



What: Finance Committee Meeting
Date & Time: Thursday, May 23, 2019; 3:00-4:00 p.m. (PDT)
Location: Teleconference
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	Pg.	Topic / Anticipated Action	Presented by:
3:00-3:05 p.m.		1. Welcome & Introductions a. Notification of Recording	J. Sobeck
3:05-3:30 p.m.	2 *	2. Financial Update a. Investment Update b. Financial Overview c. Collections Report	P. Sidwell P. Smith
3:30-3:50 p.m.	12 * 27 * 57 *	3. Annual Audit a. CliftonLarsonAllen 2019 Engagement Letter b. Audit Information c. Vote to engage CliftonLarsonAllen for 2018/19 Audit	J. Zell
3:50-3:55 p.m.		4. Other Matters	Any
3:55-4:00 p.m.		5. Closing	

Washington Vaccine Association
Green Box Information

As of	4/30/2019	Source of Information:
Assessment Collections	546 + million	Stmt of Cash Flow Line 3 Col D
Remittances to State of WA DOH	487 + million	Stmt of Cash Flow Line 9 Col D
Members Estimated Collectible Assessments	3.9 + million	Stmt of Financial Position Line 3
Prepaid Vaccines	4.1 + million	Stmt of Financial Position Line 4
Cash	5.6 + million	Stmt of Financial Position Line 1
Morgan Stanley	44.6 + million	Stmt of Financial Position Line 2

Washington Vaccine Association												
DBA - Monthly Activity Report												
	A	B	C	D	E	F	G	H	I	J	K	
	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19		
1												
2	Key Bank Collection Account											
3	# eft	225	250	194	293	293	272	284	227	246	233	
4	#cks	1,489	1,423	1,450	2,271	2,450	1,793	2,106	1,497	1,748	1,758	
5	# QB entries	984	940	892	1,186	1,161	973	1,138	927	1,006	0	
6	# eob pages	13,130	14,598	15,382	24,029	33,132	21,989	19,196	13,748	15,436	14,978	
7	# white mail pages	1,710	1,744	2,294	2,940	2,472	3,497	2,492	2,143	1,712	1,888	
8	# TRICARE eob	177	209	624	352	302	262	180	84	214	238	
9	Refunds:											
10	Dollars	\$ 11,166	\$ 17,013	\$ 17,561	\$ 17,752	\$ 33,768	\$ 16,853	\$ 17,607	\$ 13,065	\$ 18,560	\$ 19,294	
11	Number of Refunds	38	83	72	62	95	91	96	69	82	79	
12	Number of Checks	19	30	33	30	32	34	43	24	27	36	
13												
14	Total Collections	\$ 6,839,965	\$ 7,848,181	\$ 7,527,848	\$ 7,638,131	\$ 8,575,753	\$ 7,005,729	\$ 6,364,174	\$ 5,156,735	\$ 6,490,515	\$ 65,553	
15												
16	TPA Registrations	196	201	205	214	221	229	233	238	242	242	
17												
18	Medi-Share											
19	# Claims											
20	Dollars							51	73	52	69	
21								\$ 5,232	\$ 6,607	\$ 7,263	\$ 9,020	
22	Vaccines											
23	Non-Flu											
24	Doses Billed by DOH	54,460	79,710	99,300	71,780	69,100	63,150	57,380	65,020	39,220	65,590	
25	Transfer to DOH	\$ 3,861,592	\$ 6,247,878	\$ 7,834,032	\$ 5,206,974	\$ 4,966,908	\$ 4,529,869	\$ 4,103,868	\$ 4,716,255	\$ 3,000,686	\$ 4,782,115	
26												
27	Flu											
28	Doses Billed by DOH				254,000							
29	Transfer to DOH				\$ 3,720,022							
30												
31	Projected Month Assessment											
32	Non-Flu	\$ 4,569,473	\$ 7,199,222	\$ 9,111,381	\$ 6,126,750	\$ 5,796,854	\$ 5,290,151	\$ 4,808,566	\$ 5,504,584	\$ 3,531,873	\$ 5,649,564	
33	Flu	\$ -	\$ -	\$ 1,244,836	\$ 1,649,636	\$ 852,249	\$ 175,179	\$ 127,048	\$ 86,510	\$ 59,097	\$ 21,124	
34	Total Projected Assessment	\$ 4,569,473	\$ 7,199,222	\$ 10,356,217	\$ 7,776,386	\$ 6,649,103	\$ 5,465,330	\$ 4,935,614	\$ 5,591,094	\$ 3,590,970	\$ 5,670,688	

WASHINGTON VACCINE ASSOCIATION
UNAUDITED FINANCIAL STATEMENTS
FOR THE MONTH AND TEN (10) MONTHS ENDING
APRIL 30, 2019

Prepared by KidsVax, LLC

**Washington Vaccine Association
Statement of Financial Position
As of April 30, 2019**

A

ASSETS			
Current assets			
1	Cash and cash equivalents	\$	5,658,076.67
2	Investments		44,658,381.49
3	Members Estimated Collectible Assessments		3,937,244.00
4	Prepaid Vaccine		4,194,642.94
5	Prepaid Administrative Services		-
6	Total current assets		<u>58,448,345.10</u>
7	Total assets	\$	<u><u>58,448,345.10</u></u>
LIABILITIES AND NET ASSETS			
Current liabilities			
8	Accounts payable	\$	2,800.00
9	Other accruals		9,552.61
10	Total current liabilities		<u>12,352.61</u>
Net assets			
11	Excess Assessments - Vaccines		31,993,841.12
12	Excess Assessments - Administrative Activities		26,442,151.37
13	Total net assets		<u>58,435,992.49</u>
14	Total liabilities and net assets	\$	<u><u>58,448,345.10</u></u>

