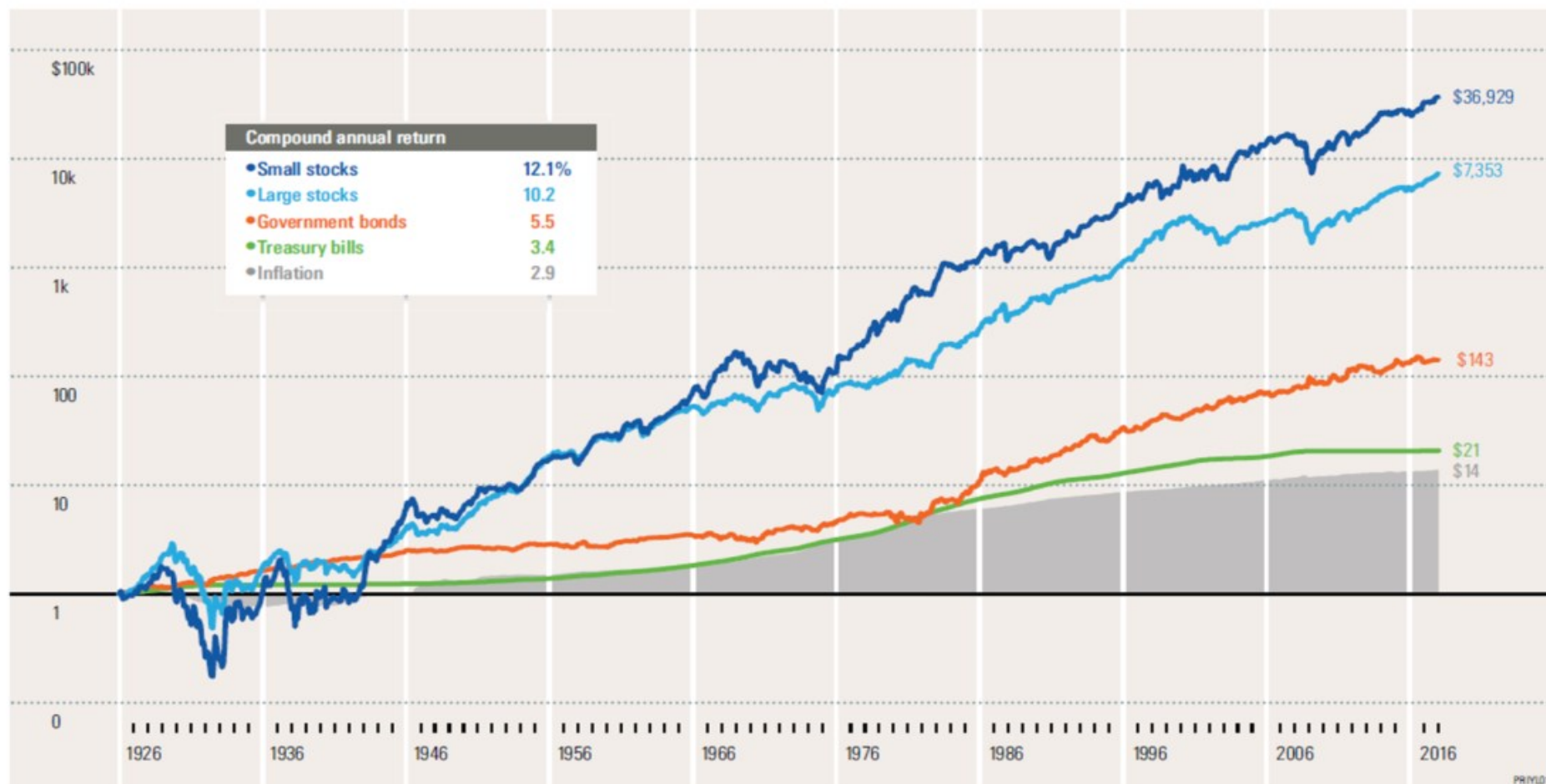
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# Review Returns of Asset Classes: More Risk = Greater Return

Ibbotson® SBBI®

Stocks, Bonds, Bills, and Inflation 1926–2017



Past performance is no guarantee of future results. Hypothetical value of \$1 invested at the beginning of 1926. Assumes reinvestment of income and no transaction costs or taxes. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©2018 Morningstar, Inc. All Rights Reserved.

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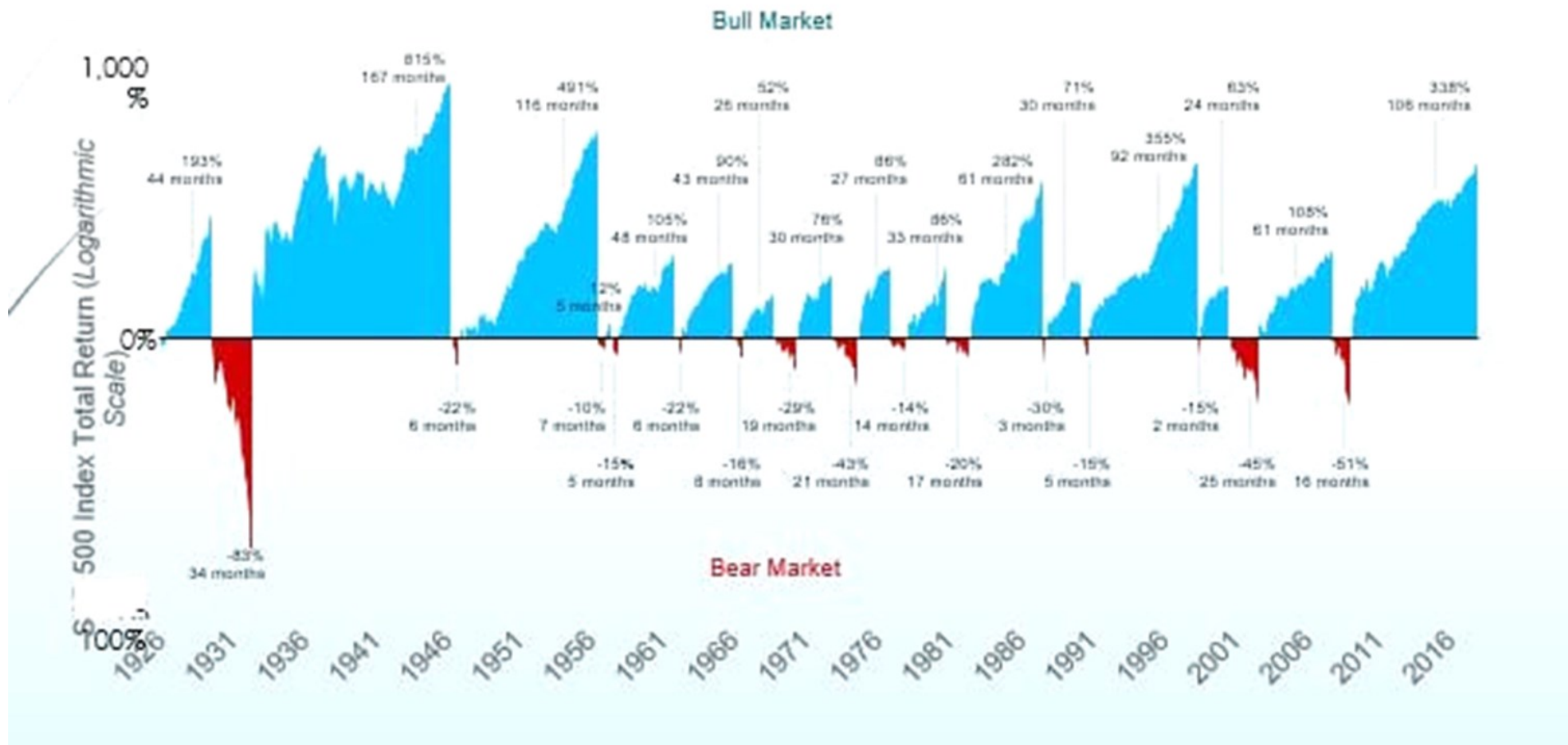
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# Equities (risky asset) Lose Money But Less Often Than They Gain

