

**NEW HAMPSHIRE
VACCINE ASSOCIATION
FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED
JUNE 30, 2020 AND 2019**

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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, 2020 and 2019, 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 controls 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.

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, 2020 and 2019, 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 31, 2020



NEW HAMPSHIRE VACCINE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2020 AND 2019

	June 30, 2020	June 30, 2019
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 7,514,560	\$ 12,220,200
Short-term investments	-	261,566
Prepaid expenses	<u>1,960</u>	<u>1,164</u>
<i>Total Current Assets</i>	<u>7,516,520</u>	<u>12,482,930</u>
<i>Non-Current Assets</i>		
Investments	<u>6,814,180</u>	<u>-</u>
<i>Total Current Assets</i>	<u>6,814,180</u>	<u>-</u>
 TOTAL ASSETS	 <u><u>\$ 14,330,700</u></u>	 <u><u>\$ 12,482,930</u></u>
 LIABILITIES & NET ASSETS		
 TOTAL LIABILITIES	 <u>\$ -</u>	 <u>\$ -</u>
<i>Net Assets</i>		
Net assets without donor restrictions	250,000	250,000
Net assets with donor restrictions	<u>14,080,700</u>	<u>12,232,930</u>
TOTAL NET ASSETS	<u>14,330,700</u>	<u>12,482,930</u>
 TOTAL LIABILITIES & NET ASSETS	 <u><u>\$ 14,330,700</u></u>	 <u><u>\$ 12,482,930</u></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, 2020 AND 2019

	June 30, 2020	June 30, 2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
REVENUE AND OTHER SUPPORT		
Net assets released from restrictions		
Assets released for operations	\$ 127,226	\$ 388,786
OPERATING EXPENSES		
Administrative services	100,142	148,318
Professional fees	20,636	39,589
Insurance	2,564	4,304
License and fees	75	75
Bank fees	1,723	3,033
Washington Vaccine Association, TRICARE settlement costs	-	191,858
Stationary & printing	1,500	222
Subcontractors	100	1,250
Website	486	-
Advertising	-	137
<i>Total Operating Expenses</i>	<u>127,226</u>	<u>388,786</u>
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>-</u>	<u>-</u>
NET ASSETS WITH DONOR RESTRICTIONS		
Assessment income, less refunds of \$58,115 and \$0 in 2020 and 2019	12,994,817	13,667,614
TRICARE settlement income	395,271	4,128,793
Interest on late assessments	293	131,362
Bank and sweep interest	253,394	220,479
Return on investments	82,614	5,424
Net assets released from restrictions		
Remittance to the State of New Hampshire	(11,751,393)	(9,234,656)
Assets released for operations	<u>(127,226)</u>	<u>(388,786)</u>
INCREASE (DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	<u>1,847,770</u>	<u>8,530,230</u>
CHANGES IN NET ASSETS	<u>1,847,770</u>	<u>8,530,230</u>
<i>Net Assets, Beginning of Year</i>	<u>12,482,930</u>	<u>3,952,700</u>
<i>Net Assets, End of Year</i>	<u>\$ 14,330,700</u>	<u>\$ 12,482,930</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, 2020 AND 2019

	June 30, 2020	June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	<u>\$ 1,847,770</u>	<u>\$ 8,530,230</u>
<i>Adjustments to reconcile changes in net assets</i>		
(Gain) on sale of investments	(326)	-
Unrealized (gain) loss on investments	(68,011)	-
(Increase) decrease in:		
Prepaid expenses	(796)	2,310
Increase (decrease) in:		
Accrued expenses	-	(4,334)
Assessment refund	<u>-</u>	<u>(66)</u>
<i>Total Adjustments</i>	<u>(69,133)</u>	<u>(2,090)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,778,637</u>	<u>8,528,140</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,724,277)	-
Proceeds from sale of investments	<u>240,000</u>	<u>(5,424)</u>
Net Cash Used by Investing Activities	<u>(6,484,277)</u>	<u>(5,424)</u>
 NET INCREASE (DECREASE) IN CASH	(4,705,640)	8,522,716
 <i>Cash, Beginning of Year</i>	<u>12,220,200</u>	<u>3,697,484</u>
 <i>Cash, End of Year</i>	<u><u>\$ 7,514,560</u></u>	<u><u>\$ 12,220,200</u></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 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, money market funds, and short-term investments held in the investment account.

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.

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NEW HAMPSHIRE VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

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

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 revenue is 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 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:

	2020	2019
<i>Program Expense</i>		
Remittance to State of NH	\$ <u>11,751,393</u>	\$ <u>9,234,656</u>
<i>Management & General</i>		
Administrative services	100,142	148,318
Professional fees	20,636	39,589
Insurance	2,564	4,304
License and fees	75	75
Bank fees	1,723	3,033
TRICARE settlement costs	-	191,858
Stationary & printing	1,500	222
Subcontractors	100	1,250
Website	486	-
Advertising	<u>-</u>	<u>137</u>
<i>Total Management & General</i>	<u>127,226</u>	<u>388,786</u>
<i>TOTAL EXPENSES</i>	<u>\$ 11,878,619</u>	<u>\$ 9,623,442</u>

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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, 2020 and 2019, 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.

New Accounting Pronouncement

ASU 2016-15, Statement of Cash Flows (Topic 230)

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (A Consensus of the FASB Emerging Issues Task Force)." To reduce diversity in reporting practice, the ASU provides solutions for eight specific statement of cash flow classification issues. The new standard is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Association currently follows the ASU guidelines for reporting the Statement of Cash Flows.