Washington Vaccine Association
Statement of Activities and Changes in Net Assets

	A Month Ending April 30, 2019		B Month Ending April 30, 2019		C Month Ending April 30, 2019		D For 10 Months Ending April 30, 2019		E For 10 Months Ending April 30, 2019		F
	Administrative	Vaccine	Administrative	Vaccine	Administrative	Vaccine	Administrative	Vaccine	Administrative	Vaccine	Total
	Activities	Activities	Activities	Activities	Activities	Activities	Activities	Activities	Activities	Activities	Total
Revenues:											
1 Assessments	\$ 1,206,227.82	\$ 6,896,738.00	\$ 8,102,965.82	\$ 57,306,634.00	\$ 9,760,369.92	\$ 57,306,634.00	\$ 9,760,369.92	\$ 57,306,634.00	\$ 9,760,369.92	\$ 57,306,634.00	\$ 67,067,003.92
2 Less: Vaccine expense	-	(4,800,730.02)	(4,800,730.02)	(52,685,222.29)	-	(52,685,222.29)	-	(52,685,222.29)	-	(52,685,222.29)	(52,685,222.29)
3 Net Assessment margins	1,206,227.82	2,096,007.98	3,302,235.80	4,621,411.71	9,760,369.92	4,621,411.71	9,760,369.92	4,621,411.71	9,760,369.92	4,621,411.71	14,381,781.63
4 Investment income - Morgan Stanley	99,134.06	-	99,134.06	-	717,845.04	-	717,845.04	-	717,845.04	-	717,845.04
5 Investment income - KeyBank	14,578.44	-	14,578.44	-	89,640.10	-	89,640.10	-	89,640.10	-	89,640.10
6 Other income	-	-	-	-	-	-	-	-	-	-	-
7 Net revenues	1,319,940.32	2,096,007.98	3,415,948.30	4,621,411.71	10,567,855.06	4,621,411.71	10,567,855.06	4,621,411.71	10,567,855.06	4,621,411.71	15,189,266.77
Expenses:											
8 Administrative services	63,715.21	-	63,715.21	-	559,191.15	-	559,191.15	-	559,191.15	-	559,191.15
9 Administrative services - TRICARE	1,276.40	-	1,276.40	-	174,359.22	-	174,359.22	-	174,359.22	-	174,359.22
10 Tricare - Legislative Services	12,000.00	-	12,000.00	-	117,915.16	-	117,915.16	-	117,915.16	-	117,915.16
11 Tricare - Expense Offset Rcv From Other SVPs	-	-	-	-	(191,858.00)	-	(191,858.00)	-	(191,858.00)	-	(191,858.00)
12 Legal fees	542.70	-	542.70	-	79,093.90	-	79,093.90	-	79,093.90	-	79,093.90
13 Audit	-	-	-	-	10,900.00	-	10,900.00	-	10,900.00	-	10,900.00
14 Annual report / special communications	-	-	-	-	-	-	-	-	-	-	-
Special projects:											
15 Denied claims recovery	2,800.00	-	2,800.00	-	28,000.00	-	28,000.00	-	28,000.00	-	28,000.00
16 All other special projects	12,092.50	-	12,092.50	-	31,951.42	-	31,951.42	-	31,951.42	-	31,951.42
17 Insurance	-	-	-	-	42,069.00	-	42,069.00	-	42,069.00	-	42,069.00
18 Bank fees	5,306.57	-	5,306.57	-	75,557.21	-	75,557.21	-	75,557.21	-	75,557.21
19 Investment advisor / manager	27,172.64	-	27,172.64	-	68,581.55	-	68,581.55	-	68,581.55	-	68,581.55
20 Other administration expenses	-	-	-	-	6,716.65	-	6,716.65	-	6,716.65	-	6,716.65
21 Total administrative expenses	124,906.02	-	124,906.02	-	1,002,477.26	-	1,002,477.26	-	1,002,477.26	-	1,002,477.26
22 Increase (decrease) in net assets	\$ 1,195,034.30	\$ 2,096,007.98	\$ 3,291,042.28	\$ 4,621,411.71	\$ 9,565,377.80	\$ 4,621,411.71	\$ 9,565,377.80	\$ 4,621,411.71	\$ 9,565,377.80	\$ 4,621,411.71	\$ 14,186,789.51
23 Excess assessments, beginning of year	-	-	-	-	16,876,773.57	-	16,876,773.57	-	16,876,773.57	-	16,876,773.57
24 Excess assessments, end of period	-	-	-	-	26,442,151.37	-	26,442,151.37	-	26,442,151.37	-	26,442,151.37

Washington Vaccine Association
Statement of Cash Flows
For the Periods Ending

	B	C	D	E	F	G	H	I	J	K	L	M	N	P
	Month	Month	Month	Month	Month	Month	Month	Month	Month	Month	Month	Month	Month	13 Month
	4/30/2018	5/31/2018	6/30/2018	7/31/2018	8/31/2018	9/30/2018	10/31/2018	11/30/2018	12/31/2018	1/31/2019	2/28/2019	3/31/2019	4/30/2019	Average
1	Cash balance - beginning	\$ 32,123,233	\$ 32,437,387	\$ 32,552,991	\$ 34,130,094	\$ 34,580,954	\$ 34,483,179	\$ 32,998,223	\$ 39,834,544	\$ 42,762,506	\$ 44,423,448	\$ 46,564,013	\$ 48,455,113	\$ 37,784,073
Inflows:														
2	Vaccine collections	5,411,000	6,186,270	5,588,325	6,839,965	7,796,343	7,527,848	8,546,543	7,006,029	6,342,729	5,156,521	6,490,515	6,055,530	6,660,443
3	Interest income - payers	-	-	-	-	51,838	7,572	6,387	7,804	-	-	-	-	5,662
4	Investment income/ (loss)	5,700	6,556	6,494	8,104	8,417	21,553	14,530	126,482	162,464	67,748	199,600	112,494	61,418
5	Total inflows	5,416,700	6,192,826	5,594,819	6,848,069	7,856,588	7,549,400	8,611,216	7,140,315	6,505,193	5,224,269	6,690,116	6,168,024	6,727,522
Outflows:														
Program														
6	Vaccine remittance State of WA	(5,057,707)	(6,006,860)	(3,861,593)	(6,247,878)	(7,834,032)	(8,926,996)	(4,685,595)	(4,103,869)	(4,716,256)	(3,000,686)	(4,782,115)	(4,190,976)	(5,226,495)
Administration														
7	Administrative services	(34,460)	(59,525)	(138,637)	(143,742)	(124,716)	(94,383)	(95,434)	(66,722)	(82,440)	(74,653)	(5,154)	(79,532)	(83,345)
8	Denied claims recovery	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(2,800)	(5,600)	-	(2,800)	(2,800)	(2,800)
9	Legal fees	-	-	(6,864)	6,352	15,590	5,615	4,868	(30,770)	-	(891)	-	(2,111)	(632)
10	Audit fees	-	-	-	-	(6,800)	(4,100)	-	-	-	-	-	-	(838)
11	Bank / Investment Fees	(7,580)	(8,036)	(7,822)	(8,152)	(8,417)	(8,342)	(7,182)	(8,192)	(26,615)	(7,473)	(6,204)	(31,261)	(12,426)
12	Insurance	-	-	-	-	(717)	(717)	-	-	(11,492)	-	-	-	(989)
13	Board expenses	-	-	-	(987)	-	(1,167)	-	-	(1,848)	-	(2,743)	-	(519)
14	Total Administration	(44,840)	(70,362)	(156,123)	(149,330)	(120,342)	(107,360)	(94,069)	(108,485)	(127,995)	(83,017)	(16,901)	(115,703)	(101,549)
15	Total outflows	(5,102,547)	(6,077,221)	(4,017,716)	(6,397,208)	(7,954,374)	(9,034,356)	(4,811,203)	(4,212,354)	(4,844,251)	(3,083,704)	(4,799,016)	(4,306,678)	(5,328,044)
16	Net Cash Incr (decr) for period	314,153	115,604	1,577,103	450,861	(97,776)	(1,484,955)	2,849,043	2,927,962	1,660,942	2,140,566	1,891,100	1,861,345	1,399,479
17	Cash balance - end of period	\$ 32,437,387	\$ 32,552,991	\$ 34,130,094	\$ 34,580,954	\$ 34,483,179	\$ 32,998,223	\$ 35,847,267	\$ 39,834,544	\$ 42,762,506	\$ 44,423,448	\$ 46,564,013	\$ 48,455,113	\$ 39,183,552

Note: Cash balance includes amounts in KeyBank and Morgan Stanley

Washington Vaccine Association
Notes to Financial Statements
For the Month Ending April 30, 2019

Items of interest in the Financial Statements for the month ending April 30, 2019.

The cash flow statement included in this month's financial statement reflects 13 months of activity with an additional column (P) indicating a 13 month average.

Line 16 column P indicates that the WVA has increased its cash position by an average of \$1,399,479 over the thirteen months presented.

