

Washington Vaccine Association
Finance Committee Meeting
701 5th Ave, Suite 4900, Seattle, WA
September 18, 2018, 3:00-4:00 p.m. PST

I. Attendance. The following individuals participated:

Directors

John Sobeck, MD, Chair - In-person
Jason Farber, Esq., Davis Wright Tremaine,
LLC
Derek LeBrun, Sr. Director, Coordinated
Care

Executive Director

Julia Zell, WVA ED - In-person

KidsVax®

Peter Smith, Financial Analyst
Norman Roberge, Accountant
Claire Roberge, Controller
Charlene Stryker, Executive Assistant

Others

Anne Redman, Esq. Perkins Coie
SheAnne Allen, Vaccine Manager, WA
DOH
Allen D. Gilbert, Audit Manager,
CliftonLarsonAllen - In-person
Polly Sidwell, Morgan Stanley - In-person
David Keller, Morgan Stanley - In-person
Stephanie Crook, Provider Advocacy, NW
Region UnitedHealthcare

II. Summary of Actions Taken and/or Recommended

A. Actions Taken (votes adopted)

1. To approve the July 10, 2018 WVA Finance Committee Meeting minutes.
2. To recommend to the WVA Board the authorization of publication of the FYE 2017/18 Financial Statements and Independent Auditor's Report.
3. To adopt the proposed Investment Strategy with Morgan Stanley as outlined by Peter Smith's Memo included in the packet.

B. Follow Up Tasks/Action Items

1. Ms. Zell and Ms. Roberge will review and sign the management representation letter which they will receive from Mr. Gilbert that was not included with the audited financials.
2. Ms. Sidwell (Morgan Stanley) will send Ms. Roberge (KV) money wire instructions for transferring funds.
3. Ms. Redman, Ms. Zell and Mr. LeBrun will set a meeting date to review KV and Ms. Zell's reporting and approval procedures for expenditures. Mr. LeBrun agreed to serve as final reviewer of Ms. Zell's and KV expenses with Ms. Zell providing the first approval level for KV expenses.
4. Ms. Zell will provide the WVA Board with collection forecasts for various assessment grid options.

III. Meeting Minutes

At 3:00 p.m., a quorum having been established, Chairman John Sobeck called the meeting to order. Chairman Sobeck announced that the meeting was being recorded for the benefit of the minute-taker and would be deleted following the final approval of the minutes. The Committee considered calendar consent items.

Upon motion duly made and seconded, it was unanimously

VOTED: To approve the July 10, 2018 WVA Finance Committee Meeting Minutes.

1 Overview of the Draft FYE 2017/18 Audited Financials

2 Mr. Gilbert directed the Committee to the FYE 2017/18 audited financials. He reported that once again the WVA
3 received a clean audit. He summarized key financial figures for this year, comparing them to last year's audited
4 financials. The WVA accumulated approximately \$24 million increase in cash this year. Estimated collectible
5 assessments had a decrease of \$3.4 million and prepaid vaccine numbers were down approximately \$1.2 million from
6 the previous year. Total current assets were up by approximately \$20 million. Liabilities and accounts payable are
7 comparable to last year. The line of credit (LOC) maturing December 2016 was fully paid, leaving no balance this
8 year.
9

10 The 2018 Statement of Activity reflects an increase in assessments of approximately \$3.1 million over last year, though
11 the total net assessment activity is up \$1.8 million from last year to slightly over \$21 million this year. The net increase
12 is largely the result of the TRICARE settlement of \$12.7 million and improved payer compliance. Actual purchases
13 of vaccines are relatively flat, year over year. The WVA's expenses were consistent with last year's, the biggest
14 variance being the legal expense of \$306,000. As a result, the change in restricted net assets is a \$20 million increase
15 to the bottom line for the year. The Statement of Cash Flows shows an increase in cash from operations at \$24 million.
16

17 The remainder of the financial statements pertain to the footnotes of the organization and are virtually identical to last
18 year, with only a slight difference in the assessments collected. Mr. Gilbert concluded his briefing by reviewing
19 briefly the required communications to the WVA Board and the governance letter, a copy of which will be provided
20 with the final audit. No deficiencies in internal controls were identified.
21

22 Upon motion duly made and seconded, it was unanimously
23

24 **VOTED:** To recommend to the WVA Board the authorization of publication of the FYE
25 2017/18 Financial Statements and independent auditor's report.
26

27 Review of Refund Checks

28 Ms. Roberge provided a brief overview of the refund check process and recent transactions.
29

30 Financial Update

31 Mr. Smith provided an overview of the WVA's fiscal position, beginning with the cash reserve analysis summary. As
32 of July 31, 2018, there was approximately \$34.5 million cash on hand. Currently, there is nearly \$38.5 million in
33 cash. He also updated the cash flow projections to incorporate the latest Department of Health (DOH) projections for
34 vaccine expenditures.
35

36 Ms. Zell commented on Mr. Smith's financial update, noting that she has scheduled an Operations Committee in
37 October with an agenda item including the option of lowering the assessment rates for 2019. Dr. Sobeck noted that
38 having various options for a reduction of the WVA's cash reserves would be beneficial and suggested that Ms. Zell
39 provide the Board with different collection forecasts based on an additional grid reduction at various, logical times
40 and their potential impacts. Mr. LeBrun agreed, and Ms. Zell agreed to provide the information at the November 8th
41 Board meeting.
42

43 Beyond the current needs of cash for the next month, Mr. Smith advised investing the \$25 million rather than leaving
44 it in a noninterest-bearing account or an account with a minimal return.
45

46 Investment Program Strategy

47 Mr. Smith stated, based on the guidance of the Finance Committee, he and Ms. Zell researched options for active
48 portfolio management to avoid the WVA appointing a WVA officer having to approve and authorize individual trades.
49 This structure places individual buying and selling decisions in the hands of the portfolio manager. No individual buy
50 and sell authorizations would be needed by the WVA Board, WVA agent, or designee; therefore, it is his
51 recommendation based on the Committee's desire to outsource the management of the portfolio a cash management
52 plan that incorporates KeyBank Money Market funds for short term monthly operational funds (approximately
53 \$10MM). After researching various options with entities that provide the type of investment structure compatible
54 with the WVA's Reserve Policy, he found five viable options. Mr. Smith summarized each, providing the benefits

1 and the opportunity costs, concluding that due to the WVA's long-term relationship with Polly Sidwell and Morgan
2 Stanley and their favorable pricing, he suggests retaining Polly Sidwell as portfolio manager to be authorized to
3 execute investments according to our Reserves Investment Policy.