S&P 500 Index total returns in USD, January 1926–December 2017

Using a 10% threshold for downturns



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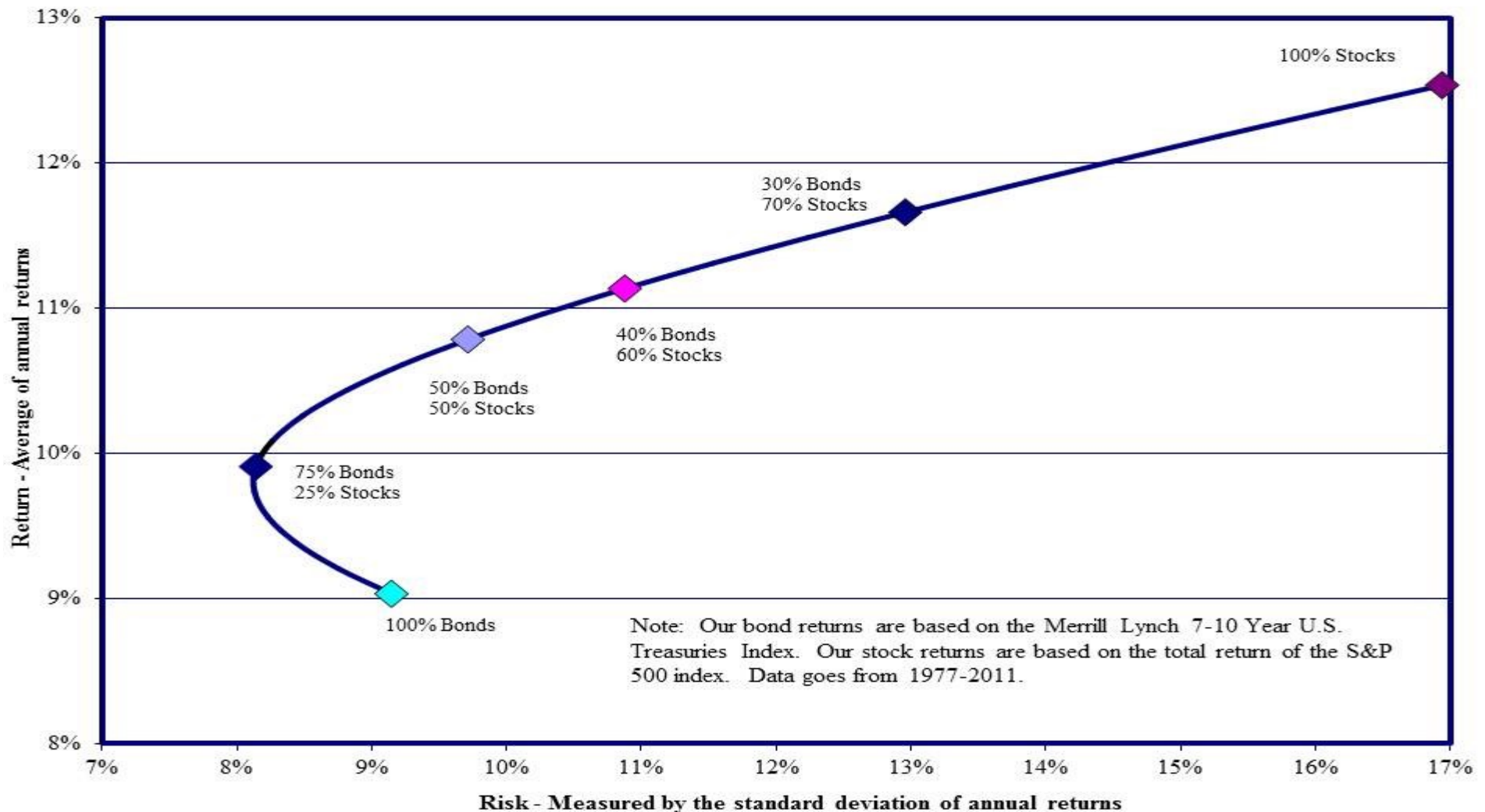
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# Review Risk/Return of the Overall Investment Strategy

## An Efficient Frontier The Power of Diversification



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# Investment Process

The investment process at Bank of New Hampshire seeks to integrate our expectations for capital markets with your unique circumstances to deliver a customized solution to achieving your financial goals.



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# Asset Allocation and Portfolio Construction

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## Establish asset allocation range given client's risk profile

- Return goals/Cash flow needs
- Risk tolerance
- Time horizon

## Position tactically within range based on fundamental outlook

- Economic data and growth potential
- Fed policy direction
- Relative valuation attractiveness

## Portfolio Construction

- Well diversified, high quality approach
- Create a favorable risk/reward equation
- Manage risk effectively over business cycle
- Employ alternatives on a selective basis to enhance return

*Providing quality service with a consistent and disciplined investment approach.*