**Washington Vaccine Association
Administrative Budget Status
For 10 Months Ending April 30, 2019**

	A Approved Annual Budget	B Actual For 10 Months Ending April 30, 2019	C Remaining Budget
1 Investment Income	525,573.00	807,485.14	(281,912.14)
Expenses:			
2 Administrative services - fixed contract	461,791.00	377,450.82	84,340.18
3 Administrative services - travel	7,500.00	-	7,500.00
4 Executive Director - compensation	166,700.00	133,466.68	33,233.32
5 Executive Director - employment costs	13,521.00	7,282.67	6,238.33
6 Executive Director - travel & expenses	38,592.00	30,408.20	8,183.80
7 Executive Director - education	500.00	40.00	460.00
8 Executive Director - Board support travel & expenses	7,500.00	9,932.04	(2,432.04)
9 Executive Director - conferences	21,340.00	-	21,340.00
10 Executive Director - hospitality	5,000.00	610.74	4,389.26
11 Admin services / ED spot awards / Board discretionary	100,000.00	-	100,000.00
12 Administrative services - TRICARE	165,895.00	174,359.22	(8,464.22)
13 Admin services - TRICARE (Crowell & Moring)	67,447.00	117,915.16	(50,468.16)
14 TRICARE - Expense Offset Rcv From Other SVPs	(120,000.00)	(191,858.00)	71,858.00
15 Legal fees	105,540.00	59,320.30	46,219.70
16 Legal fees - TRICARE settlement	-	19,773.60	(19,773.60)
17 Audit	11,400.00	10,900.00	500.00
18 Special projects:			-
19 Denied claims recovery (Medical Revenue Managers)	33,600.00	28,000.00	5,600.00
20 Assessment compliance	22,184.00	31,951.42	(9,767.42)
21 All other	60,000.00	-	60,000.00
22 Communications - outside graphics, etc.	7,500.00	-	7,500.00
23 ELM (meetings / mail forwarding / parking / services)	9,500.00	-	9,500.00
24 Insurance	49,000.00	42,069.00	6,931.00
25 Bank fees	42,000.00	34,378.53	7,621.47
26 Bank fees - lockbox	54,911.00	41,178.68	13,732.32
27 Investment fees	56,250.00	68,581.55	(12,331.55)
28 Other administration expenses	2,000.00	6,716.65	(4,716.65)
29 Total administrative expenses	1,389,671.00	1,002,477.26	387,193.74
30 Total expenses net of investment income	864,098	194,992	669,106

ED's Monthly Management Reports

Month _____ Year _____

1. Volumes (See Attached) [Over time these will each become rolling 13-month reports]

- a) DBA Monthly Activity
- b) FreshDesk by Category
- c) Key Finance #s

2. Issues Summary

- a) New Issues None See below

- b) Carryforward Issues None See below

3. Brief narratives [focused on exceptions]

- a) General

- b) ED's Help Requested/Follow-Up

(1) _____

(2) _____

(3) _____

4. Exception on WVA Lockbox

- 5. Special Project Exceptions None See below

- 6. Provider Survey Results # of Replies

Generalizations _____

Norm Roberge

Date Signed:





CLA (CliftonLarsonAllen LLP)
10700 Northup Way, Suite 200
Bellevue, WA 98004
425-250-6100 | fax 425-250-6050
CLAconnect.com

April 12, 2019

Board of Directors
Washington Vaccine Association
P.O. Box 94002
Seattle, WA 98124

Dear Board of Directors:

We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the audit and nonaudit services CliftonLarsonAllen LLP ("CLA," "we," "us," and "our") will provide for Washington Vaccine Association ("you," "your," or "the entity") for the year ending June 30, 2019.

Allen Gilbert is responsible for the services provided to you.

Audit services

We will audit the financial statements of Washington Vaccine Association, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, and cash flows for the year then ending, and the related notes to the financial statements.

Nonaudit services

We will also provide the following nonaudit services:

- Preparation of your financial statements and related notes.

Audit objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America (U.S. GAAS) and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion.

We will issue a written report upon completion of our audit of your financial statements. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Auditor responsibilities, procedures, and limitations

We will conduct our audit in accordance with U.S. GAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. An audit involves performing procedures to obtain sufficient appropriate 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. 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.

There is an unavoidable risk, because of the inherent limitations of an audit, together with the inherent limitations of internal control, that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS. Because we will not perform a detailed examination of all transactions, material misstatements, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity, may not be detected.

In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential.

In making our risk assessments, we consider 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. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, we will communicate to you in writing significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we identify during the audit.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Management responsibilities

Our audit will be conducted on the basis that you (management and, when appropriate, those charged with governance) acknowledge and understand that you have certain responsibilities that are fundamental to the conduct of an audit.

You are responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. Management's responsibilities include the selection and application of accounting principles; recording and reflecting all transactions in the financial statements; determining the reasonableness of significant accounting estimates included in the financial statements; adjusting the financial statements to correct material misstatements; and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for 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. You are responsible for the design, implementation, and maintenance of internal controls to prevent and detect fraud; assessing the risk that the financial statements may be materially misstated as a result of fraud; and for informing us about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations, and informing us of all instances of identified or suspected noncompliance whose effects on the financial statements should be considered.

You are responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters, and for the accuracy and completeness of that information; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence. You agree to inform us of events occurring or facts discovered subsequent to the date of the financial statements that may affect the financial statements.

Management is responsible for providing us with a written confirmation concerning representations made by you and your staff to us in connection with the audit. During our engagement, we will request information and explanations from you regarding, among other matters, the entity's activities, internal control, future plans, specific transactions, and accounting systems and procedures. The procedures we will perform during our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the representations that we receive in the representation letter and otherwise from you. Accordingly, inaccurate, incomplete, or false representations could cause us to expend unnecessary effort or could cause a material fraud or error to go undetected by our procedures. In view of the foregoing, you agree that we shall not be responsible for any misstatements in the entity's financial statements that we may fail to detect as a result of misrepresentations made to us by you.

Responsibilities and limitations related to nonaudit services

For all nonaudit services we may provide to you, management agrees to assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience to understand and oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services.

The responsibilities and limitations related to the nonaudit services performed as part of this engagement are as follows:

- We will prepare a draft of your financial statements and related notes. Since the preparation and fair presentation of the financial statements is your responsibility, you will be required to review, approve, and accept responsibility for those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements.

Use of financial statements

The financial statements and our report thereon are for management's use. If you intend to reproduce and publish the financial statements and our report thereon, they must be reproduced in their entirety. Inclusion of the audited financial statements in a document, such as an annual report or an offering document, should be done only with our prior approval of the document. You are responsible to provide us the opportunity to review such documents before issuance.

If the parties (i.e., you and CLA) agree that CLA will not be involved with your official statements related to municipal securities filings or other offering documents, we will require that any official statements or other offering documents issued by you with which we are not involved clearly indicate that CLA is not involved with the contents of such documents. Such disclosure should read as follows:

CliftonLarsonAllen LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. CliftonLarsonAllen LLP also has not performed any procedures relating to this offering document.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website or submitted on a regulator website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

We may issue preliminary draft financial statements to you for your review. Any preliminary draft financial statements should not be relied on or distributed.

Engagement administration and other matters

We expect to begin our audit in early August 2019.

We understand that your employees will prepare all confirmations, account analyses, and audit schedules we request and will locate any documents or invoices selected by us for testing. A list of information we expect to need for our audit and the dates required will be provided in a separate communication.

The workpapers supporting the services we perform are the sole and exclusive property of CLA and constitute confidential and proprietary information. We do not provide access to our workpapers to you or anyone else in the normal course of business. Unless required by law or regulation to the contrary, we retain our workpapers in accordance with our record retention policy that typically provides for a retention period of seven years.

Except as permitted by the "Consent" section of this agreement, CLA will not disclose any confidential, proprietary, or privileged information of the entity to any persons without the authorization of entity management or unless required by law. This confidentiality provision does not prohibit us from disclosing your information to one or more of our affiliated companies in order to provide services that you have requested from us or from any such affiliated company. Any such affiliated company shall be subject to the same restrictions on the use and disclosure of your information as apply to us.

Our engagement and responsibility end on delivery of our signed report. Any additional services that might be requested will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

Mediation

Any disagreement, controversy, or claim (“Dispute”) that may arise out of any aspect of our services or relationship with you, including this engagement, shall be submitted to non-binding mediation by written notice (“Mediation Notice”) to the other party. In mediation, we will work with you to resolve any differences voluntarily with the aid of an impartial mediator.

The mediation will be conducted as specified by the mediator and agreed upon by the parties. The parties agree to discuss their differences in good faith and to attempt, with the assistance of the mediator, to reach an amicable resolution of the Dispute.

Each party will bear its own costs in the mediation. The fees and expenses of the mediator will be shared equally by the parties.