4
5 Ms. Sidwell along with Mr. Keller, from Morgan Stanley, gave a brief review of the Investment Strategy. Ms. Sidwell
6 stated that 80% of the portfolio would be in a 2 to 3-year range and only 20% would to a 4 to 5-year range. Ms.
7 Sidwell commented this is a very secure and stable investment.

8
9 Ms. Zell recommended that the Committee adopt the investment strategy outlined whereby \$25 million will be placed
10 in a portfolio with Morgan Stanley and \$10 million in a money market with KeyBank.

11
12 Upon motion duly made and seconded, it was unanimously

13
14 **VOTED:** To authorize the adoption of the Investment Program Strategy with Morgan Stanley in the
15 amount of \$25MM for immediate transfer and to keep \$10MM in a Money Market account
16 with KeyBank, and to authorize all necessary paperwork to accomplish the implementation
17 with attorney Redman's review.

18
19 KV and J. Zell Expenditures

20 Ms. Zell, with the approval from Ms. Redman, suggested designating a Board Member to oversee and authorize
21 payments and expenditures for KV and for herself. Ms. Redman stated that while WVA is moving in a direction of
22 engaging a WVA Director, Ms. Zell is considered, at this time, an independent contractor and KV continues to perform
23 their services for WVA; therefore, they are trying to establish a reporting relationship for expenses. KV monthly
24 service fee compensation along with the TRICARE Project and Special Payer Compliance will continue, but all
25 invoices will be directed, first to Ms. Zell for approval and then to Mr. LeBrun for authorization. Ms. Zell's expenses
26 for special projects on behalf of WVA including TRICARE along with a monthly fixed income while she is acting
27 ED of WVA will be reviewed and authorized by Mr. LeBrun. A meeting between Ms. Redman and Mr. LeBrun will
28 also be made off-line.

29
30 Other Matters from Committee Members

31 There were no other matters to discuss.

32
33 Executive Committee

34 Dr. Sobeck had nothing to present for the Executive Session.

35
36 Closing

37 There being no further business, the meeting adjourned at 3:57 p.m.



What: Finance/Audit Committee Meeting
Date & Time: Thursday, September 18, 2018; 3:00-4:00 p.m. (PDT)
Location: In-person at Cigna- 701 5th Ave., Suite 4900 Seattle, WA
Conference Line: (267) 930-4000; Conference ID: 103063718#

Notice: Meeting may be recorded for the benefit of the minute-taker. The WVA intends to delete the recording after the minutes of the meeting are approved.

Approx. Time	Topic / Anticipated Action	Presented by:
3:00-3:05 p.m.	1. Welcome & Introductions a. Notification of Recording	J. Sobeck J. Zell
3:05-3:10 p.m. *	2. Calendar Consent Items: a. Finance Committee Minutes (July 10, 2018)	J. Sobeck
3:10-3:20 p.m. *	3. Overview of Draft 2017-2018 Audited Financials a. Questions & Comments b. Vote to Recommend Publication of the 2017/18 Audited Financials	A. Gilbert
3:20-3:25 p.m. *	4. Review of Refund Checks	C. Roberge
3:25-3:40 p.m. *	5. Financial Update a. Financial Overview b. Reserve Target	P. Smith
3:40-3:50 p.m. *	6. Investment Program Strategy a. Vote to Recommend Investment Program Strategy to the Board	P. Smith
3:50-3:55 p.m.	7. Other Matters from Committee Members	Any
3:55-4:00 p.m.	8. Executive Session (KidsVax [®] and public excluded)	J. Sobeck
4:00 p.m.	9. Closing	J. Sobeck
	* 10. Reference Documents a. Proposed Form of Votes b. Driving Directions	



Washington Vaccine Association: Finance and Audit Committee Meeting
July 10, 2018; 3:00-3:30 p.m. (PDT)
Teleconference

I. Attendance. Participating in all or part of the meeting were the following individuals.

Members:

John Sobeck, M.D., Chairman – Market Medical Executive, Cigna
Jason Farber, Esq. – Davis Wright Tremaine, LLP
Derek LeBrun - Director Finance & Risk Adjustment, Coordinated Care

Department of Health (DOH):

Sheanne Allen, MPH, MCHES – Vaccine Management Section Manager

Others:

Anne Redman, Esq. Perkins Coie
Tammy Baker

KidsVax®:

Julia Walter Zell – WVA, Executive Director
Fred Potter – Managing Member
Claire Roberge – Controller
Norman Roberge – Accountant
Peter Smith, CPA – Independent Financial Analyst
Heather Veen – Sr. Executive Assistant
Charlene Stryker – Executive Assistant

II. Summary of Actions Taken and/or Recommended

A. Actions Taken (votes adopted)

- i. To approve putting funds into a short-term money market account until other options can be presented to the Committee

B. Follow up Tasks / Action Items

- i. J. Zell and P. Smith will work on looking at options for active management and report back to the Committee at the next meeting.
- ii. KV will provide all information requested by CLA to complete the 2017/18 Audit.

III. Meeting Minutes

At 3:30 p.m., a quorum having been established, Chairman John Sobeck called the meeting to order. Introductions were made and Ms. Zell announced that the meeting was being recorded for the benefit of the minute-taker and would be deleted following the final approval of the minutes.

Summary of WVA Cash Flows

Mr. Smith provided highlights of the recent buildup of operating reserves by the WVA and informed the Committee that the current market and rising interest rates have changed the investment options since KV originally sought proposals. Mr. Smith went over the attached document summarizing a few of the options for prudent stewardship of funds on-hand. He stated he could recommend any of the options detailed as prudent in terms in fulfilling the Committee's stewardship function. However, he stated that the WVA was well served by active management in prior years, and has maintained a relationship and small account with Morgan Stanley.

Overview of Investment Options

A. Discussion

Ms. Zell provided a brief history of WVA's prior investments with Morgan Stanley. Mr. Smith then summarized his memorandum with the following points:

1. A KeyBank Checking Account which retains funds in current non-interest-bearing account. There is an opportunity cost of \$650k per year inherent in this option.
2. A Money Market Account where market sweeps could be initiated would yield between .75% and 1.25%. This option opportunity cost of up to \$312,500 per year. No trade authorizations would be needed but, this option would require a standard banking authorization to move funds between WVA accounts.
3. A KeyBank Advised Account would include laddered prime and high-graded T-bills. This option requires WVA authorization for each buy and sell decision. This option has minimal costs.
4. A Morgan Stanley Managed or Outside Management of funds would include laddered prime and high-grade rated bonds and T-bills. This option does not require an officer of the WVA to give authorization for each trade but would cost approximately 35 Basis points.