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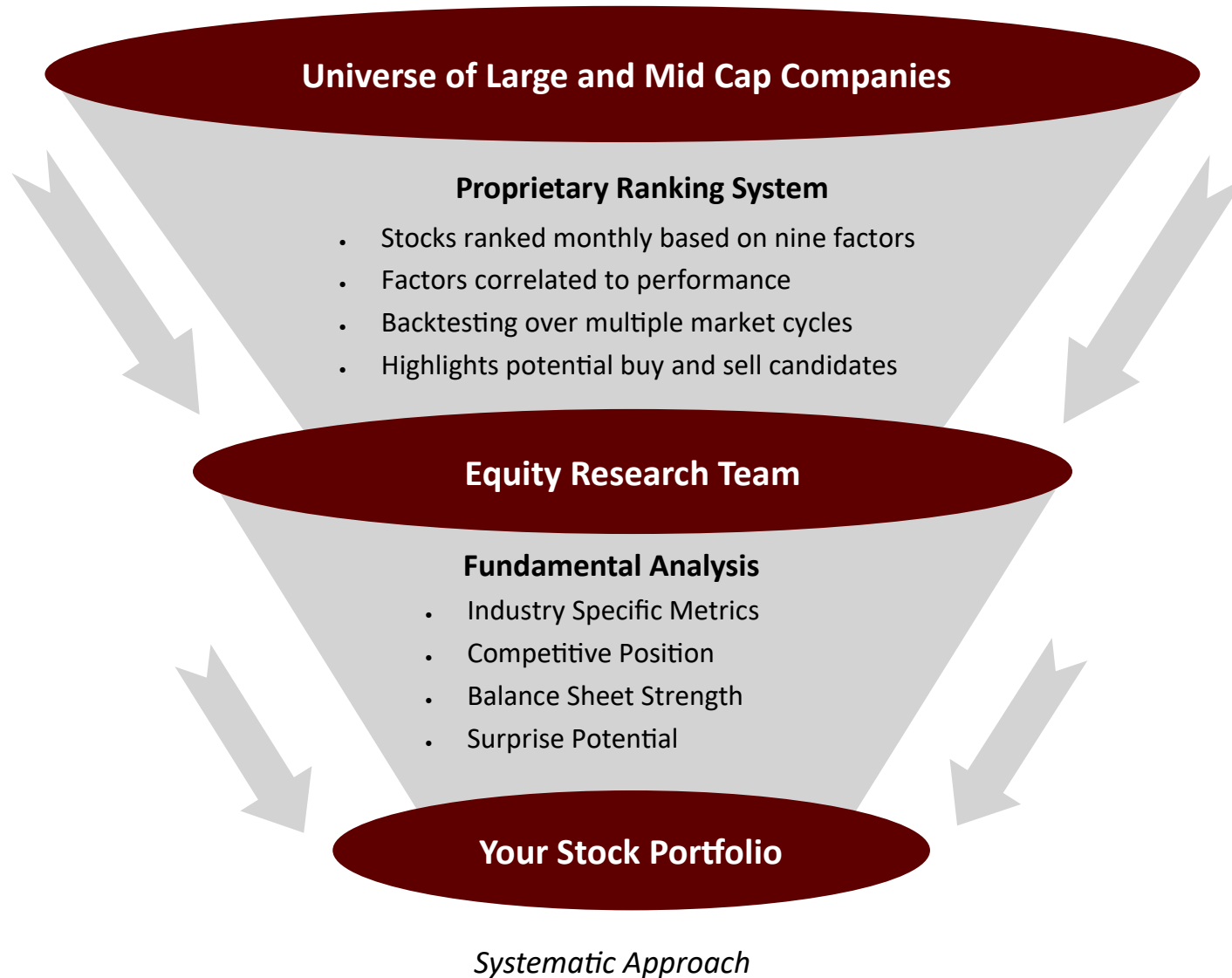
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# Equity Selection Process



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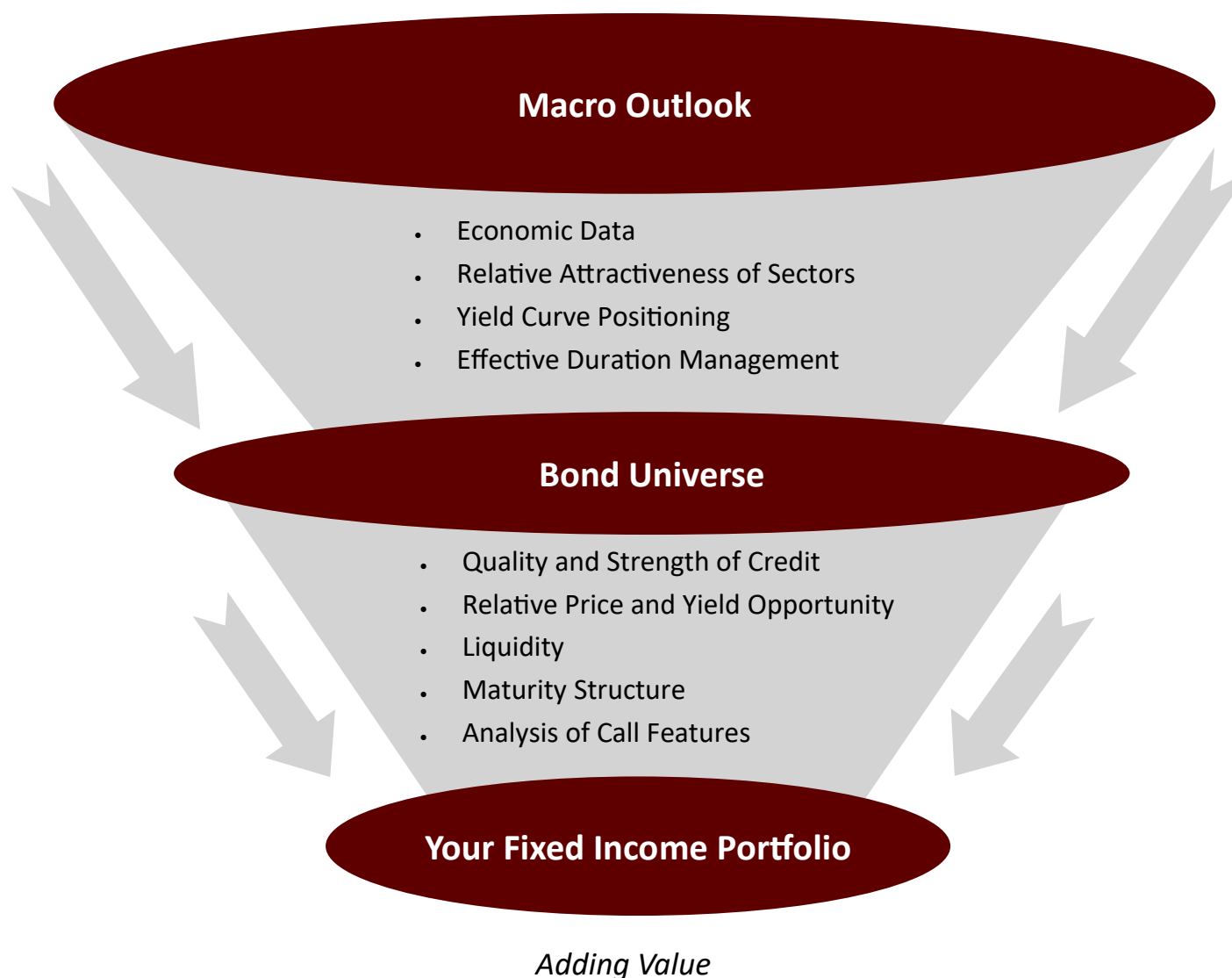
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# Fixed Income Portfolio Process