Any Dispute will be governed by the laws of the state of Minnesota, without giving effect to choice of law principles.

Time limitation

The nature of our services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any Dispute that may arise between the parties. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a Dispute, including one arising out of this agreement or the services performed under this agreement, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by you against us must be commenced within twenty-four (24) months (“Limitation Period”) after the date when we deliver our final audit report under this agreement to you, regardless of whether we do other services for you relating to the audit report, or you shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery.

The Limitation Period applies and begins to run even if you have not suffered any damage or loss, or have not become aware of the existence or possible existence of a Dispute.

Fees

Our fees for these services will be based on the time involved and the degree of responsibility and skills required, plus expenses including internal and administrative charges. Based on our preliminary estimates, the fee for the engagement should approximate \$13,700. The fee estimate is based on anticipated cooperation from your personnel and their assistance with preparing confirmations and requested schedules. If the requested items are not available on the dates required or are not accurate, the estimated fee for services will likely be higher. If unexpected circumstances require significant additional time, we will advise you before undertaking work that would require a substantial increase in the fee estimate.

Our invoices for these fees, plus applicable state and local taxes, will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not issued our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Changes in accounting and audit standards

Standard setters and regulators continue to evaluate and modify standards. Such changes may result in new or revised financial reporting and disclosure requirements or expand the nature, timing, and scope of the activities we are required to perform. To the extent that the amount of time required to provide the services described in the letter increases due to such changes, our fee may need to be adjusted. We will discuss such circumstances with you prior to performing the additional work. On August 18, 2016, FASB issued Accounting Standards Update (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. For 2018, implementation of the new financial reporting disclosures will result in additional fees between \$750 - \$1,000.

Other fees

You also agree to compensate us for any time and expenses, including time and expenses of legal counsel, we may incur in responding to discovery requests or participating as a witness or otherwise in any legal, regulatory, or other proceedings that we are asked to respond to on your behalf.

Finance charges and collection expenses

You agree that if any statement is not paid within 30 days from its billing date, the unpaid balance shall accrue interest at the monthly rate of one and one-quarter percent (1.25%), which is an annual percentage rate of 15%. In the event that any collection action is required to collect unpaid balances due us, reasonable attorney fees and expenses shall be recoverable.

Consent

Consent to use financial information

Annually, we assemble a variety of benchmarking analyses using client data obtained through our audit and other engagements. Some of this benchmarking information is published and released publicly. However, the information that we obtain is confidential, as required by the AICPA Code of Professional Conduct. Your acceptance of this engagement letter will serve as your consent to use Washington Vaccine Association's information in these cost comparison, performance indicator, and/or benchmarking reports.

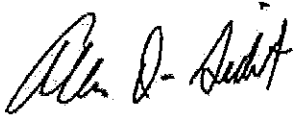
Agreement

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. This letter constitutes the entire agreement regarding these services and supersedes all prior agreements (whether oral or written), understandings, negotiations, and discussions between you and CLA. If you have any questions, please let us know. Please sign, date, and return a copy of this letter to us to indicate your acknowledgment and understanding of, and agreement with, the arrangements for our audit of your financial statements including the terms of our engagement and the parties' respective responsibilities.

Board of Directors
Washington Vaccine Association
April 12, 2019
Page 7

Sincerely,

CliftonLarsonAllen LLP



Allen D. Gilbert, CPA
Engagement Director
425-250-6022
allen.gilbert@CLAconnect.com

Response:

This letter correctly sets forth the understanding of Washington Vaccine Association.

Authorized Governance Signature: _____

Printed Name: _____

Title: _____

Date: _____

Authorized Management Signature: _____

Printed Name: _____

Title: _____

Date: _____

Telling Your Story Through the New Liquidity Disclosures

Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* requires organizations to disclose both qualitative and quantitative information about how the entity manages its liquid resources. While the disclosure requirements may seem a bit daunting, NFPs should consider this an opportunity to share with their donors, board members, creditors and other stakeholders their strategy for managing financial resources.

The ASU provides a few example disclosures but, as with everything in the NFP sector, one size does not fit all. As a result, the examples in the ASU may resonate with some NFPs, but not with others. With that in mind, we have created a number of example disclosures for a variety of NFP types. These disclosures take many forms depending on the type of NFP, the relative liquidity of the organization's resources, donor-imposed restrictions on those resources, internal board designations on resources, and so on. These examples will help organizations consider how they want to craft their liquidity disclosures to enhance transparency and best tell their story.

Association Example 1

Note X - Information Regarding Liquidity and Availability

The Association strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Association's financial assets as of December 31, 2017 and 2016, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include certain alternative investments with redemption limitations as more fully described in note XX and a board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions at December 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 2,740,000	\$ 2,690,000
Investments	11,100,000	12,250,000
Accounts receivable	325,000	650,000
Total financial assets	<u>14,165,000</u>	<u>15,590,000</u>

Investments with liquidity horizons greater than one year	(1,250,000)	(1,450,000)
Cash collateral related to letter of credit	(275,000)	(325,000)
Board-designated special projects fund	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 11,640,000	\$ 12,815,000

Association Example 2**Note X - Liquidity and Reserves**

	<u>6/30/X1</u>	<u>6/30/X0</u>
Total financial assets	\$ 4,454,636	\$ 4,784,929
Donor-imposed restrictions:		
Funds subject to time restrictions	(191,567)	(132,536)
Endowments	<u>(115,500)</u>	<u>(115,500)</u>
Net financial assets after donor-imposed Restrictions	<u>4,147,569</u>	<u>4,536,893</u>
Less:		
Board-designated funds	(359,114)	(484,636)
Agency allocations payable	<u>(4,034,689)</u>	<u>(4,214,789)</u>
Financial assets needed to meet cash needs for general expenditures within one year	\$ <u>(246,234)</u>	\$ <u>(162,532)</u>

As a federated fundraising organization, Entity A receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. Allocations to agencies are paid monthly over a 12-month period. During that same 12-month period, additional contributions are received from donors. Entity A has a policy to designate all net assets without donor restrictions, which results in a shortfall of financial assets to meet cash needs as shown above. All board-designated funds can be made available to meet operating needs if necessary. During the years ended June 30, 20X1 and 20X0, the organization was able to meet its cash needs utilizing designated reserves.

Foundation Example 1

The following example illustrates how a foundation that receives gifts to be invested in perpetuity (endowments), gifts that are purpose restricted and gifts without donor restrictions might comply with the liquidity and availability disclosure requirements.

Note X – Liquidity and Availability

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 65% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general

expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Grant Committee (the Committee) meets semi-annually to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for semi-annual grant commitments approved by the Committee, which typically represents approximately 50% of the expected annual grant cash needs.

The table below presents financial assets available for general expenditures within one year at December 31, 20X1 (in thousands):

Financial assets at year end:

Cash and cash equivalents	\$ 70,000
Collateral under security lending agreements	20,000
Contributions receivable	210,000
Other receivables	10,000
Due from broker	8,000
Investments	2,200,000
Total financial assets	<u>2,509,000</u>

Less amounts not available to be used within one year:

Investments in non-liquid securities	(1,023,000)
Investments held in custodial and non-custodial trusts	(65,000)
Collateral under security lending agreements	(20,000)
Contribution receivable - for restricted gifts, net	(82,000)
Contribution receivable - due after one year, net	(106,000)
Investments held for quasi-endowments	(250,000)
Financial assets not available to be used within one year	<u>(1,546,000)</u>

Financial assets available to meet general expenditures within one year	<u>\$ 963,000</u>
---	-------------------

The following example illustrates expanded disclosures for the same foundation in the previous example:

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions; such support has historically represented approximately 65% of annual program funding needs, with the remainder funded by investment income without donor restrictions and appropriated earnings from gifts with donor restrictions.