After Mr. Smith elaborated on each option, general discussion on the options ensued. Various concerns brought up by the Committee members included liability of an internal management structure. Ms. Redman recommended not having Board members approve transaction to limit the liability of exposure on the WVA.

Mr. LeBrun agreed, stating he believes more time is needed to make this decision. Ms. Zell along with Mr. Smith offered to look into more options for outsourced management and re-visit this at the next meeting for the Committee's discussion. Mr. Potter suggested looking at a more traditional bank trust.

Chairman Sobeck raised the question: What are the implications of the WVA's retention of the excess cash? Mr. Potter responded that this is not uncommon. There was a target of \$21 million and we have exceeded that, which makes it investable money.

1 Ms. Zell agreed stating she believes this should be re-visited in November to see if the
2 funds above the reserved target should be refunded through a further grid reduction. She
3 cautioned that some expected WVA cash outlays may influence the reserve level in the
4 upcoming months.
5

6 **B. Committee Direction to WVA ED**
7

8 The sense of the Committee was that the ED should continue to explore other options for
9 outsource management of funds. The Committee also stated that it did not find KV's
10 proposal as viable. In the meantime, the WVA should place funds into a short-term money
11 market account.
12

13 **Closing**

14 There being no further business, the meeting adjourned at 3:30 p.m.



CliftonLarsonAllen LLP
CLAconnect.com

Board of Directors
Washington Vaccine Association
Seattle, Washington

We have audited the financial statements of Washington Vaccine Association (the Association) as of and for the year ended June 30, 2018, and have issued our report thereon dated REPORT DATE. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2018.

Draft for Discussion Purposes

We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

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

- Management's estimate of the balance in estimated collectible assessments is estimated as the amount that has not been collected from members for vaccines purchased by the state of Washington Department of Health through year-end. We evaluated the key factors and assumptions used to develop the balance in estimated collectible assessments in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

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.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures. One adjustment provided by management has been included in the audited financial statements and is attached to this communication.

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 auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated REPORT DATE.

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 Association's financial statements or a determination of the type of auditors' 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.

Significant issues discussed with management prior to engagement

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

This communication is intended solely for the information and use of the board of directors and management of Washington Vaccine Association, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Bellevue, Washington
REPORT

DATE

Board of Directors
Washington Vaccine Association
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Client: **032-19027300 - Washington Vaccine Association**
Engagement: **AUD2018 - Washington Vaccine Association**
Period Ending: **6/30/2018**
Trial Balance: **0900.01 - Annual Trial Balance - 2 Year**
Workpaper: **0921.00 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1				
Client Journal Entry #1: Client received invoices after fiscal year end from Perkins Coie for legal work performed in March 2018, invoices dated 04/18/18. Journal entry is to appropriately record the liability and related expense.				
60700	Subsidies, expenses & other deductions: Administration: Legal fees		4,262.00	
60710	Subsidies, expenses & other deductions: Administration: Legal fees - Tricare		1,795.00	
21000	Accounts Payable			6,057.00
Total			<u>6,057.00</u>	<u>6,057.00</u>

Draft for Discussion Purposes

WASHINGTON VACCINE ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

Draft for Discussion Purposes

**WASHINGTON VACCINE ASSOCIATION
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YEARS ENDED JUNE 30, 2018 AND 2017**

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Draft for Discussion Purposes



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Washington Vaccine Association
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Washington Vaccine Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
Washington Vaccine Association

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Vaccine Association as of June 30, 2018 and 2017, 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.

CliftonLarsonAllen LLP

Bellevue, Washington
REPORT DATE

Draft for Discussion Purposes

**WASHINGTON VACCINE ASSOCIATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 34,130,094	\$ 9,582,053
Estimated Collectible Assessments	6,355,445	9,708,870
Prepaid Vaccines to Washington Department of Health	<u>3,861,593</u>	<u>5,014,254</u>
Total Current Assets	<u>\$ 44,347,132</u>	<u>\$ 24,305,177</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 97,928	\$ 56,159
Total Current Liabilities	<u>97,928</u>	<u>56,159</u>
ASSESSMENTS COLLECTED IN EXCESS OF VACCINE FUNDING AND ADMINISTRATIVE ACTIVITIES	<u>44,249,204</u>	<u>24,249,018</u>
Total Liabilities	44,347,132	24,305,177
NET ASSETS - UNRESTRICTED	<u>-</u>	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 44,347,132</u>	<u>\$ 24,305,177</u>

Draft for Discussion Purposes

**WASHINGTON VACCINE ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

	Administrative Activities	Vaccine Funding Activities	Total
CHANGE IN UNRESTRICTED NET ASSETS			
Assessment Activity:			
Assessments	\$ 13,623,126	\$ 73,639,011	\$ 87,262,137
Vaccine Replenishments	-	(65,491,991)	(65,491,991)
Interest Income on Assessments	51,903	-	51,903
Net Assessment Activity	13,675,029	8,147,020	21,822,049
Expenses:			
Administrative:			
Administrative Services	775,292	-	775,292
Special Projects Services	651,442	-	651,442
Legal and Accounting	306,813	-	306,813
Office	41,623	-	41,623
Other	46,692	-	46,692
Total Expenses	1,821,862	-	1,821,862
Total Change in Unrestricted Net Assets	11,853,167	8,147,020	20,000,187
VACCINE FUNDING AND ADMINISTRATIVE ACTIVITIES IN EXCESS OF ASSESSMENTS COLLECTED	<u>(11,853,167)</u>	<u>(8,147,020)</u>	<u>(20,000,187)</u>
CHANGES IN NET ASSETS	-	-	-
Net Assets - Beginning of Year	-	-	-
NET ASSETS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**WASHINGTON VACCINE ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Administrative Activities	Vaccine Funding Activities	Total
CHANGE IN UNRESTRICTED NET ASSETS			
Assessment Activity:			
Assessments	\$ 18,622,617	\$ 65,514,758	\$ 84,137,375
Vaccine Replenishments	-	(65,835,583)	(65,835,583)
Net Assessment Activity	18,622,617	(320,825)	18,301,792
Expenses:			
Public Information	12,875	-	12,875
Administrative:			
Administrative Services	491,957	-	491,957
Special Projects Services	410,583	-	410,583
Legal and Accounting	55,233	-	55,233
Office	52,568	-	52,568
Interest	114,461	-	114,461
Other	52,223	-	52,223
Total Expenses	1,189,900	-	1,189,900
Total Change in Unrestricted Net Assets	17,432,717	(320,825)	17,111,892
VACCINE FUNDING AND ADMINISTRATIVE ACTIVITIES IN EXCESS OF ASSESSMENTS COLLECTED	<u>(17,432,717)</u>	<u>320,825</u>	<u>(17,111,892)</u>
CHANGES IN NET ASSETS	-	-	-
Net Assets - Beginning of Year	-	-	-
NET ASSETS - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements.