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May Lose Value

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# Current Markets

Not FDIC Insured

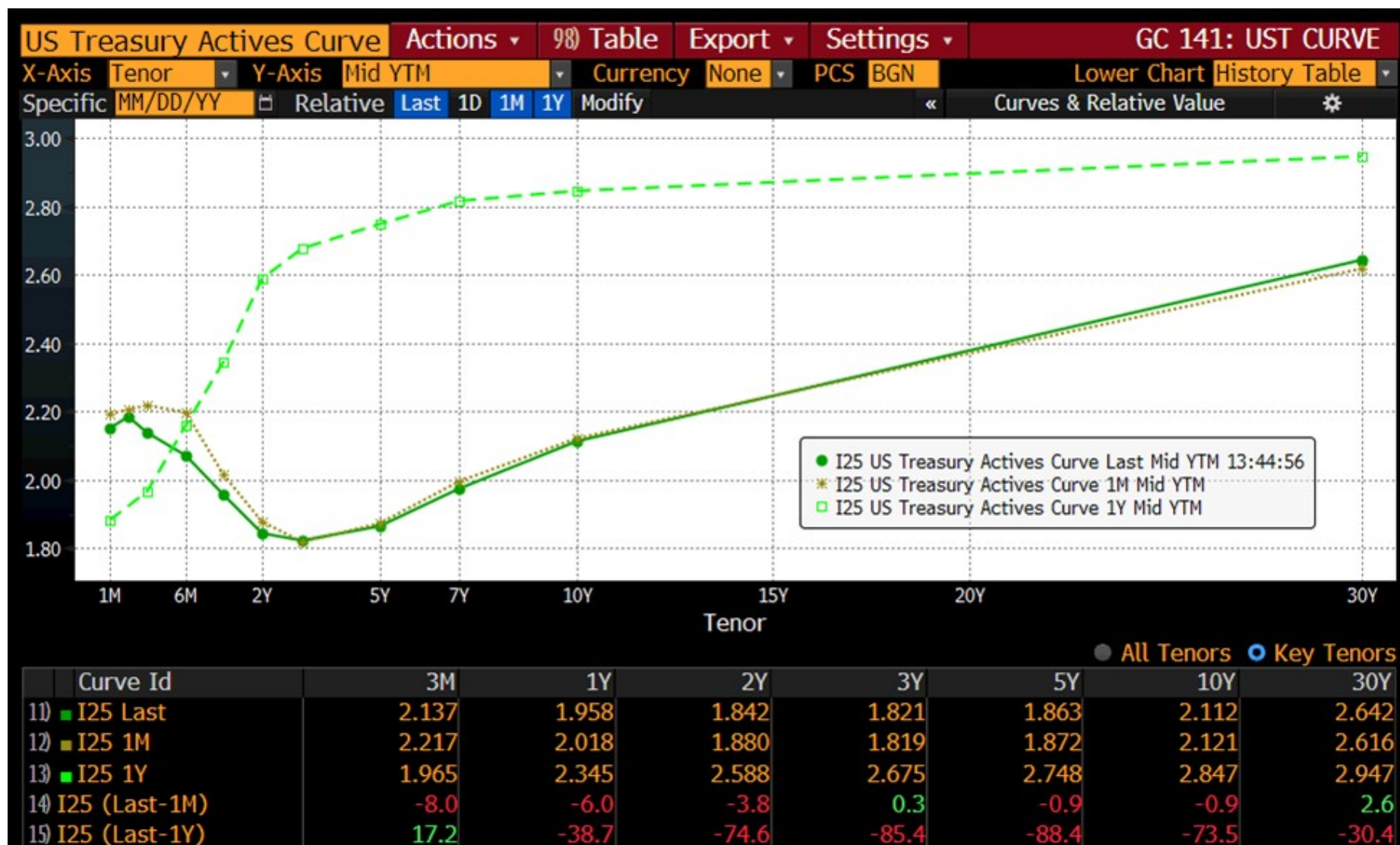
No Bank Guarantee

May Lose Value

Not a Deposit

Not Insured by any Federal Government Agency

# Markets: US Treasury Yield—Current and Historical Curves



# July 31 4:30 post Federal Reserve Rate Cut



Not FDIC Insured

No Bank Guarantee

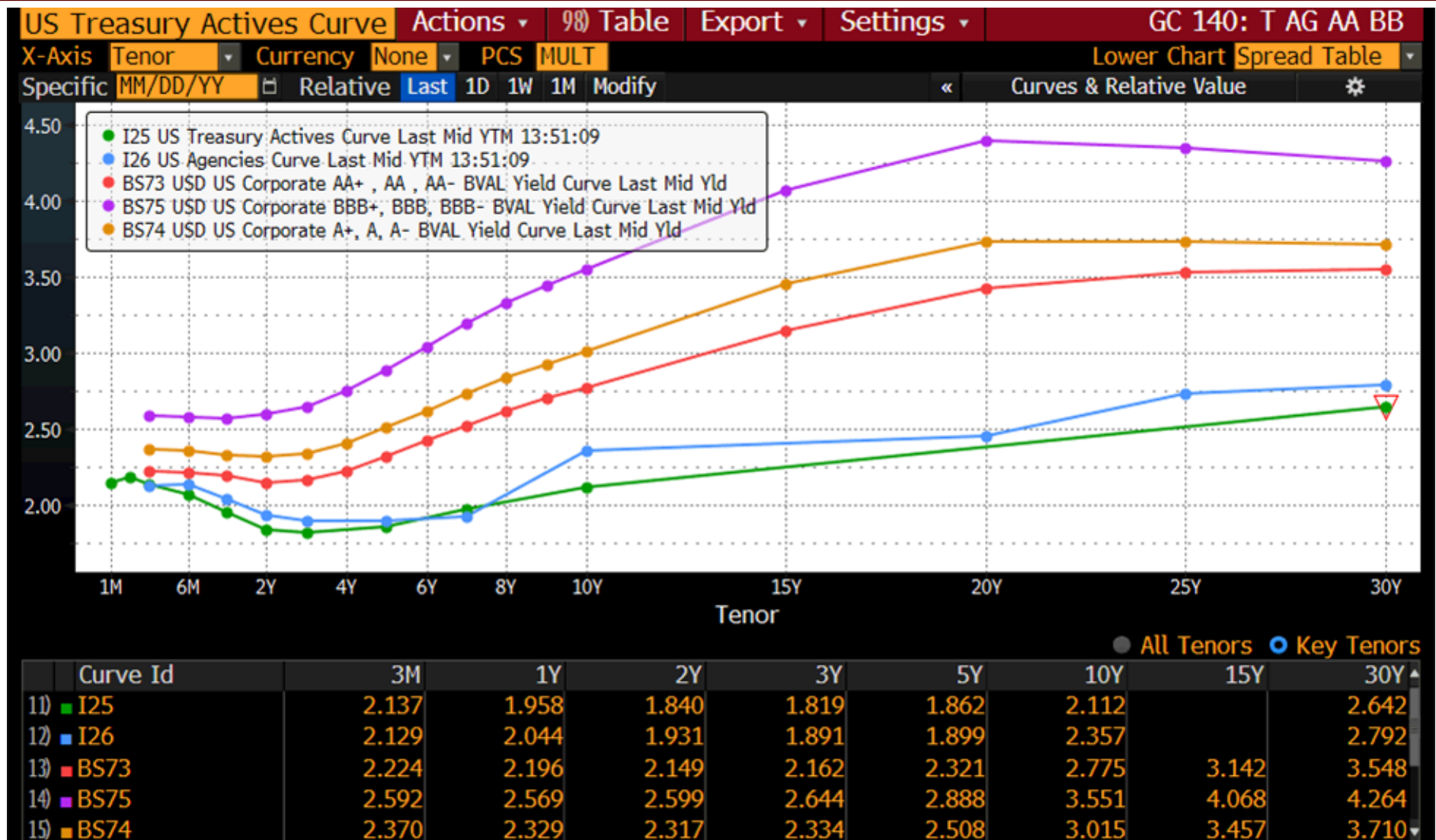
May Lose Value

Not a Deposit

Not Insured by any Federal Government Agency



# Markets: US Corporate and Agency Debt Curves



Not FDIC Insured

No Bank Guarantee

May Lose Value

Not a Deposit

Not Insured by any Federal Government Agency

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**Thank you for the opportunity to present.**

