



**FINANCIAL STATEMENTS**

**JUNE 30, 2010**

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5 – 7

# Monson & Bass

INC., P.S.

CERTIFIED PUBLIC ACCOUNTANTS

3500 188th S.W., Suite 234, Lynnwood, WA 98037-4716

425/778-5232, Fax: 425/771-5632

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Directors  
Washington Vaccine Association  
Seattle, Washington

We have audited the accompanying statements of financial position of Washington Vaccine Association (a not-for-profit organization) as of June 30, 2010, and the related statements of activities and cash flows for the period from inception (April 1, 2010) to June 30, 2010. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Washington Vaccine Association as of June 30, 2010, and the results of its operations and its cash flows for the period from inception (April 1, 2010) to June 30, 2010, in conformity with accounting principles generally accepted in the United States of America.



Monson & Bass, Inc., P.S.

November 1, 2010

**WASHINGTON VACCINE ASSOCIATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2010**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 7,201,627
Member assessments receivable:	
Vaccines	1,081,433
Administrative fees, net of allowance for leakage of \$62,000	302,807
Prepaid expenses	<u>21,250</u>
Total current assets	<u>8,607,117</u>

Total assets \$ 8,607,117

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 85,957
Payable to Washington Department of Health	<u>2,615</u>
Total current liabilities	88,572

**LONG-TERM LIABILITIES**

Refundable prepayments	<u>7,800,001</u>
------------------------	------------------

Total liabilities 7,888,573

**NET ASSETS - UNRESTRICTED**

718,544

Total liabilities and net assets \$ 8,607,117

See accompanying notes to financial statements.

**WASHINGTON VACCINE ASSOCIATION  
STATEMENT OF ACTIVITIES  
FOR THE PERIOD FROM INCEPTION TO JUNE 30, 2010**

CHANGES IN UNRESTRICTED NET ASSETS

Revenue:

Administrative fee	\$ 1,077,338
Less allowance for leakage	<u>(62,000)</u>
	1,015,338
Interest income	<u>3,791</u>
Total revenue	<u>1,019,129</u>

Expenses:

Public information	23,384
Administrative	261,687
Office	15,210
Other	304
Total expenses	<u>300,585</u>

Increase in unrestricted net assets and net assets, June 30, 2010 \$ 718,544

See accompanying notes to financial statements.

**WASHINGTON VACCINE ASSOCIATION  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM INCEPTION TO JUNE 30, 2010**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Vaccine assessments collected	\$ 1,662,571
Administrative fee assessments collected	712,531
Interest received	3,791
Cash remittances to State of Washington Department of Health for vaccines	(2,741,389)
Administrative expenses paid	<u>(235,878)</u>
Net cash used in operating activities	<u>(598,374)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
	<u>-</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from member assessment prepayments	<u>7,800,001</u>
Net cash provided by financing activities	7,800,001
 Net increase in cash	 7,201,627
 <b>CASH AND CASH EQUIVALENTS, beginning of period</b>	 <u>-</u>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<u><u>\$ 7,201,627</u></u>
 <b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Change in net assets	\$ 718,544
Allowance for leakage	62,000
Adjustments to reconcile change in net assets to cash used in operating activities:	
Increase in assets:	
Member assessments receivable, vaccines	(1,081,433)
Member assessments receivable, administrative fees	(364,807)
Prepaid expenses	(21,250)
Increase in liabilities:	
Accounts payable	85,957
Payable to Washington Department of Health	<u>2,615</u>
 Net cash used in operating activities	 <u><u>\$ (598,374)</u></u>

See accompanying notes to financial statements.

**WASHINGTON VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – NATURE OF ORGANIZATION**

Organization and Operations – The Washington Vaccine Association (the “Association”) was founded on April 1, 2010 by Washington State legislation, SSHB 2551. That legislation was enacted to maintain the state’s universal purchase of vaccines after state budget constraints required the discontinuation of state funding.