**WASHINGTON VACCINE ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Assessments Collected	\$ 90,615,562	\$ 80,271,027
Cash Remittances to Washington Department of Health for Vaccines	(64,339,330)	(64,641,884)
Administrative Expenses Paid	(1,780,094)	(1,019,279)
Cash Received from Interest Income	51,903	-
Cash Paid for Interest Expense	-	(186,972)
Net Cash Provided by Operating Activities	<u>24,548,041</u>	<u>14,422,892</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of Credit Repayments	<u>-</u>	<u>(10,000,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,548,041	4,422,892
Cash and Cash Equivalents - Beginning of Year	<u>9,582,053</u>	<u>5,159,161</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 34,130,094</u></u>	<u><u>\$ 9,582,053</u></u>
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	\$ -	\$ -
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) Decrease in:		
Estimated Collectible Assessments	3,353,425	(3,866,348)
Prepaid Vaccines to Washington Department of Health	1,152,661	1,193,699
Increase (Decrease) in:		
Accounts Payable	41,769	56,159
Vaccine Fees Payable to Washington Department of Health	-	(72,511)
Assessments Collected in Excess of Vaccine Funding and Administrative Activities	20,000,186	17,111,893
Net Cash Provided by Operating Activities	<u><u>\$ 24,548,041</u></u>	<u><u>\$ 14,422,892</u></u>

See accompanying Notes to Financial Statements.

**WASHINGTON VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 1 NATURE OF ORGANIZATION

Organization and Operations

Since 1990, Washington State has maintained a Universal Childhood Vaccine Program, providing vaccines to all children under age 19. Together with federal funding, Washington's program has advanced the widely recognized benefits of universal childhood vaccination. Faced with a scheduled end to state funding in 2010, the Washington State legislature established the universal vaccine purchase account to be able to continue providing state-supplied vaccines to privately-insured children. This legislation was adopted after a year of study by and with broad support from the Washington health care community.

Washington Vaccine Association (the Association) is a special purpose nonprofit corporation formed on April 1, 2010, to support the state government in developing and administering a new method for collecting funds to support the Universal Childhood Vaccine Program. The Washington legislature created the Association through the Washington Vaccine Association Act, now codified in Chapter 70.290 RCW.

The Association's members are comprised of all health insurance carriers issuing or renewing health benefit plans in Washington State, and all third-party administrators (TPAs) conducting business on behalf of residents of Washington State or Washington health care providers.

The Association's primary purpose is to raise funds through mandatory assessments paid by its members. Payments are made to the state of Washington Department of Health (DOH) for the purchase of vaccines. The vaccines are to be administered to children in the state of Washington who are under the age of 19 and who are not eligible for free vaccines under one or more federal programs.

The Association is operated under a Plan of Operation adopted by the board of directors as required by Washington State House Bill 2SHB 2551. The Association's governance documents are available at the Association's website: www.wavaccine.org.

Termination of the Association

The Association board may vote to recommend termination of the Association if it finds that the original intent of its formation and operation has not been achieved. The Association board must provide notice of the recommendation to the relevant policy and fiscal committees of the Washington State legislature within 30 days of the vote being taken by the Association board. If the legislature has not acted by the last day of legislative session to reject the board's recommendation, the board may vote to permanently dissolve the Association.

In the event of a voluntary or involuntary dissolution of the Association, funds remaining in the universal purchase vaccine account created in RCW 43.70.720 that were collected under 2SHB 2551 must be returned to members in proportion to their previous year's contribution, from any balance remaining following the repayment of any prepayments for start-up funding not previously recouped by such member.

**WASHINGTON VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Association have been prepared in accordance with the provisions of accounting standards generally accepted in the United States of America. Under those standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Association's net assets do not contain restrictions as of June 30, 2018 and 2017.

Concentration of Risk

Financial instruments that subject the Association to concentrations of credit risk consist of cash deposits. The Association places its cash deposits with high quality financial institutions. Deposits exceed federally insured limits as of June 30, 2018 and 2017.

Estimates and Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Draft for Discussion Purposes

Cash and Cash Equivalents

For the purposes of the statements of cash flows, all highly liquid investments available for use with an initial maturity of three months or less are considered to be cash equivalents.

Estimated Collectible Assessments

Estimated collectible assessments represents the running total of replenishment requests to date minus amounts collected to date through the end of the year, and is the amount the Association expects to collect from members. The Association has determined that an allowance for uncollectible amounts is not necessary due to the method used to calculate the balance.

The Association charges interest on late payment of assessments at a monthly rate of 1.5%. Interest is added to the assessment for payments received after the due date of the assessment.

Revenue Recognition

The Association collects member assessments that are remitted to the DOH for purchase of vaccines. In addition, the Plan of Operation allows the Association to retain sufficient funds to cover its administrative costs, net of investment income. Expense is recognized for the administrative costs of operating the Association. The replenishment of vaccines and collection of vaccine assessments are similar to agency transactions. Although these transactions are not considered revenue or expenses of the Association, they are included in the statements of activities as vaccine replenishments to reflect the gross amount of collections and replenishments.

**WASHINGTON VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dosage Based Assessments

Funds collected from health insurers and TPAs of health plans in the state of Washington (including administrative revenue and reserve portion discussed below) are determined using a Dosage Based Assessment methodology. At each administration of vaccines to a nonfederally eligible child in the state of Washington, the provider's office charges for and generates a claim for administrative services and also generates an item, resembling a claim form, on which the per-vaccine assessment is reported to the respective payor. The per-vaccine assessment amounts are established by the Association periodically. The payor pays the provider for the administration claim, and also pays the assessment amount to the Association, in a manner similar to payment of a claim for the cost of vaccines. The Association collects these assessments and remits payments to the state of Washington Treasurer to pay its allocated share of vaccine costs each time a vaccine replenishment order for the state's Universal Childhood Vaccine Program is due. The cost for each vaccine is negotiated by the Center for Communicable Diseases. The DOH invoices the Association for vaccine purchases.

Remittance to Universal Purchase Account

The Plan of Operation requires the Association to periodically remit its assessment receipts, less the Association's administrative costs and any reserves set by the board or the executive director, to the credit of the universal vaccine purchase account (UVPA) established pursuant to RCW 43.70.720. Funds transferred to the UVPA are to be delivered on a just-in-time basis, in order to support the assessment collection process and to enable the Association to gain as much interest income as reasonably possible through its collection process to help offset its costs of administration. The DOH or its designee has access privileges to be able to directly observe the balances in the Association's accounts, and the Association is required to promptly respond to any inquiry of the DOH concerning the availability and timely transfer of funds, enabling the DOH to make payment of the Association's share under the statute for vaccine purchases made by the state of Washington.