## **Summary**

Not FDIC Insured

No Bank Guarantee

May Lose Value

Not a Deposit

Not Insured by any Federal Government Agency

# CY 2020 Assessment Process Discussion

NHVA Audit Committee Meeting

August 6, 2019

NH Insurance Department Room 274



# Contents

1. Background
2. Historical Trends
3. Rate Assumptions and Assessment Model
4. DHHS Information for Assessment Process
5. FY2019 Administrative Budget

# 1. Background

# CY2020 Assessment Process Timeline

- July 2019
  - Data collection for Actual FY2019 and YTD CY2019
  - Modeling begins
- August 2019
  - Modeling based upon trends and initial NH DHHS data (8/1)
  - Concept meeting with the Audit Committee (8/6)
  - Modeling with final DHHS data (8/?)
- September 2019
  - Review and approval by Audit Committee (9/16)
- September 2019
  - Review and approval by Board of Directors (9/25)
  - Carrier notification of CY2020 rates (9/30)
- October 2019
  - Actual CDC credit received (10/1)



# CY2019 Assessment Process Re-Design Accomplishments

1. Simplified the prior assessment process
2. Worked to keep the payer assessment aligned with annual vaccine costs in future years
  - Addressed trend reduction in covered lives
  - Addressed trend increase in state vaccine expenditures
  - Reduced payer burden
3. Ensured process alignment with RSA 126-Q:4-II and Operations Manual
4. Reduced financial risk/exposure to NHVA
  - Managed investment account interest to offset administrative budget
  - As planned, accumulated cash sufficient to fund \$5M Reserve
  - Managed TRICARE claim resolution and ongoing quarterly collections
5. Incurred one-time assessment allowance for unbudgeted FY2019 administrative expenses
  - Prior Administrator run out and new Administrator cutover expenses
  - Washington Vaccine Association CY2018 expenses

## FY2019 Significant Events

- Investment interest income – \$222,025
- TRICARE one-time arrearage settlement – \$3,970,307
- TRICARE specific assessment receipt– \$158,485
- Tufts assessment recoupment – \$438,771
- Tufts interest recoupment – \$131,361
- WVA Expense – (\$120,000)
- WVA Final Contribution – (\$71,858)
- EBPA refund – (\$58,115)

