



FINANCIAL STATEMENTS

JUNE 30, 2011

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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 statement of financial position of Washington Vaccine Association (a not-for-profit organization) as of June 30, 2011, and the related statements of activities and cash flows for the then ended. 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, 2011, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Monson & Bass, Inc., P.S.

Monson & Bass, Inc., P.S.

September 22, 2011

**WASHINGTON VACCINE ASSOCIATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 18,426,424
Member assessments receivable:	
Vaccines	1,761,133
Administrative fees and assessments in excess of vaccine funding	<u>3,164,564</u>
Current and total assets	<u>\$ 23,352,121</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 107,097
Vaccine fees payable to the Washington Department of Health	<u>1,672,937</u>
Total current liabilities	1,780,034

**ASSESSMENTS COLLECTED IN EXCESS OF VACCINE FUNDING
AND ADMINISTRATIVE ACTIVITIES**

21,572,087

NET ASSETS - UNRESTRICTED

0

Total liabilities and net assets	<u>\$ 23,352,121</u>
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See accompanying notes to financial statements.

**WASHINGTON VACCINE ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

	Administrative Activities	Vaccine Funding Activities	Total
CHANGES IN UNRESTRICTED NET ASSETS			
Revenue:			
Assessments collected	\$ 11,594,272	\$ 43,379,608	\$ 54,973,880
Interest income	42,637	0	42,637
Total revenue	11,636,909	43,379,608	55,016,517
Expenses:			
Public information	37,274	0	37,274
Administrative	784,479	0	784,479
Office	100,106	0	100,106
Other	23,239	0	23,239
Total expenses	945,098	0	945,098
Vaccine replenishments	0	33,217,876	33,217,876
	10,691,811	10,161,732	20,853,543
Assessments collected in excess of vaccine funding and administrative activities	(11,410,355)	(10,161,732)	(21,572,087)
Decrease in unrestricted net assets and net assets	(718,544)	0	(718,544)
Net assets, beginning of year	718,544	0	718,544
Net assets, end of year	\$ 0	\$ 0	\$ 0

See accompanying notes to financial statements.

**WASHINGTON VACCINE ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

CASH FLOWS FROM OPERATING ACTIVITIES	
Vaccine assessments collected	\$ 42,699,908
Administrative fee assessments collected	8,732,515
Interest received	42,637
Cash remittances to Washington Department of Health for vaccines	(31,547,554)
Administrative expenses paid	(902,708)
Net cash provided by operating activities	<u>19,024,798</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
	<u>0</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of member assessment prepayments	<u>(7,800,001)</u>
Net cash used in financing activities	(7,800,001)
Net increase in cash	11,224,797
 CASH AND CASH EQUIVALENTS, beginning of year	 <u>7,201,627</u>
 CASH AND CASH EQUIVALENTS, end of year	 <u><u>\$ 18,426,424</u></u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Change in net assets	\$ (718,544)
Allowance for leakage	(62,000)
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Decrease (increase) in assets:	
Member assessments receivable, vaccines	(679,700)
Member assessments receivable, administrative fees	(2,799,757)
Prepaid expenses	21,250
Increase in liabilities:	
Accounts payable	21,140
Vaccine fees payable to the Washington Department of Health	1,670,322
Assessments collected in excess of vaccine funding and administrative activities	<u>21,572,087</u>
Net cash provided by operating activities	<u><u>\$ 19,024,798</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 (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 SSHB 2551. The Association’s governance documents are available at the Association’s website: 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 June 30, 2011.

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.

Assessment Prepayments – The Association was initially funded by prepayments from six of the state’s private health plans. All prepayments were repaid in full as of June 30, 2011.

Dosage Based Assessments – Funds collected from Members (including an administrative revenue and reserve 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. 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. The replenishment of vaccines and collection of vaccine assessments are considered agency transactions. Although these agency transactions are not considered revenue or expense of the Association, they are included in the Statement of Activities as “Vaccine Funding Activities”.

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.

Assessments collected in excess of vaccine funding and administrative costs – The Association has collected assessments in excess of the amount needed 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 specific statutory purposes. The Board intends to apply any excess assessment collections to (i) future vaccine funding obligations of the Association, (ii) reasonable and necessary operating costs of the Association, (iii) reduction of future assessments, and (iv) to the extent of any residual excess at the end of Association operations, refunds to members.

Subsequent Events – The Board of Directors and management have evaluated subsequent events through September 22, 2011, the date the financial statements were available to be issued.

**WASHINGTON VACCINE ASSOCIATION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – REMITTANCE TO THE STATE OF WASHINGTON

Pursuant to the Association's statutory purposes, transfers of \$33,217,876 were made by the Association to the State of Washington's Universal Vaccine Purchase Account during the year ended June 30, 2011.

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, 2011. Since that date, the Association has restructured its banking arrangements so that all Association bank deposits are fully insured.

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 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.

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.