There was no effect on the amounts previously reported. The Association has used the indirect method of reporting cash flows and was not subject to income tax for June 30, 2020 and 2019.

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.

NEW HAMPSHIRE VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

C | CURRENT RESOURCES

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

The Association has the following financial assets available within 1 year of the balance sheet dates (June 30, 2020 and 2019) to meet cash needs for general expenditures consisting of:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 7,514,560	\$ 12,220,200
Short-term investments	<u>-</u>	<u>261,566</u>
Total	<u>\$ 7,514,560</u>	<u>\$ 12,481,766</u>

None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. General expenditures include the required remittance to the State of New Hampshire and reasonable and necessary operating costs. Investments set aside for long-term investing are not included in the current resources available for general expenditures. However, these amounts could be drawn upon if needed by the Association.

Liquidity Management

The Association is substantially supported by assessment income. To manage liquidity, the Association maintains sufficient financial asset balances to satisfy general expenditures as they come due. The Association invests cash in excess of immediate operations in investments to provide a reasonable rate of return to offset the operating expenses and reduce the total cost of the program to insurers.

In determining assessment rates, the Board of Directors have annually designated \$250,000 to ensure adequate cash flow for operating expenses. In addition, during the year ended, June 30, 2020, the Association reserved \$5 million of the available restricted net assets used in setting the assessment rates. This reserve provides for consistent and stable assessment rates to insurers over time.

D | INVESTMENTS

Composition of Investments

Investments are comprised of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Fixed Income Funds (Level 1 measured at fair value)		
Negotiable Certificates of Deposit	\$ 6,592,129	\$ -
Federated Government Money Market	<u>222,050</u>	<u>261,566</u>
Total Investments	<u>\$ 6,814,180</u>	<u>\$ 261,566</u>

Investments include funds in excess of those necessary for immediate operating needs, including the funds reserved to stabilize assessment rates over time. Investments are presented in the financial statements as follows:

	<u>2020</u>	<u>2019</u>
Short-term Investments	\$ -	\$ 261,566
Investments	<u>6,814,180</u>	<u>-</u>
Total	<u>\$ 6,814,180</u>	<u>\$ 261,566</u>

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NEW HAMPSHIRE VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements

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 investments are comprised of money market funds and negotiable certificates of deposit reported at fair value based on quoted market prices (Level 1) as follows:

	Cost	Fair Value	Unrealized Gain (Loss)
<i>As of June 30, 2020</i>			
Negotiable Certificates of Deposit	\$ 6,524,118	\$ 6,592,129	\$ 68,011
Money market	<u>222,050</u>	<u>222,050</u>	<u>-</u>
Total Investments	<u>\$ 6,746,168</u>	<u>\$ 6,814,180</u>	<u>\$ 68,011</u>
<i>As of June 30, 2019</i>			
Money market	<u>\$ 261,566</u>	<u>\$ 261,566</u>	<u>\$ -</u>

Return on Investments

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:

	2020	2019
Interest	\$ 14,933	\$ -
Dividends	5,065	5,424
Realized gain (loss)	326	-
Unrealized gain (loss)	68,011	-
Investment fees	<u>(5,721)</u>	<u>-</u>
Total	<u>\$ 82,614</u>	<u>\$ 5,424</u>

E | COMMITMENTS AND CONTINGENCIES

Risk of Reconsideration of Assessments

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

Termination of the Association

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

NEW HAMPSHIRE VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

TRICARE Assessment

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 was \$1,492,489 less than the TRICARE increment (the difference between the TRICARE inflation and vaccine adjusted per capita cap, and the total Association assessments amounts). The remaining TRICARE increment (arrearage) 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 cannot 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. Following is summary of the arrearage balance on the TRICARE specified assessments:

	2020	2019
TRICARE arrearage, beginning balance	\$ 1,334,003	\$ 5,462,796
Stipulated sum received	-	(3,970,307)
Increment payments received	<u>(395,271)</u>	<u>(158,486)</u>
TRICARE arrearage, ending balance	<u>\$ 938,732</u>	<u>\$ 1,334,003</u>

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 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.

F | 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, 2020 and 2019, the board designated balance for this purpose was \$250,000.

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NEW HAMPSHIRE VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

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. During the year ended, June 30, 2020, the Association reserved \$5 million of the available restricted net assets used in setting the assessment rates to provide for consistent and stable assessment rates to insurers over time. The remaining unexpended assessments will be applied to the determination of future assessments, or reasonable and necessary operating costs of the Association.

As of June 30, 2020 and 2019, net assets with donor restrictions is comprised of the following:

	<u>2020</u>	<u>2019</u>
<i>Unexpended assessments:</i>		
Available for rate setting	\$ 9,080,700	\$ 12,232,930
Reserved for rate stabilization	<u>5,000,000</u>	<u>-</u>
Net assets with donor restrictions	<u>\$ 14,080,700</u>	<u>\$ 12,232,930</u>

G | 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 \$11,751,393 and \$9,234,656 to the State of New Hampshire in 2020 and 2019, 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.

H | SUBSEQUENT EVENTS

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition of disclosure through July 31, 2020, the date the financial statements were available to be issued. The Association has not experienced any disruption in operations nor volatility in the market as a result of the ongoing pandemic. However, management is actively monitoring for potential future disruptions. Management has determined that it is impracticable to estimate the effect, if any, at this time given the evolving and ongoing nature of the pandemic.

Management has determined there are no additional subsequent events that provide evidence that did not exist at the date of the statement of financial position but arose subsequently to that date which would materially affect the financial position of the Association or cause these financial statements to be misleading to the reader.