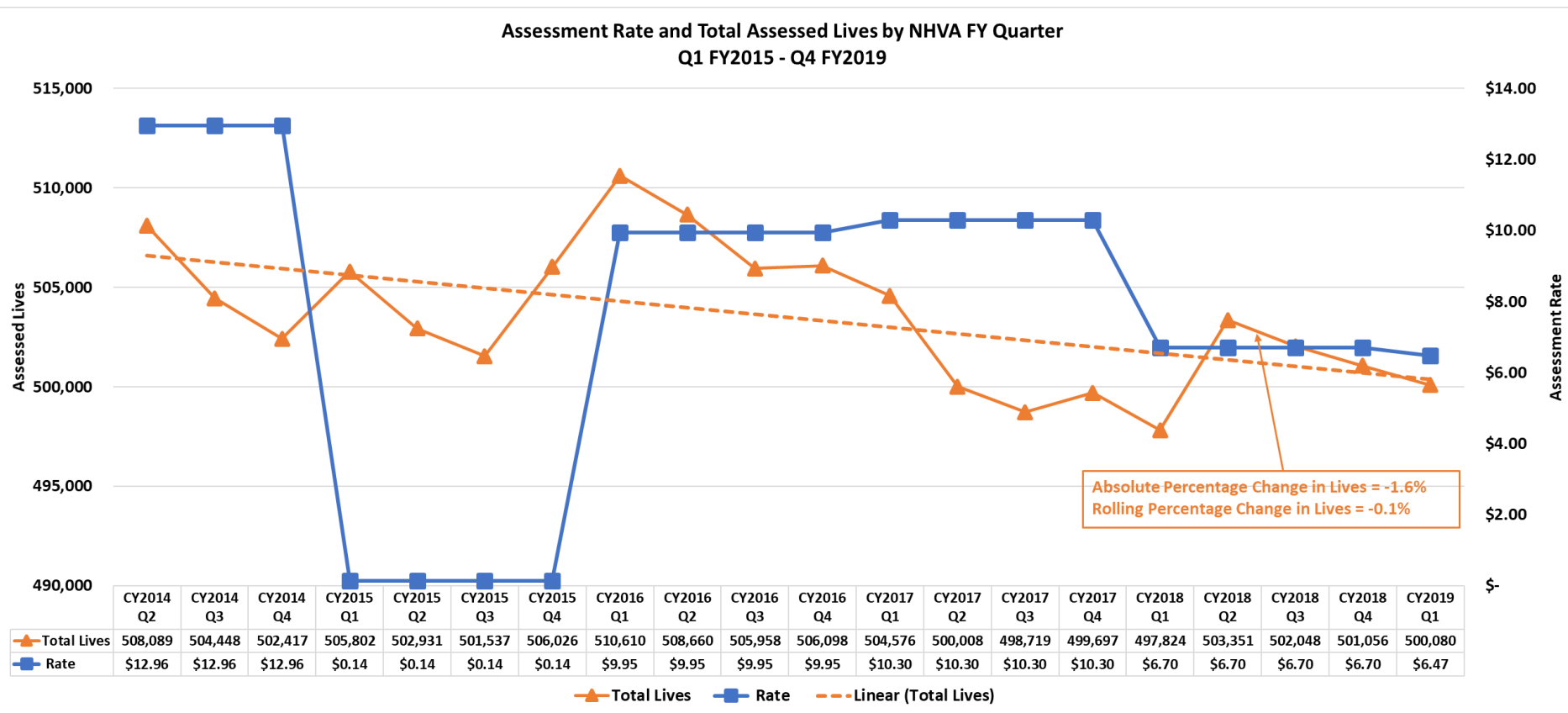


# Assessment History / Timeline

	JAN	FEB	MAR	APR	MAY	JUN	JULY	AUG	SEP	OCT	NOV	DEC
CY 2015									Assessment Set CY 2016. \$9.95			
									DHHS payment \$19,653,132 due 6/30/17	CDC Replacement Credit \$4,377,668		
							SFY 16	SFY 16	SFY 16	SFY 16	SFY 16	SFY 16
CY 2016									Assessment Set CY 2017. \$10.30			
		Assessment Collected \$0.14			CY 2016 Assessment Collected \$9.95			CY 2016 Assessment Collected \$9.95	CY 17 DHHS payment \$18,819,145 due 6/30/18	CDC Replacement Credit \$3,564,068	CY 2016 Assessment Collected \$9.95	
	SFY 16	SFY 16	SFY 16	SFY 16	SFY 16	SFY 16	SFY 17	SFY 17	SFY 17	SFY 17	SFY 17	SFY 17
CY 2017									Assessment Set CY 2018. \$6.70			
		CY 2016 Assessment Collected \$9.95			CY 2017 Assessment Collected \$10.30	CY 2016 Assessment Paid to DHHS \$19,653,132		CY 2017 Assessment Collected \$10.30	CY2018 DHHS payment \$19,149,829 - \$9,915,173=\$9,234,656 due 6/30/19	CDC Replacement Credit \$4,282,619	CY 2017 Assessment Collected \$10.30	
	SFY 17	SFY 17	SFY 17	SFY 17	SFY 17	SFY 17 DHHS Reports Balance Forward \$9,915,173	SFY 18	SFY 18	SFY 18	SFY 18	SFY 18	SFY 18
CY 2018									Assessment Set CY 2019. \$6.47			
		CY 2017 Assessment Collected \$10.30			CY2018 Assessment Collected \$6.70	CY 2017 Assessment Paid to DHHS \$18,819,145		CY2018 Assessment Collected \$6.70	CY 2019 DHHS expected payment due 6/30/20 \$16,200,000-\$5,262,850- 1,856,544=\$9,080,606	CDC Replacement Credit \$1,856,544	CY2018 Assessment Collected \$6.70	
	SFY 18	SFY 18	SFY 18	SFY 18	SFY 18	SFY 18 DHHS Reports Balance Forward \$12,979,343	SFY 19	SFY 19	SFY 19	SFY 19	SFY 19	SFY 19
CY 2019									Assessment Set CY 2020 \$X.XX			
		CY2018 Assessment Collected \$6.70			CY 2019 Assessment Collected \$6.47	CY 2018 Assessment Paid to DHHS \$9,234,656		CY 2019 Assessment Collected \$6.47	CY 2019 DHHS expects \$XX,XXX,XXX due 6/30/21	CDC Replacement Credit \$XX,XXX,XXX 10.01.2019	CY 2019 Assessment Collected \$6.47	
	SFY 19	SFY 19	SFY 19	SFY 19	SFY 19	SFY 2019 DHHS Reports Balance Forward \$ TBD 08-2019	SFY 20	SFY 20	SFY 20	SFY 20	SFY 20	SFY 20
CY 2020									Assessment Set CY 2021 \$X.XX			
		CY 2019 Assessment Collected \$6.47			CY 2020 Assessment Collected \$X.XX	CY 2019 Assessment to Pay to DHHS \$9,080,606 6/30/20		CY 2020 Assessment Collected \$X.XX	DHHS payment \$XX,XXX,XXX due 6/30/21	CDC Replacement Credit \$XX,XXX,XXX 10.01.2020	CY 2020 Assessment Collected \$X.XX	
	SFY 20	SFY 20	SFY 20	SFY 20	SFY 20	SFY 2020 DHHS Reports Balance Forward \$ TBD 08-2020	SFY 21	SFY 21	SFY 21	SFY 21	SFY 21	SFY 21
CY 2021									Assessment Set CY 2021 \$X.XX			
		CY 2020 Assessment Collected \$XX.XX			CY 2021 Assessment Collected \$XX.XX	CY 2020 Assessment Paid to DHHS \$XX,XXX,XXX		CY 2021 Assessment Collected \$XX.XX	DHHS payment \$XX,XXX,XXX due 6/30/22	CDC Replacement Credit \$TBD 10.01.2021	CY 2021 Assessment Collected \$XX.XX	
	SFY 21	SFY 21	SFY 21	SFY 21	SFY 21	SFY 2021 DHHS Reports Balance Forward \$ TBD 08-2021	SFY 22	SFY 22	SFY 22	SFY 22	SFY 22	SFY 22

## 2. Historical Trends

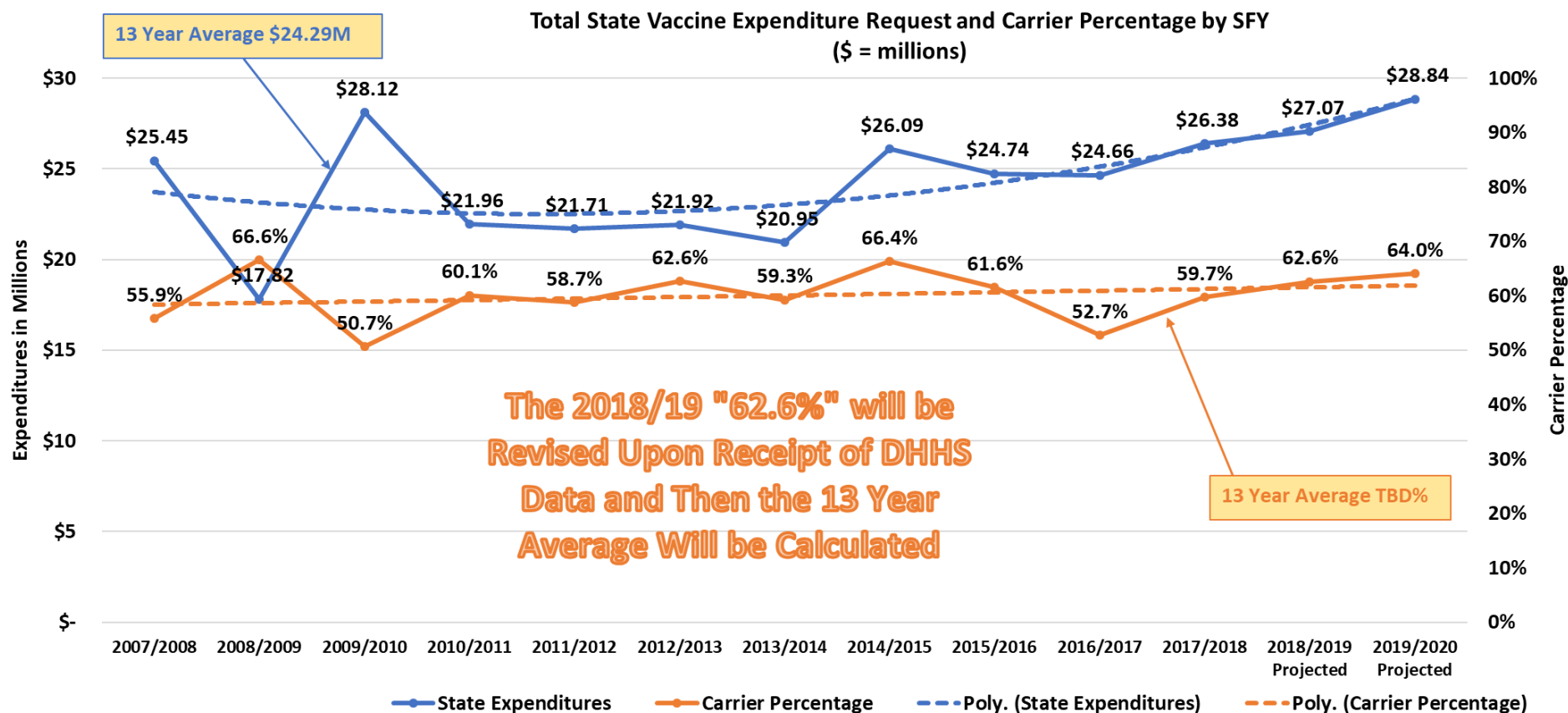
# Shrinking Assessed Lives and Variability in Assessed Rate