Assessments Collected in Excess of Vaccine Funding and Administrative Costs

The Association has collected assessments in excess of amounts required to be paid to the DOH through the end of the accounting period for childhood vaccine funding and administrative costs. The Association is a limited purpose entity whose funds are dedicated solely to the specific purposes discussed above. These excess assessment collections, which may accumulate from time to time, will be applied to (i) future vaccine funding obligations of the Association, and (ii) reasonable and necessary operating costs of the Association. The Association maintains a level of excess collections (reserves) to be able to meet DOH needs for funding timely. As of June 30, 2018 and 2017, assessments collected in excess of vaccine funding and administrative activities totaled \$44,249,204 and \$24,249,018, respectively.

Income Taxes

The Association follows Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) Topic 740, *Income Taxes* (Topic 740). Topic 740 clarifies the accounting for uncertainty in income taxes.

**WASHINGTON VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The Association operates as a tax-exempt organization created by Washington State statute and an affiliate of a governmental unit. In order to obtain 501(c)(3) status and to determine whether filing of an annual federal information return (Form 990) is required, the Association prepared and submitted Form 1023 to the Internal Revenue Service (IRS) in June 2012. On May 14, 2013, the IRS granted 501(c)(3) tax-exempt status and determined that the filing of Form 990 is not required in prior or future years.

Management evaluated the Association's tax positions and concluded that the Association had taken no uncertain tax positions that require adjustments to the financial statements. Based upon its evaluation, the Association has concluded that it is operating in compliance within its tax-exempt status and that there are no matters that would create taxable income.

Subsequent Events

The board of directors and management have evaluated subsequent events through REPORT DATE, the date the financial statements were available to be issued.

NOTE 3 REMITTANCE TO THE STATE OF WASHINGTON

Pursuant to the Association's statutory purposes, transfers of \$64,339,330 and \$64,641,884 were made by the Association to the state of Washington's UVPA during the years ended June 30, 2018 and 2017, respectively.

NOTE 4 LINE OF CREDIT

The Association accepted a commitment from KeyBank National Association LOC in April 2017 with a maximum available balance of \$5 million through April 5, 2019. The Association may elect to pay interest on the LOC at either the adjusted LIBOR rate or Bank Prime rate (4.75% at June 30, 2018). The LOC is secured by the general assets of the Association. In April 2018, the Association determined that the LOC was not necessary and terminated the agreement with the bank.

NOTE 5 CONTINGENCIES

There is an inherent risk that a certain portion of the vaccines purchased by the DOH will not be administered to children, resulting in vaccine shrinkage. If member assessments are insufficient for reimbursement to the DOH for purchases of vaccines, the Association would be liable to the DOH to cover the shortfall.

Washington Vaccine Association

2018-09-18 WVA Finance Committee Meeting

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Check Detail

March 13 - September 11, 2018

	Date	Num	Name	Amount
10400 Key Bank - Refund Pmt Acct (6340)				
	03/20/2018	2714	x-Accent	-162.50
	03/20/2018	2715	x-Aetna (Rawlings)	-373.85
	03/20/2018	2716	x-Premiera Blue Cross	-179.31
	03/20/2018	2717	x-Regence BlueCross BlueShield of Oregon	-327.90
	03/20/2018	2718	x-Regence BlueShield	-2,297.41
	03/20/2018	2719	x-United Healthcare (PO 30555 SLC)	-16.81
	03/27/2018	2720	x-Accent	-340.19
	03/27/2018	2721	x-Aetna (Lexington)	-651.15
	03/27/2018	2722	x-Aetna (Rawlings)	-219.46
	03/27/2018	2723	x-Premiera Blue Cross	-107.66
	03/27/2018	2724	x-Regence BlueCross BlueShield of Oregon	-323.81
	03/27/2018	2725	x-United Healthcare (PO 30555 SLC)	-200.96
	04/10/2018	2726	x-Accent	-1,023.66
	04/10/2018	2727	x-Aetna (Rawlings)	-714.04
	04/10/2018	2728	x-Asuris Northwest Health	-333.48
	04/10/2018	2729	x-Confederated Tribes of Chehalis	-296.78
	04/10/2018	2730	x-Equian, LLC	-655.80
	04/10/2018	2731	x-GEHA	-16.61
	04/10/2018	2732	x-Kaiser Foundation HP of WA - Options	-49.63
	04/10/2018	2733	x-Kaiser Foundation HP of Washington	-508.96
	04/10/2018	2734	x-Providence Health Plans	-16.12
	04/10/2018	2735	x-Regence BlueCross BlueShield of Oregon	-366.57
	04/10/2018	2736	x-Regence BlueShield	-1,627.77
	04/10/2018	2737	x-Sound Health & Wellness Trust	0.00
	04/10/2018	2738	x-United Healthcare (PO 30555 SLC)	-198.33
	04/10/2018	2739	x-UnitedHealthcare - Medicare Solutions (slc 31362)	-17.49
	04/15/2018	2740	x-Equian, LLC	-356.64
	04/15/2018	2741	x-Kaiser Foundation HP of WA - Options	-187.48
	04/15/2018	2742	x-Kaiser Foundation HP of Washington	-940.92
	04/15/2018	2743	x-Premiera Blue Cross	-491.18
	04/15/2018	2744	x-Premiera Blue Cross Blue Shield Fed. Empl. Prg.	-82.91
	04/15/2018	2745	x-Pud #1 of Cowlitz County	-46.54
	04/15/2018	2746	x-Regence BlueShield	-1,708.81
	04/15/2018	2747	x-United Healthcare (PO 30555 SLC)	-33.62
	04/24/2018	2749	x-Aetna (Lexington)	-1,683.86
	04/24/2018	2750	x-Aetna (Rawlings)	-719.42
	04/24/2018	2751	x-Equian, LLC	-340.62
	04/24/2018	2752	x-Kaiser Foundation HP of WA - Options	-691.08
	04/24/2018	2753	x-Kaiser Foundation HP of Washington	-1,447.38
	04/24/2018	2754	x-Rawlings Financial Services, LLC	-333.48
	04/24/2018	2755	x-Regence BlueShield	-4,304.97
	04/24/2018	2756	x-Regence BlueShield Federal Employee Program	-196.08
	04/24/2018	2757	x-UnitedHealthcare (Dallas)	-323.81
	04/24/2018	2758	x-Unitedhealthcare Ins Co (PO Box 740800 Atlanta)	-1,512.33
	05/02/2018	2760	x-Accent	-296.78