The Foundation considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated (quasi) endowments, contributions without donor restrictions and contributions with donor restrictions for use in current programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The Foundation manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term grant commitments and obligations under endowments with donor restrictions and quasi-endowments that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

The Foundation's Grant Committee (the Committee) meets semi-annually to review and approve grant requests. Due to this timing, the Foundation strives to maintain financial assets available to meet general expenditures at a level that represents 100% of annual expenses for administrative, general, and fundraising expenses plus an amount that represents the next expected payment for semi-annual grant commitments approved by the Committee, which typically represents approximately 50% of the expected annual grant cash needs.

The table below presents financial assets available for general expenditures within one year at December 31, 20X1 (in thousands):

Financial assets at year end:

Cash and cash equivalents	\$ 70,000
Collateral under security lending agreements	20,000
Contributions receivable	210,000
Other receivables	10,000
Due from broker	8,000
Investments	2,200,000
Total financial assets	<u>2,509,000</u>

Less amounts not available to be used within one year:

Investments in non-liquid securities	(1,023,000)
Investments held in custodial and non-custodial trusts	(65,000)
Collateral under security lending agreements	(20,000)
Contributions receivable for restricted gifts, net	(82,000)
Contributions receivable due after one year, net	(106,000)
Investments held for quasi-endowments	(250,000)
Financial assets not available to be used within one year	<u>(1,546,000)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 963,000</u>

In evaluating the adequacy of financial assets available to sustain commitments under endowments with donor restrictions and quasi-endowments, the Foundation follows the policy of requiring that financial assets attributable to such commitments, defined as financial assets not available to be used within one year, be equal to or greater than the related net assets, measured annually as follows (in thousands):

Net assets with donor restrictions in total at December 31, 20X1	\$ 2,030,000
Less net assets with purpose restrictions to be met in less than a year	(803,000)
Plus quasi-endowments	<u>250,000</u>
Net assets representing endowments with donor restrictions and quasi-endowments	<u>\$ 1,477,000</u>
Financial assets not available to be used within one year, defined above	<u>\$ 1,546,000</u>

Humanitarian Aid Charity Example 1

Note X – Liquidity and Availability

	<u>6/30/X1</u>	<u>6/30/X0</u>
Total financial assets	\$ 78,600	\$ 94,801
Donor-imposed restrictions:		
Restricted Funds	(1,613)	(1,584)
Endowments	<u>(8,288)</u>	<u>(8,616)</u>
Net financial assets after donor-imposed restrictions	<u>68,699</u>	<u>84,601</u>
Internal designations:		
Board Advised Funds	(25,071)	(27,709)
Gift Annuities	(7,693)	(7,793)
Quasi-endowments	<u>(329)</u>	<u>(309)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 35,606</u>	<u>\$ 48,790</u>

The organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 20X1 and 20X0, the level of liquidity and reserves was managed within the policy requirements.

Humanitarian Aid Charity Example 2

Note X – Liquidity and Availability

	<u>6/30/X1</u>	<u>6/30/X0</u>
Total financial assets	\$ 78,600	\$ 94,801
Donor-imposed restrictions:		
Designated Funds	(1,613)	(1,584)
Endowments	<u>(8,288)</u>	<u>(8,616)</u>
Net financial assets after donor-imposed restrictions	<u>68,699</u>	<u>84,601</u>
Internal designations:		
Donor Advised Funds	(25,071)	(27,709)
Gift Annuities	(7,693)	(7,793)
Split interest agreements	(25)	(5)
Quasi-endowments	<u>(304)</u>	<u>(304)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>35,606</u>	\$ <u>48,790</u>

The organization receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 20X1 and 20X0, restricted contributions of \$14,886 and \$31,543, respectively, were included in financial assets available to meet cash needs for general expenditures within one year. The organization manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. NFP A has a

policy to target a year-end balance of reserves of unrestricted, undesignated net assets at 15 to 30 days of expected expenditures. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended June 30, 20X1 and 20X0, the level of liquidity and reserves was managed within the policy requirements.

Nonprofit Implementation of FASB Financial Reporting Standards

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,
an SEC-registered investment advisor. | ©2017 CliftonLarsonAllen LLP



NFP Financial Statements

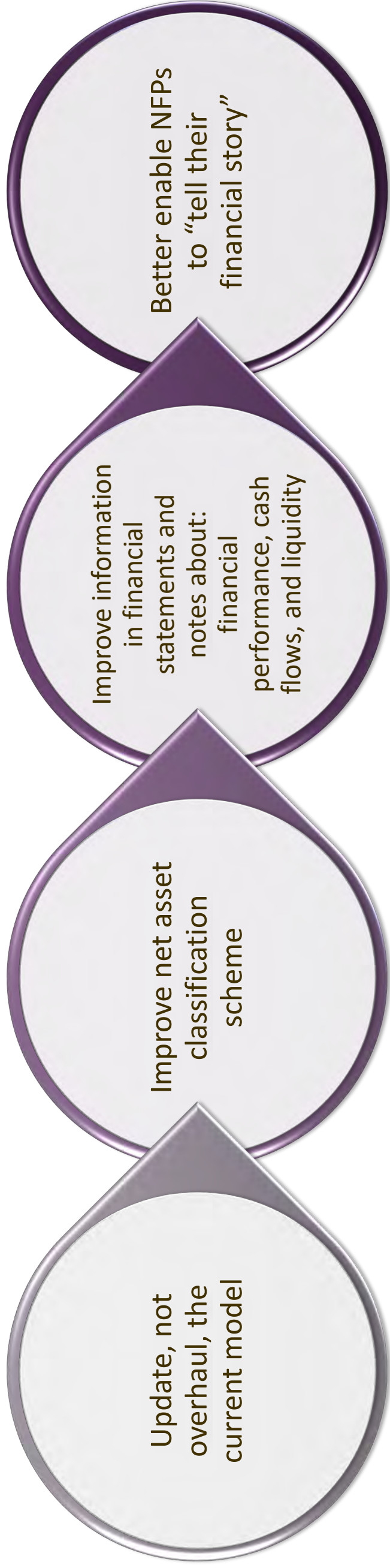
ASU 2016-14

General Implementation – Initial Thoughts

- The presentation of financial statements for not-for-profit (NFP) entities is effective for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early application is permitted.
 - Has your organization decided to early adopt the new provisions or plan to adopt at the above noted effective date?
 - Has your organization drafted a footnote for a change in accounting principal?
 - Have proper individuals attended training to understand the new changes in financial reporting?
 - Has your organization discussed with its auditors the impact of the new changes related to audit timing and planning?
 - Has your organization identified the team members who will lead the implementation of the new financial reporting requirements?

NFP Financial Statements ASU—Key Objectives

(recommended by FASB’s NFP Advisory Committee (NAC))