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 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 SSHB 2551. The Association’s governance documents are available at the Association’s website: [www.WAvaccine.org](http://www.WAvaccine.org).

Termination of the Association – The Association board may, on or after June 30, 2015, 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 thirty 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 HHSB 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.

Federal Income Taxes – As an affiliate of a governmental unit (Washington State Department of Health), the Association is exempt from Federal income taxes.

**NOTE 2 – 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. 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 the three months ended June 30, 2010.

Estimates and Assumptions – The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, all highly liquid investments available for use with an initial maturity of three months or less are considered to be cash.

**WASHINGTON VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (continued)**

Accounts Receivable – 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.

Leakage – The Association estimates an allowance for leakage equal to 17% of assessments receivable from administrative fees. Leakage represents estimated amounts of vaccine purchases that will not be remitted to the Association. Estimated leakage is 5% of member benefits and 12% of revenue. The Association’s goal is to reduce these leakage factors over time.

Assessment Prepayments – The Association was initially funded by prepayments from six of the state’s private health plans. Over time, the assessments from vaccines delivered to privately covered children in the state will cover the costs of purchasing vaccines and administering the program also replenish the working capital supplied by these initial prepayments.

The Association must use its reasonable best efforts to repay the prepayments on or before the dates set forth as follows: 30% 18 months from the date of deposit, 60% 24 months from the date of deposit, and 100% at the earlier of (a) 30 months from the date of deposit, or (b) the date of any Board vote to recommend discontinuation or liquidation of the Association; or (c) any voluntary or involuntary filing of liquidation, receivership, bankruptcy or similar proceeding which is not completely withdrawn or terminated within thirty (30) days of such event.

Dosage Based Assessments – Funds collected from Members (including an administrative revenue portion discussed below) are determined using a Dosage Based Assessment methodology. This methodology is based on the actual cost of estimated dosages administered by providers in Washington to eligible children. The cost for each vaccine is negotiated by the Center for Communicable Diseases. The Washington State Department of Health invoices the Association for vaccine purchases.

Revenue Recognition – The Association is the agent for its members. It collects member assessments that are remitted to the Washington State Department of Health for purchase of vaccines. Agency transactions are not considered revenue or expense of the Association. Revenue is recognized from an administrative fee charged to members, plus interest income, as allowed by the Plan of Operation. Expense is recognized for the administrative costs of operating the Association.

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 will 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 Act for vaccine purchases made by the State of Washington.

Reserve Fund – The Association will be creating a reserve fund, funded by administrative fees funds collected and the repayment program with respect to Member prepayments. The target of the reserve fund will be to reach a standing reserve equal to two times the highest projected monthly cost of vaccines during the upcoming 12 months, plus normal ongoing monthly operating costs of the Association based upon the Association’s Board-approved ongoing annual budget for operations after the Association’s six-month startup period.



**WASHINGTON VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (concluded)**

Subsequent Events – The Board of Directors and management have evaluated subsequent events through November 1, 2010, 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 \$2,741,389 were made by the Association to the State of Washington’s Universal Vaccine Purchase Account during the three-month period ended June 30, 2010.

**NOTE 4 – 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, 2010.

**NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

Generally accepted accounting principles require disclosure of an estimate of fair value for certain financial instruments. The Association’s significant financial instruments are cash, assessments receivable, other short-term assets and liabilities, and assessment prepayments. The carrying value of these financial instruments approximate fair value.

**NOTE 6 – CONTINGENCIES**

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

**NOTE 7 – ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES**

The Association as a tax-exempt organization created by Washington State statute and an affiliate of a governmental unit does not file an annual federal information return (Form 990).

The Association has adopted provisions of a new accounting standard regarding accounting for uncertainties in income taxes and has evaluated whether it is more likely than not that positions they have taken would result in the recognition of taxable income or the loss of their tax-exempt status.

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.