	05/02/2018	2761	x-Aetna (Lexington)	-402.53
	05/02/2018	2762	x-Equian, LLC	-437.99
	05/02/2018	2763	x-Highline Medical Services	-5.96
	05/02/2018	2764	x-Kaiser Foundation HP of WA - Options	-602.92
	05/02/2018	2765	x-Kaiser Foundation HP of Washington	-876.31
	05/02/2018	2766	x-PacificSource	-669.92
	05/02/2018	2767	x-Premera Blue Cross	-856.88
	05/02/2018	2768	x-Rawlings Financial Services, LLC	-208.25
	05/02/2018	2769	x-Regence BlueShield	-1,092.23
	05/02/2018	2770	x-Regence BlueShield Federal Employee Program	-610.01
	05/02/2018	2771	x-Trusteed Plans Service Corporation	-372.77
	05/10/2018	2773	x-Accent	-162.50
	05/10/2018	2774	x-Aetna (Rawlings)	-333.48
	05/10/2018	2775	x-Equian, LLC	-683.77
	05/10/2018	2776	x-GEHA	-23.16
	05/10/2018	2777	x-Kaiser Foundation HP of WA - Options	-58.97
	05/10/2018	2778	x-Kaiser Foundation HP of Washington	-796.82
	05/10/2018	2779	x-Regence BlueCross BlueShield of Oregon	-221.10
	05/10/2018	2780	x-Regence BlueShield	-2,035.25
	05/10/2018	2781	x-Regence BlueShield Federal Employee Program	-534.75
	05/10/2018	2782	x-TRICARE Finance West Region	-340.68
	05/10/2018	2783	x-United Healthcare (PO 30555 SLC)	-84.53
	05/20/2018	2784	x-Accent	-333.48
	05/20/2018	2785	x-Kaiser Foundation HP of WA - Options	-419.45
	05/20/2018	2786	x-Kaiser Foundation HP of Washington	-1,376.18
	05/20/2018	2787	x-Olympic Fruit	-177.69
	05/20/2018	2788	x-PacificSource	-255.18
	05/20/2018	2789	x-Premera Blue Cross	-200.39
	05/20/2018	2790	x-PRS	-239.10
	05/20/2018	2791	x-Regence BlueCross BlueShield of Oregon	-323.81
	05/20/2018	2792	x-Regence BlueShield	-1,622.17
	05/20/2018	2793	x-Unitedhealthcare Ins Co (PO Box 740800 Atlanta)	-40.63
	05/25/2018	2794	x-Aetna (Lexington)	-675.39
	05/25/2018	2795	x-Aetna (Rawlings)	-79.53
	05/25/2018	2796	x-Confederated Tribes of Chehalis	-16.61
	05/25/2018	2797	x-Kaiser Foundation HP of WA - Options	-394.74
	05/25/2018	2798	x-Kaiser Foundation HP of Washington	-16.12
	05/25/2018	2799	x-Premera Blue Cross	-640.82
	05/25/2018	2800	x-PRS	-547.52
	05/25/2018	2801	x-UnitedHealthcare - Medicare Solutions (slc 31362)	-36.14
	06/08/2018	2802	x-Accent	-536.37
	06/08/2018	2803	x-Aetna (Lexington)	-168.98
	06/08/2018	2804	x-Aetna (Rawlings)	-839.64
	06/08/2018	2805	x-Asuris Northwest Health	-333.48
	06/08/2018	2806	x-Health Net Health Plan of Oregon	-24.98
	06/08/2018	2807	x-Humana Health Care Plans	-362.48
	06/08/2018	2808	x-Kaiser Foundation HP of WA - Options	-33.62
	06/08/2018	2809	x-Kaiser Foundation HP of Washington	-48.36
	06/08/2018	2810	x-Regence BlueCross BlueShield of Oregon	-327.90
	06/08/2018	2811	x-Regence BlueShield	-3,648.90
	06/08/2018	2812	x-Regence BlueShield Federal Employee Program	-231.79
	06/08/2018	2813	x-The Lewer Agency, Inc.	-116.49

06/08/2018	2814	x-TRICARE Finance West Region	-326.88
06/08/2018	2815	x-Unitedhealthcare Ins Co (PO Box 740800 Atlanta)	-71.82
06/18/2018	2816	x-Aetna (Lexington)	-323.81
06/18/2018	2817	x-EBMS	-177.69
06/18/2018	2818	x-Equian, LLC	-1,291.83
06/18/2018	2819	x-Highline Medical Services	-5.96
06/18/2018	2820	x-Regence BlueShield	-1,360.34
06/18/2018	2821	x-TRICARE Finance West Region	-191.42
06/18/2018	2822	x-Trusteed Plans Service Corporation	-16.61
06/25/2018	2823	x-Accent	-324.64
06/25/2018	2824	x-Aetna (Lexington)	-11.28
06/25/2018	2825	x-Equian, LLC	-851.59
06/25/2018	2826	x-Kaiser Foundation HP of WA - Options	-221.51
06/25/2018	2827	x-Kaiser Foundation HP of Washington	-1,471.92
06/25/2018	2828	x-Providence Health Plans	-17.10
06/25/2018	2829	x-Regence BlueShield	-1,373.05
06/25/2018	2830	x-TRICARE Finance West Region	-202.67
06/29/2018	2831	x-Accent	-371.50
06/29/2018	2832	x-Equian, LLC	-208.25
06/29/2018	2833	x-Kaiser Foundation HP of Washington	-561.99
06/29/2018	2834	x-Molina Healthcare of Washington	-32.27
06/29/2018	2835	x-Regence BlueCross BlueShield of Oregon	-317.27
06/29/2018	2836	x-Regence BlueShield	-241.07
06/18/2018	2837	x-Accent	-20.85
06/29/2018	2838	x-Trusteed Plans Service Corporation	-16.61
06/29/2018	2839	x-United Healthcare (PO 30555 SLC)	-24.98
07/11/2018	2840	x-Accent	-207.71
07/11/2018	2841	x-CHI Franciscan Health Plan	-337.75
07/11/2018	2842	x-EBMS	-208.25
07/11/2018	2843	x-Equian, LLC	-333.65
07/11/2018	2844	x-Kaiser Foundation HP of Washington	-208.25
07/11/2018	2845	x-Meritain Health(myqhealth)	-229.75
07/11/2018	2846	x-Premera Blue Cross	-317.27
07/11/2018	2847	x-Regence BlueShield	-2,524.98
07/11/2018	2848	x-TRICARE Finance West Region	-343.72
07/24/2018	2849	x-Accent	-927.74
07/24/2018	2850	x-Aetna (Lexington)	-333.88
07/24/2018	2851	x-Aetna (Rawlings)	-528.56
07/24/2018	2852	x-Asuris Northwest Health	-272.43
07/24/2018	2853	x-Equian, LLC	-851.36
07/24/2018	2854	x-Premera Blue Cross Blue Shield Fed. Empl. Prg.	-604.79
07/24/2018	2855	x-Providence Health Plans	-3.00
07/24/2018	2856	x-Regence BlueShield	-1,877.14
07/24/2018	2857	x-Regence BlueShield Federal Employee Program	-560.54
07/24/2018	2858	x-TRICARE Finance West Region	-495.92
08/09/2018	2859	x-Accent	-659.00
08/09/2018	2860	x-Aetna (Lexington)	-773.59
08/09/2018	2861	x-Coordinated Care	-71.52
08/09/2018	2862	x-EBMS	-333.48
08/09/2018	2863	x-GEHA (Rawlings)	-359.45
08/09/2018	2864	x-Health Net Health Plan of Oregon	-351.06
08/09/2018	2865	x-Kaiser Foundation HP of WA - Options	-1,827.46