Issued August 18, 2016, ASU No. 2016-14

Fiscal years beginning after 12-15-17

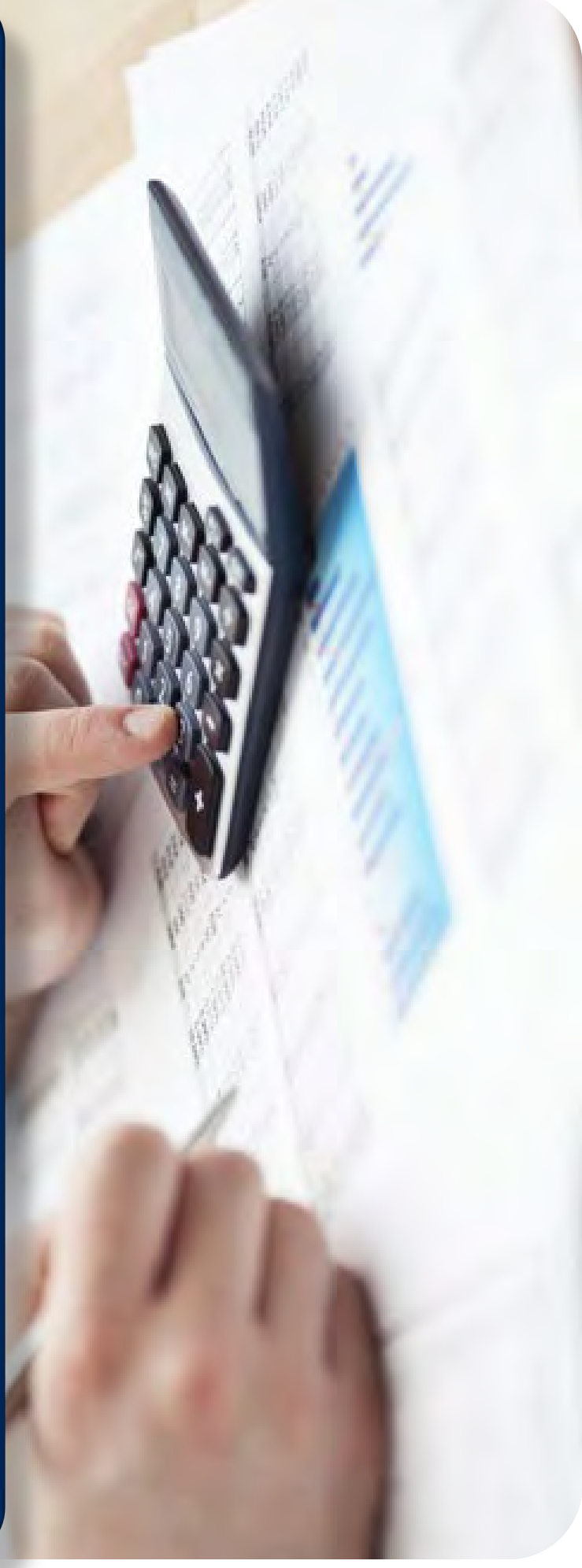
<p style="text-align: center;">Phase I</p> <p style="text-align: center;">ASU 2016-14 Issued August 2016 (fiscal year 2018-19)</p>	<p style="text-align: center;">Phase II</p>
<p>Net Asset Classes:</p> <ul style="list-style-type: none"> • Classification scheme • Disclosure of board designated net assets • Underwater endowments • Expirations of capital restrictions 	<p>Operating Measures--all other elements of the proposal, including:</p> <ul style="list-style-type: none"> • Whether to require intermediate measure(s) • Whether and how to define such measure(s), and what items should or should not be included in the measure(s) • Alternative disaggregation approaches suggested by stakeholders
<p>Expenses/Investment Return:</p> <ul style="list-style-type: none"> • Expenses by nature; analysis of expenses by function and nature • Netting of investment expenses against investment return • Disclosure of netted investment expenses • Enhanced disclosures about cost allocations 	<p>Statement of Cash Flows:</p> <ul style="list-style-type: none"> • Realignment of certain items
<p>Operating Measures:</p> <ul style="list-style-type: none"> • Modest improvements to disclosures for those that use an operating measure, especially about board appropriations, designations, and similar transfers 	
<p>Liquidity/Availability:</p> <ul style="list-style-type: none"> • Quantitative disclosures about availability • Qualitative disclosures about liquidity • Consideration of alternatives suggested by stakeholders (e.g., classified balance sheet) 	
<p>Statement of Cash Flows:</p> <ul style="list-style-type: none"> • Methods of presenting operating cash flows (direct/indirect) 	



ASU 2016-14: Cash Flow Statement

Continue to allow choice between the Direct Method and the Indirect Method in presenting operating cash flows

- However, indirect reconciliation no longer required for Direct Method

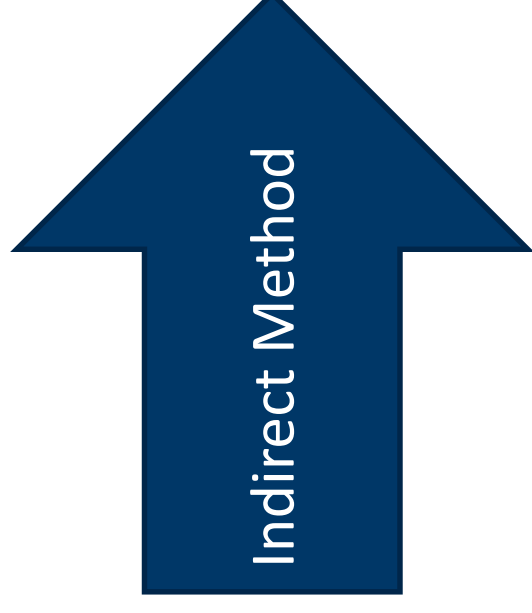


Operating Cash Flows

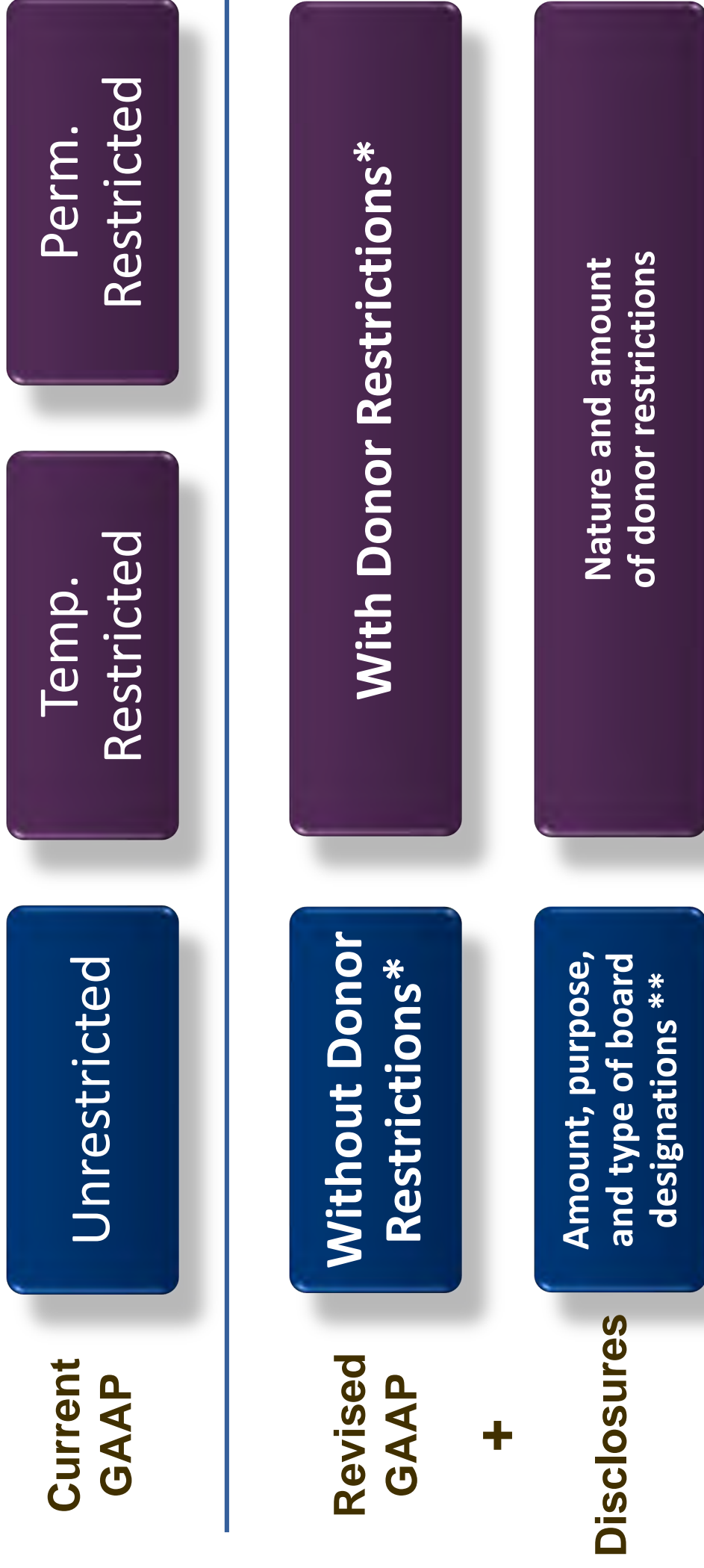
	2016	2015
Cash received from donors for operations	\$ 1,756,001	\$ 1,390,824
Cash received from program fees and other	700,622	645,201
Cash payments to employees	(1,257,765)	(1,319,769)
Cash payments to vendors and others	(1,046,017)	(983,776)
Cash paid for interest	(47,878)	(32,922)
Net Cash From Operating Activities	104,963	(300,442)