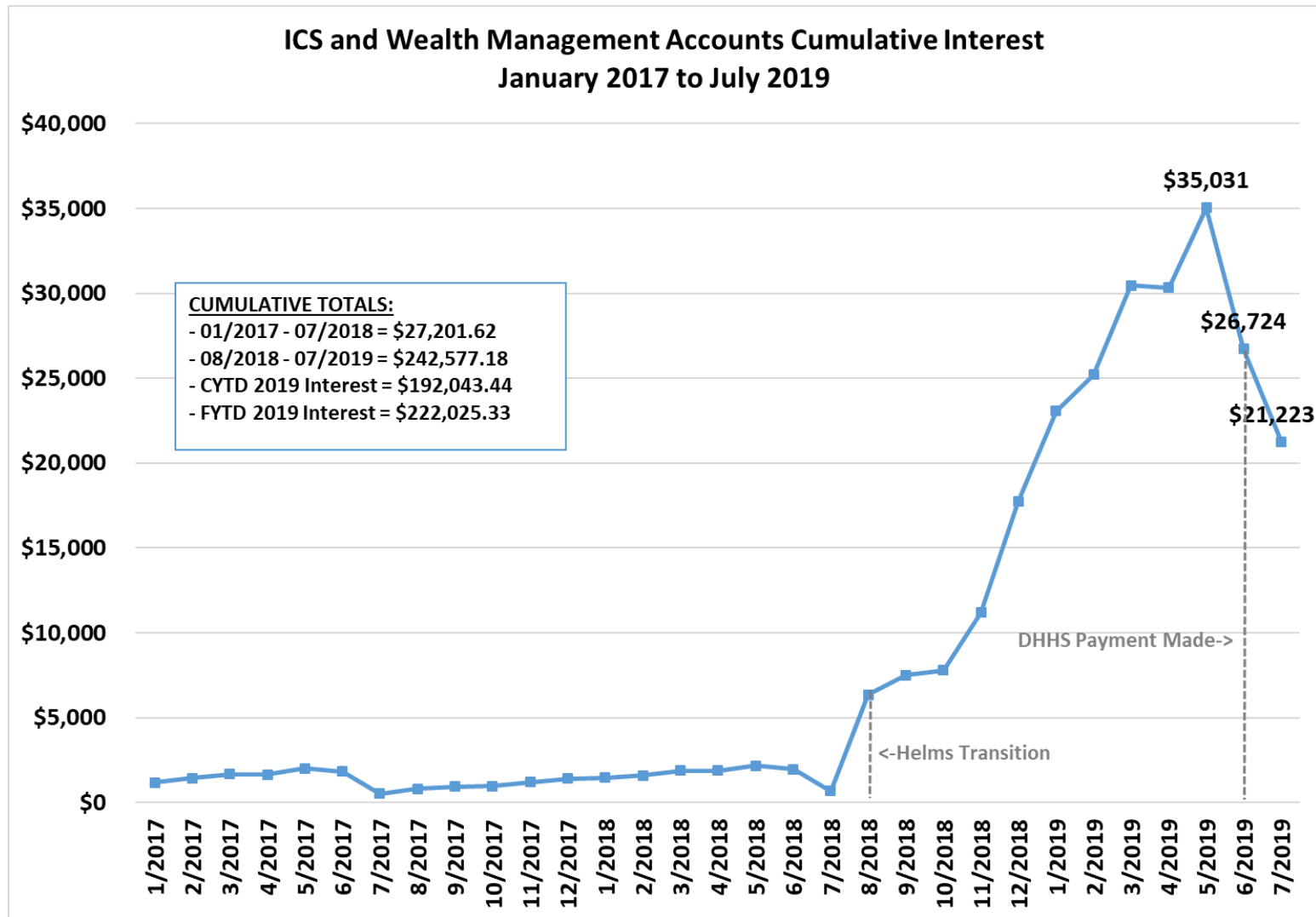
Source: NHVA KidsVax® reconciliation spreadsheet, 09-06-2018; NHVA Data August 2019  
 Note: Total Assessed Lives reflects CY2019 Tufts recovery activity and EBPA refund activity



# Increasing State Vaccine Expenditures and Stability in Payer Proportion



# Investment Interest Income



## 3. Rate Assumptions and Assessment Model



# CY2020 Core Rate Assumptions (as of August 2, 2019)

1. Board commitment to keeping rates stable in future years (~\$6.50-\$8.00)
2. NHVA funds held by NH DHHS will be recovered in June CY2020 for the second year in a row
3. Total assessed lives is declining by 0.1% per year and will continue
4. A reserve of 10% will be taken of the total non-Federal program cost for the succeeding year (RSA 126-Q:4 II.(c))
5. The TRICARE cap rate of \$12.47 will continue in CY2020 and TRICARE's \$1,492,489 future, specific assessment receivable will be paid down in full in 16 quarters at the current rate of \$12.47
6. The percentage paid by the carriers will be 64% (estimate as of 08.02.2019)
7. NHVA will not recover the prior, outstanding Minuteman receivable (\$58,270 fully reserved as of 6/30/18)
8. The CDC's annual credit on October 1, 2019 will be no more than last year's \$1.8M (and could be less)
9. NHVA will fully fund the \$5M reserve fund as of October 1, 2019 and any excess cash beyond the \$5M will be used for rate stabilization in future years
10. No assumption made for late payment interest assessments
11. No assumption made for reimbursement of NH DHHS Immunization Section administrative costs

# CY2020 Rate Assessment Model

**Developed After August 6  
Meeting and DHHS Data Received  
Week of August 12**

# Cash Flow Reconciliation / Outlook

**Developed After August 6  
Meeting and DHHS Data Received  
Week of August 12**

## 4. DHHS Information for Assessment Process



DHHS Tab C  
08-01-2019

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Association





Expense	Description	Total Cost	Amount Requested from
Vaccine Ordering Management Sys	Mechanism for providers to order vaccines online and for the program to track vaccines, generate reports on administration, wastage, etc.	\$167,762.00	\$100,657.20
Vaccine Accountability Coordinator	Responsible for the purchase and distribution of all vaccines within the program. This position manages Vaccine For Children (VFC), 317, and state/local vaccine funding. This individual tracks vaccine inventory, vaccine distribution and administration, vaccine wastage, trends, all of which informs forecasting. This position plays a key role during the influenza season by closely tracking flu vaccine expenditures and distribution to ensure the vaccines are in the right quantities and the right location, allowing for successful clinic outcomes. This position works directly with the Public Health Regions to plan vaccine distribution for Pandemic Exercises or vaccine-preventable disease outbreaks. The position collaborates with the Immunization Information System (IIS), Vaccine Data Coordinator to provide	\$88,273.00	\$52,963.80
Vaccine Quality Specialist	Conducts VFC site visits with enrolled health care providers. Conducts on-site training for new Vaccine Managers; offers educational programs related to overall vaccine management, including storage and handling. Reviews all health care provider vaccine management (including emergency) plans; coordinates annual vaccine provider enrollment process, reviewing all health care provider	\$79,666.00	\$47,799.60
Program Specialist II	Under the direction of the Vaccine Accountability Coordinator, adhering to the standards of vaccine accountability and the VFC Operations Policy & Procedures, this position is responsible for working in the Vaccine Ordering Management System (VOMS/IIS); working with health care provider vaccine ordering-related documents, including vaccine orders, temperature logs and applicable reports. This position works directly with health care providers and staff related to overall	\$71,916.00	\$43,149.60
Technical Support Specialists (2)	This positions operates the technical support Help Desk for the Vaccine Ordering Management System. Interacts with VTrckS (CDC vaccine ordering system) as it relates to the ExIS connection (VOMS) that passes information between the two systems. Works with both systems to assure data quality and vaccine ordering accountability. Works directly with medical health care provider practices to assure education for staff. Develops interoperability processes to inform evidence-based strategies.	\$67,750.00	\$40,650.00
<b>Total</b>		<b>\$475,367.00</b>	<b>\$285,220.20</b>

Request is based on the principle that approximately 60% of the vaccines that the the New Hampshire Immunization Section orders and assures the quality of is NHVA vaccine.