08/09/2018	2866	x-Kaiser Foundation HP of Washington	-1,126.06
08/09/2018	2867	x-Meritain Health(myqhealth)	-572.58
08/09/2018	2868	x-PacificSource	-119.09
08/09/2018	2870	x-Premera Blue Cross Blue Shield Fed. Empl. Prg.	-474.47
08/09/2018	2871	x-Regence BlueShield	-1,111.33
08/09/2018	2872	x-Regence BlueShield Federal Employee Program	-285.94
08/09/2018	2873	x-TRICARE Finance West Region	-316.84
08/09/2018	2874	x-UnitedHealthcare - Medicare Solutions (slc 31362)	-17.19
08/21/2018	2875	x-Accent	-474.00
08/21/2018	2876	x-Aetna (Rawlings)	-599.25
08/21/2018	2877	x-Asuris Northwest Health	-296.78
08/21/2018	2878	x-Equian, LLC	-324.62
08/21/2018	2879	x-Health Net Health Plan of Oregon	-177.69
08/21/2018	2880	x-Kaiser Foundation HP of WA - Options	-246.08
08/21/2018	2881	x-Kaiser Foundation HP of Washington	-1,062.91
08/21/2018	2882	x-MyHealth	-229.75
08/21/2018	2883	x-Premera Blue Cross	-578.99
08/21/2018	2884	x-Premera Blue Cross Blue Shield Fed. Empl. Prg.	-177.69
08/21/2018	2885	x-Providence Health Plans	-327.90
08/21/2018	2886	x-Regence BlueShield	-1,214.51
08/21/2018	2887	x-Regence BlueShield Federal Employee Program	-109.93
08/21/2018	2888	x-TRICARE Finance West Region	-2,462.27
08/21/2018	2889	x-United Healthcare (PO 30555 SLC)	-331.99
09/05/2018	2890	x-Accent	-631.36
09/05/2018	2891	x-Aetna (Lexington)	-333.88
09/05/2018	2892	x-Aetna (Philadelphia)	-467.91
09/05/2018	2893	x-Kaiser Foundation HP of WA - Options	-829.01
09/05/2018	2894	x-Kaiser Foundation HP of Washington	-2,269.11
09/05/2018	2895	x-MyHealth	-572.58
09/05/2018	2896	x-Regence BlueCross BlueShield of Oregon	-244.01
09/05/2018	2897	x-Regence BlueShield	-1,846.85
09/05/2018	2898	x-The Lewer Agency, Inc.	-283.51
09/05/2018	2899	x-TRICARE Finance West Region	-323.81

Washington Vaccine Association
Green Box Information

As of	7/31/2018	Source of Information:
Assessment Collections	483 + million	Stmt of Cash Flow Line 3 Col D
Remittances to State of WA DOH	440 + million	Stmt of Cash Flow Line 9 Col D
Members Estimated Collectible Assessments	3 + million	Stmt of Financial Position Line 3
Prepaid Vaccines	6 + million	Stmt of Financial Position Line 4
Cash	34 + million	Stmt of Financial Position Line 1
Morgan Stanley	9.1 thousand	Stmt of Financial Position Line 2
Utilized Line of Credit	0 million	Stmt of Financial Position Line 9
Available Line of Credit	0 million	No line of credit

Washington Vaccine Association
Thirteen (13) Months of Key Financial Information
Prepared by Norm Roberge - KidsVax, LLC

1		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	12 Months
2		2017	2017	2017	2017	2017	2017	2018	2018	2018	2018	2018	2018	2018	Average
3		(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)	(000)
4	Cash Balance	9,572	7,505	8,016	7,135	12,675	14,774	16,294	18,802	32,113	32,427	32,543	34,120	34,571	20,915
5	Investments	10	9	9	9	9	9	9	9	9	9	9	9	9	9
6	Prepaid Vaccines	5,014	7,562	7,225	7,735	4,875	4,467	4,408	3,485	4,301	5,002	6,006	3,861	6,197	5,427
7	Line of Credit Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-
8	Assessments Collected	6,302	5,608	7,828	8,086	8,215	6,422	5,886	6,033	18,263	5,411	6,186	5,588	6,839	7,530
9	Payments to DOH (non flu)	5,014	7,562	7,225	8,888	4,210	4,118	4,236	3,432	4,301	5,057	6,006	3,861	6,247	5,429
10	Payments to DOH - Flu	-	-	-	-	-	-	-	-	-	-	-	-	-	n/a
11	Line of Credit Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-

12 Grid in effect: A A A A A A A A A A A A A B

13 Note: Grids in effect for above information: New WVA grid effective 07/01/2018

14 A: From: 7/1/2017 To: 6/30/2018

15 B: From: 7/1/2018 To: Present

16 Note - Assessments Collected on line 8 - March 2018 reflects the \$12M received from TRICARE for periods Dec 23, 2010 - Sep 30, 2017

17 Note - Assessments Collected on line 8 - July 2018 reflects the \$673K received from TRICARE for periods Oct 1, 2017 - Mar 31, 2018

September 10, 2018

WVA Interest Earnings Options

The recent buildup of operating reserves by WVA and the current market interest rates rising are cause for the association to consider options for prudent stewardship of funds on hand. T-Bill rates have gone up over 1% in the last year. Conservative investment would yield approximately 2.5% per year. Current WVA cash on hand is over \$36 million with approximately \$25-27 million that could be invested in a short-term ladder maturity portfolio. This creates an opportunity cost of up to \$650,000 per year.