	2016	2015
Change in net assets	\$ (97,821)	\$ (540,070)
Adjustments to reconcile change in net assets to net cash from operating activities-		
Depreciation and amortization	269,584	254,559
Contributions restricted for property purchases	(60,582)	
(Gains) losses on investments	(22,060)	2,574
Changes in operating assets and liabilities:		
Grants and pledges receivable	(125,862)	27,305
Prepaid expenses and other assets	26,615	(2,300)
Accounts payable and accrued expenses	59,108	(44,825)
Deferred revenue	55,981	2,315
Net Cash From Operating Activities	104,963	(300,442)



Net Assets



*** NFPs may choose to disaggregate further**

**** New disclosure requirement**

Implementation – Balance Sheet (continued)

Net assets:	
Without donor restrictions	125,056
With donor restrictions	162,268
Total net assets	<u>287,324</u>



Net assets:	
Without donor restrictions -	
Undesignated	24,931
Operating reserve	25,000
Designated by the Board for capital projects	<u>75,125</u>
	<u>125,056</u>
With donor restrictions -	
Time restricted for future periods	2,783
Purpose restricted	11,066
Endowment fund	<u>148,419</u>
	<u>162,268</u>
Total net assets	<u>287,324</u>



Net Assets Released from Donor Restriction - Disclosure Example

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the year ended June 30, 20XX:

Purpose restrictions accomplished:	
Program A expenses	\$ 15,800
Program B expenses	4,600
Program C expenses	<u>1,590</u>
	21,990
Program A equipment acquired and placed in service	1,500
Time restrictions expired:	
Passage of specified time	850
Death of annuity beneficiary	<u>400</u>
	1,250
Release of appropriated endowment returns without purpose restrictions	<u>7,500</u>
Total restrictions released	<u>\$ 32,240</u>

Net Assets without Donor Restrictions – Disclosure Example

NFP A's governing board has designated net assets for purposes as of June 30, 20XX:

Quasi-endowment	\$ 34,658
Liquidity reserve	<u>1,300</u>
Total	<u><u>\$ 35,958</u></u>

“Underwater” Endowments

Revised net asset classification

- To be reflected in net assets with donor restrictions rather than in net assets without donor restrictions

Enhanced disclosures

- In addition to aggregate amounts by which funds are underwater (current GAAP), also disclose aggregate of original gift amounts (or level required by donor or law) for such funds, fair value, and any governing board policy, or actions taken, concerning appropriation from such funds

Expiration of Capital Restrictions

Gifts of cash restricted for acquisition or construction of PP&E

In absence of explicit donor restrictions, NFPs would be required to use the **placed-in-service** approach (*no more implied time restrictions*)

- Healthcare NFPs are already required to do so



Example of Reclassification of Opening Balances

	Current GAAP	Reclassifications			New GAAP
		Implied time restriction	Underwater portion of endowment	Other	
Assets:					
Cash and cash equivalents	16,003				16,003
Receivables and other	23,095				23,095
Investments	145,794				145,794
Property & equipment	120,581				120,581
Total assets	305,473	-	-	-	305,473
Liabilities:					
Accounts payable	1,915				1,915
Accrued expenses	8,566				8,566
Long-term debt	7,668				7,668
Total liabilities	18,149	-	-	-	18,149
Net assets:					
Unrestricted	23,237		1,084	(24,321)	-
Temporarily restricted	119,097	(100,735)		(18,362)	-
Permanently restricted	144,990			(144,990)	-
Without donor restrictions		100,735		24,321	125,056
With donor restrictions			(1,084)	163,352	162,268
Total net assets	287,324	-	-	-	287,324
Total liabilities and net assets	305,473	-	-	-	305,473

Liquidity and Availability of Resources

NFPs required to provide:

Qualitative information on how an NFP manages its liquid available resources and its liquidity risk (in the notes)

Quantitative information that communicates the availability of an NFP's financial assets at the balance sheet date to meet cash needs for general expenditures within one year (on the face and/or in the notes)



Quantitative Disclosure for Financial Assets Availability Example

The following chart represents XYZ's financial assets available to meet cash needs for general expenditures within 1 year of June 30, XX. Due to the nature of the restrictions from contributions received from donors, XYZ has omitted all restricted contributions.

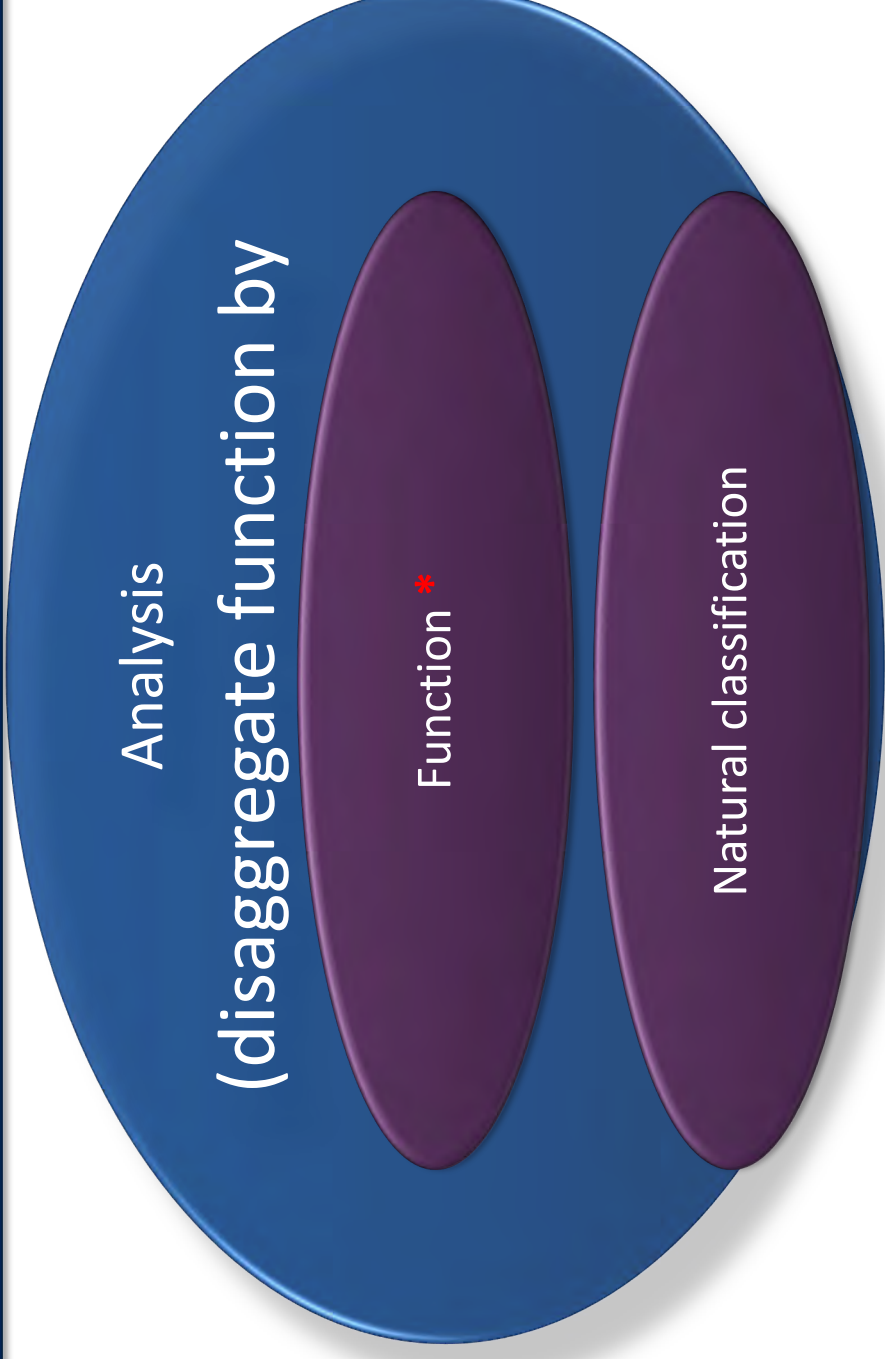
Financial assets, at year-end*	\$ 234,410
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(11,940)
Subject to appropriation and satisfaction of donor restrictions**	(144,500)
Investments held in annuity trust	(4,500)
Amounts held by bond trustees	(30,200)
Board designations:	
Quasi-endowment fund, primarily for long-term investing**	(36,600)
Amounts set aside for liquidity reserve	(1,300)
Financial assets available to meet cash needs for general expenditures within one year	\$ 5,370