**NHVA** New Hampshire  
Vaccine Association

# DHHS Tab D - FY2019 Balance Forward Detail Report

**DHHS to Provide Week of August 12**

## 5. FY2020 Administrative Budget

# FY2020 Administrative Budget – Adopted by Board June 19, 2019

	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	TOTAL
<b>EXPENSE</b>													
Administrative Fees	\$ 8,333	\$ 8,333	\$ 8,333	\$ 8,333	\$ 8,333	\$ 8,333	\$ 8,333	\$ 8,333	\$ 8,333	\$ 8,333	\$ 8,333	\$ 8,333	\$ 100,000
Subcontractors	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100	\$ 1,200
Subtotal	\$ 8,433	\$ 8,433	\$ 8,433	\$ 8,433	\$ 8,433	\$ 8,433	\$ 8,433	\$ 8,433	\$ 8,433	\$ 8,433	\$ 8,433	\$ 8,433	\$ 101,200
Bank Fees	\$ 360	\$ 360	\$ 360	\$ 360	\$ 360	\$ 360	\$ 360	\$ 360	\$ 360	\$ 360	\$ 360	\$ 360	\$ 4,320
Board Meeting Expense			\$ 100	\$ 100	\$ 100		\$ 100		\$ 100			\$ 100	\$ 600
Dues and Subscriptions													\$ -
Insurance (D&O)							\$ 2,000						\$ 2,000
Licenses and Fees				\$ 75									\$ 75
Postage and Shipping	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40	\$ 40	\$ 480
Professional Fees - Audit	\$ 8,500												\$ 8,500
Professional Fees - Legal	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 2,083	\$ 25,000
Public Information Expense													\$ -
Website			\$ 525										\$ 525
Subtotal	\$ 10,983	\$ 2,483	\$ 3,108	\$ 2,658	\$ 2,583	\$ 2,483	\$ 4,583	\$ 2,483	\$ 2,583	\$ 2,483	\$ 2,483	\$ 2,583	\$ 41,500
<b>TOTAL EXPENSE</b>	<b>\$ 19,417</b>	<b>\$ 10,917</b>	<b>\$ 11,542</b>	<b>\$ 11,092</b>	<b>\$ 11,017</b>	<b>\$ 10,917</b>	<b>\$ 13,017</b>	<b>\$ 10,917</b>	<b>\$ 11,017</b>	<b>\$ 10,917</b>	<b>\$ 10,917</b>	<b>\$ 11,017</b>	<b>\$ 142,700</b>

# Contact

Patrick Miller, MPH

Executive Director, NHVA

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603-344-8931 (m)

**MEMORANDUM**

**DATE:** August 6, 2019 (Draft 07.25.2019)

**FROM:** Administrator

**TO:** Audit Committee

**SUBJ:** Revisions to Late Payment Interest Policy

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During my exit meeting after the recent FY2019 financial audit, Karen Carew of Carew & Wells, PLLC, raised the issue as to whether late interest should have been charged to Tufts Health Plan for the two-week grace period for the retroactive filings submitted earlier this calendar year. The current Late Payment Interest Policy is unclear.

In addition to Karen's question, there are several, additional factors which have emerged that have lead Helms & Company, Inc. to a recommendation regarding a re-write of the current Late Payment Interest Policy:

1. While no carrier has submitted a late payment under the two-week grace period since Helms took over as Administrator, Helms believes that clarifying both the policy and operations should be completed. Many of the carriers for NHVA are also carriers who submit quarterly assessment payments for New Hampshire Health Plan (NHHP) for which Helms also serves as Administrator, which creates an opportunity to have consistency between NHVA and NHHP. Helms would want to give the carriers time for any adjustments and will propose a January 1, 2020 policy effective date;
2. The current two-week grace period has created confusion (e.g., is it ten business days or fourteen calendar days);
3. Helms recommends that the Late Payment Interest Policy be rewritten to use both the Electronic Funds Transfer (EFT) deposit dates and the check postmark dates as the two possible dates from which to calculate late payment interest moving forward; and
4. There has been past discussion regarding terminating the current lock box vendor contract due to the annual fees (\$2,784/year) and the relatively low administrative burden Helms would absorb if the lock box contract ended. This would also provide an opportunity to use the postmarked date for checks submitted as part of a revised Late Payment Interest Policy.

The proposed changes to the policy can be found on the next page. If recommended for approval by the Audit Committee on August 6, 2019, the policy would then be submitted to the Board of Directors for approval at the September 25, 2019 Board Meeting.

## Late Payment Interest Policy

Policy Title:	Late Payment Interest Policy
Effective Date:	January 1, 2020
Purpose:	Collection of late payment interest.

This Late Payment Interest Policy (the “Policy”) shall direct collection of interest on overdue assessments paid to NHVA by assessable entities.

As required by RSA 126-Q, assessable entities must file a quarterly assessment reporting the number of New Hampshire child covered lives by month, and remit applicable payment due within forty-five (45) days of the end of each calendar quarter (i.e., by February 15, May 15, August 15, and November 15). To this end, assessable entities are required to comply with the following, two practices:

### **1. FILED ON TIME, LATE PAYMENT**

If the assessment is filed on time but the payment is received after the due date (45 days after the end of each quarter), interest will be calculated per the Plan of Operation by multiplying the number of days late by 0.000493 by the assessment amount due and invoiced to the assessable entity. The determination of whether a payment is received beyond the due date will be made either as the date payment was received electronically, or as of the postmarked data for payments received via bank check.

### **2. LATE FILING, LATE PAYMENT**

If a filing is completed through the NHVA’s automated assessment system after the due date (45 days after the end of each quarter), interest will automatically be calculated between the due date and the filing date and will be included on the system generated NHVA invoice. Upon receipt of the payment, NHVA will calculate any interest due between the filing date and the payment received date. Per the Plan of Operation, interest will be calculated by multiplying the number of days late by 0.000493 by the assessment amount due. This will ensure that interest will be collected for all days the payment is late.

NHVA will forego pursuit of any past due interest amount under \$10 for either situation outlined above.

**ENFORCEMENT, REVIEW AND REVISION:** This Policy may be updated from time to time by the Board.

**DATE ADOPTED:** March 9, 2016; modified August 6, 2019; approved September 25, 2019