KidsVax has inquired with KeyBank, and several top tier investment banks regarding options for risk-averse plans that would follow the investment guidelines in the recently approved "Reserves Investment Policy." The below is a summary of the options reviewed.

Based on the guidance of the Finance Committee, we have researched options for **active portfolio management** verses having an advisor and having to approve and authorize individual trades. This structure places individual buying and selling decisions in the hands of the portfolio manager at the investment bank. No individual buy and sell authorizations would be needed by the WVA Board, WVA agent, or designee. A slight advantage is possible using active management to obtain undervalued securities or sell overvalued ones in order to receive higher yields (we anticipate such advantage in the current market to be minimal since the yield curves are relatively flat). Securities are bought and sold at market value with usual fees or commissions being transparent (included in the yield) to the WVA **plus** a fee is charged to the WVA for the active management.

Options:

1. **KeyBank Checking:** Retain funds in current non-interest-bearing accounts. As mentioned above, an opportunity cost of \$650k per year is inherent in this option. This is mitigated by 50 basis points (.5%) credit toward bank lockbox fees. This option does not require any moving of funds or trade authorization.
2. **KeyBank Money Market:** Money market sweeps could be initiated which would yield 1.5% based on a special rate negotiated with our bank officer. This option has an opportunity cost of up to \$405,000 per year. This option does not require trade authorizations but does require standard banking authorization to move funds between WVA accounts.
3. **Managed Bond Portfolio:** Laddered prime and high-grade rated bonds and T-bills. This institutional investment portfolio would have average maturity of 1.75 years and average annual yield of 2.5% to 2.75%. This option would earn approximately \$700,000 per year less management fees of approximately \$80,000 (30 basis points). This option requires does not require WVA authorization for each trade. We have researched several firms as options for portfolio managers:
 - a. **Morgan Stanley:** We have an established relationship with them through Polly Sidwell. Fees 30 basis points.
 - b. **Schwab:** Will outsource to their affiliate Garde Capital. Fees are 35 basis points.
 - c. **Fidelity:** Would require a selection process to engage a manager. Fees quoted between 25-35 basis points.
 - d. **Northern Trust:** Would charge 50 basis points on the first \$10MM and 25 basis points on the next \$15MM for an average rate of 35 basis points.

Recommendation:

Based on the committee's desire to outsource the management of the portfolio, we suggest a cash management plan that incorporates Key Bank Money Market funds for short term monthly operational funds (approx. \$10MM), and a manage bond portfolio for the remainder of reserve funds (approx. \$26MM). Due to our long-term Relationship with Polly Sidwell and Morgan Stanley and their favorable pricing, we suggest retaining Polly Sidwell as portfolio manager to be authorized to execute investments according to our *Reserves Investment Policy*.

Sincerely,




Peter M. Smith
Financial & Internal Control Analyst



Seattle-Tacoma International Airport, WA

- **Depart from Seattle-Tacoma International Airport, WA**

 518

- 1.9 mi
Take ramp right for WA-518 East toward Tacoma / Seattle
- 1.5 mi
Take ramp left for I-5 North toward Seattle
-  5
0.6 mi
Keep straight onto I-5 N
- 10.6 mi
At exit 165, take ramp left and follow signs for Seneca St.
- 0.3 mi
Bear left onto Seneca St
- 338 ft
Turn left onto 5th Ave
- 0.3 mi
Arrive at 701 5th Ave Ste 4900, Seattle, WA 98104
The last intersection is Columbia St If you reach Cherry St, you've gone too far
Cigna - Columbia Tower: 701 5th Ave Ste 4900, Seattle, WA 98104
(206) 564-8945

the north (on I-5 S)

 5

- Depart I-5 S toward I-5 Express Ln
- 2.7 mi
At exit 165A, take ramp right for 6th Ave toward James St.
- 0.4 mi
Turn right onto Columbia St
- 327 ft
Turn left onto 5th Ave
- 269 ft
Arrive at 701 5th Ave Ste 4900, Seattle, WA 98104
The last intersection is Columbia St If you reach Cherry St, you've gone too far
Cigna - Columbia Tower: 701 5th Ave Ste 4900, Seattle, WA 98104
(206) 564-8945

**September 18, 2018 WVA Finance/Audit Committee Meeting
Proposed Form of Votes**

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

Item under Agenda Section 2:

VOTED: To approve the Finance/Audit Committee meeting minutes from July 10, 2018.

[To approve the Finance/Audit Committee meeting minutes from July 10, 2018 with the changes suggested at the meeting.]

Item under Agenda Section 3:

VOTED: To recommend to the Board publication of the 2017/18 audited financial statements and independent auditor's report.

[To recommend to the Board publication of the 2017/18 audited financial statements and independent auditor's report with the changes suggested at the meeting.]

Item under Agenda Section 6:

VOTED: To recommend to the Board adoption of the Investment Program Strategy.

[To recommend to the Board adoption of the Investment Program Strategy with the changes suggested at the meeting.]

the south (on I-5 N)



- Depart I-5 N toward I-5 Express Ln
- 1.5 mi
At exit 165, take ramp left and follow signs for Seneca St.
- 0.3 mi
Bear left onto Seneca St
- 338 ft
Turn left onto 5th Ave
- 0.3 mi
Arrive at 701 5th Ave Ste 4900, Seattle, WA 98104
The last intersection is Columbia St If you reach Cherry St, you've gone too far
Cigna - Columbia Tower: 701 5th Ave Ste 4900, Seattle, WA 98104
(206) 564-8945

the east (on I-90 W)



- Depart I-90 W toward I-90 Bus Ln
- 0.6 mi
At exit 2C, take ramp right for I-5 North toward Madison St / Convention Center
- 1.2 mi
Turn left onto Madison St
- 0.1 mi
Turn left onto 5th Ave
- 0.2 mi
Arrive at 701 5th Ave Ste 4900, Seattle, WA 98104
The last intersection is Columbia St If you reach Cherry St, you've gone too far
Cigna - Columbia Tower: 701 5th Ave Ste 4900, Seattle, WA 98104
(206) 564-8945

the east (on WA-520 W)



- Depart WA-520 W
- 0.6 mi
Take ramp left for I-5 South toward Portland
- 2.5 mi
At exit 165A, take ramp right for 6th Ave toward James St.
- 0.4 mi
Turn right onto Columbia St
- 327 ft
Turn left onto 5th Ave
- 269 ft
Arrive at 701 5th Ave Ste 4900, Seattle, WA 98104
The last intersection is Columbia St If you reach Cherry St, you've gone too far
Columbia Tower Club: 701 5th Ave Ste 4900, Seattle, WA 98104
(206) 564-8945