*Total assets, less nonfinancial assets (e.g., PP&E, inventory, prepaids)

**Excludes amounts that have been appropriated for next 12 months that do not have purpose restrictions

Expense Reporting

Report expenses, either on the face of financial statements or in the notes, by both:



* currently required in GAAP

** choice of location; Board may explore segment reporting instead for HC in Phase 2

Expense Reporting (continued)



NFPs required to provide qualitative disclosures about methods used to allocate costs among program and support functions



ASU also provides enhanced guidance on allocations from M&G expenses

- Key concept: *direct conduct* or *direct supervision*

Presentation in the notes or in a separate statement

	Program Services			Supporting Activities			Total Expenses
	Program A	Program B	Program Subtotal	Management & General	Fund-raising	Supporting Subtotal	
Salaries, benefits, and taxes	\$ 7,400	\$ 5,625	\$ 13,025	\$ 1,130	\$ 960	\$ 2,090	\$ 15,115
Grants to other organizations	2,075	2,675	4,750				4,750
Supplies and travel	890	1,512	2,402	213	540	753	3,155
Services and professional fees	160	2,090	2,250	200	390	590	2,840
Office and occupancy	1,160	1,050	2,210	218	100	318	2,528
Depreciation	1,440	1,370	2,810	250	140	390	3,200
Interest	171	164	335	27	20	47	382
Total expenses	\$13,296	\$14,486	\$27,782	\$ 2,038	\$2,150	\$ 4,188	\$31,970

Example 2 – Analysis of Expenses

- Presentation on face of the statement of activities

Expenses:	
Grant activities -	
Grants	12,125
Salaries, benefits and taxes	1,808
Occupancy costs	970
Depreciation	845
Supplies	1,255
Other	56
	<hr/>
	17,059
Management and general -	
Salaries, benefits and taxes	452
Occupancy costs	243
Depreciation	211
Supplies	314
Other	14
	<hr/>
	1,234
	<hr/>
Total expenses	18,293

Reporting of Investment Return

How to present?

- **Net presentation** of investment expenses against investment return on the face of the statement of activities
 - Netting limited to external and **direct** internal expenses
 - May report net return in **multiple**, appropriately labeled lines (e.g., from different portfolios, in different net asset classes, or in operating versus nonoperating)

What to disclose?

- Disclosure of investment expenses **no longer required**
 - If reported, carefully label and don't include in expense analysis
 - No longer require disclosure of investment return **components**

Operating Measure: Improved Disclosures

Reinforcing current GAAP requirement about transparency of components of any operating measures presented:

- *NFPs utilizing an operating measure that reflects governing board designations, appropriations, and similar actions (internal transfers) must report these types of internal transfers appropriately disaggregated and described by type (either on the face of the statement of activities or in the notes)*

Operating Measure – Disclosure Example

NOTE 1: Measure of Operations

NFP A's operating revenues in excess of expenses and transfers includes all operating revenues and expenses that are an integral part of its programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions designated for long-term investment (the donor-restricted and quasi-endowment) according to NFP A's spending policy, which is detailed in Note X. The measure of operations excludes endowment support for non-operating activities, investment return in excess (less than) amounts made available for current support, gains and losses on extinguishment of debt, and changes in fair value of the interest rate swap. Included in the line item transfer of funds, net is investment return appropriated from quasi-endowment to operations of \$1,025, contributions designated by the Board of Trustees for capital projects from operations of \$3,000, and contributions and bequests designated by the Board of Trustees for quasi-endowment from operations of \$5,000.

Effective Date, Early Adoption, and Transition

Effective Date: For fiscal years beginning after 12/15/2017 (e.g., CY 2018, FY 2018-19)

- Interim financials the following year

Early Adoption: Permitted, but must apply the regular transition provisions.

Transition:

- For year of adoption: apply all provisions.
- For comparative years presented: apply all provisions, except can choose not to present:
 - Analysis of expenses by nature and function*, and/or
 - Disclosures around liquidity and availability of resources
 - **unless already required to do so under current GAAP*

Important Notes

NFPs are *already permitted* to incorporate many of the changes in the ASU

The only changes that cannot be done without formally adopting the ASU are:

Presenting one class of restricted net assets (consolidating temporarily and permanently restricted)

Underwater endowment accounting

Eliminated disclosures of investment return components and netted expenses

Eliminated requirement to provide indirect reconciliation if using direct method for operating cash flows

Year of implementation

- The new guidance shall be applied on a retrospective basis. However, if presenting comparative financial statements, a NFP would have the option to omit the following information for any periods presented before the year of adoption: i) analysis of expenses by both functional and natural classification, ii) disclosures about liquidity and availability of resources.
- In the year of adoption, a NFP shall disclose the nature of any reclassifications or restatements and their effects, if any, on changes in the net asset classes for each year presented.

Financial Reporting Resources

- ASU 2016-14 Nonprofit Reporting Checklist
 - CliftonLarsonAllen’s [Presentation of Financial Statements for Not-for-Profit Entities Checklist](#) is a clear, easy-to-follow checklist that prompts you to answer questions, create a timeline, and provide special instructions for you and others. The document can be copied and shared across your organization.
- Location: <http://www.claconnect.com/resources/articles/download-fasb-asu-201614-nonprofit-financial-reporting-checklist>

Financial Reporting Resources (continued)

- Presentation: [Changes in Nonprofit Financial Statements](#)
 - includes a detailed explanation of changes to the nonprofit reporting model and its implications for your organization.
- Location: <http://www.claconnect.com/-/media/files/presentations/changes-in-nonprofit-financial-statements--pdf.pdf?la=en>

Financial Reporting Resources (continued)

- Webinar Recording: [Changes in Nonprofit Financial](#)

[Statements](#)

Cathy Clarke, CLA's chief assurance officer, explores the impact of ASU 2016-14 on your financial statements as well as other new and pending FASB standards.

- Location of file:
<https://cla.adobeconnect.com/a1126648253/p4975pfn5vk/?launcher=false&fcsContent=true&pbMode=normal>

Allen D. Gilbert, CPA

Engagement Director

Allen.gilbert@claconnect.com

425-250-6022

David G. Hoagland, CPA

Principal

Dave.Hoagland@claconnect.com

425-828-1546

CLAcconnect.com



twitter.com/CLAcconnect

**May 23, 2019 WVA Finance 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 the Board of Directors.

Items under Agenda Section 3:

VOTED: To engage CliftonLarsonAllen for the 2018/19 Audit.

[To engage CliftonLarsonAllen for the 2018/19 Audit with the changes suggested at the meeting.]