

**WASHINGTON VACCINE ASSOCIATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



**WASHINGTON VACCINE ASSOCIATION  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Washington Vaccine Association  
Seattle, Washington

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Washington Vaccine Association (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors  
Washington Vaccine Association

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Washington Vaccine Association as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Bellevue, Washington  
September 7, 2017

**WASHINGTON VACCINE ASSOCIATION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 9,582,053	\$ 5,159,161
Estimated Collectible Assessments	9,708,870	5,842,522
Prepaid Vaccines to Washington Department of Health	5,014,254	6,207,953
Total Current Assets	\$ 24,305,177	\$ 17,209,636
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 56,159	\$ 72,511
Bank Line of Credit, Current Portion	-	10,000,000
Total Current Liabilities	56,159	10,072,511
<b>ASSESSMENTS COLLECTED IN EXCESS OF VACCINE FUNDING AND ADMINISTRATIVE ACTIVITIES</b>		
	24,249,018	7,137,125
Total Liabilities	24,305,177	17,209,636
<b>NET ASSETS - UNRESTRICTED</b>		
	-	-
Total Liabilities and Net Assets	\$ 24,305,177	\$ 17,209,636

See accompanying Notes to Financial Statements.

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

	<u>Administrative Activities</u>	<u>Vaccine Funding Activities</u>	<u>Total</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>			
Assessment Activity:			
Assessments	\$ 18,622,617	\$ 65,514,758	\$ 84,137,375
Vaccine Replenishments	-	(65,835,583)	(65,835,583)
Net Assessment Activity	<u>18,622,617</u>	<u>(320,825)</u>	<u>18,301,792</u>
Expenses:			
Public Information	12,875	-	12,875
Administrative:			
Administrative Services	491,957	-	491,957
Special Projects Services	410,583	-	410,583
Legal and Accounting	55,233	-	55,233
Office	52,567	-	52,567
Interest	114,461	-	114,461
Other	52,223	-	52,223
Total Expenses	<u>1,189,899</u>	<u>-</u>	<u>1,189,899</u>
Total Change in Unrestricted Net Assets	17,432,718	(320,825)	17,111,893
<b>VACCINE FUNDING AND ADMINISTRATIVE ACTIVITIES IN EXCESS OF ASSESSMENTS COLLECTED</b>	<u>(17,432,718)</u>	<u>320,825</u>	<u>(17,111,893)</u>
<b>CHANGES IN NET ASSETS</b>	-	-	-
Net Assets - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

**WASHINGTON VACCINE ASSOCIATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

	<u>Administrative Activities</u>	<u>Vaccine Funding Activities</u>	<u>Total</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>			
Assessment Activity:			
Assessments	\$ 16,579,594	\$ 59,032,500	\$ 75,612,094
Write-Down of Assessments	(127,000)	(5,631,000)	(5,758,000)
Vaccine Replenishments	-	(66,992,123)	(66,992,123)
Net Assessment Activity	<u>16,579,594</u>	<u>(13,590,623)</u>	<u>2,861,971</u>
Expenses:			
Public Information	12,809	-	12,809
Administrative:			
Administrative Services	492,624	-	492,624
Special Projects Services	378,140	-	378,140
Legal and Accounting	27,244	-	27,244
Office	59,812	-	59,812
Interest	428,122	-	428,122
Other	43,519	-	43,519
Total Expenses	<u>1,442,270</u>	<u>-</u>	<u>1,442,270</u>
Total Change in Unrestricted Net Assets	15,137,324	(13,590,623)	1,419,701
<b>VACCINE FUNDING AND ADMINISTRATIVE ACTIVITIES IN EXCESS OF ASSESSMENTS COLLECTED</b>	<u>(15,137,324)</u>	<u>13,590,623</u>	<u>(1,419,701)</u>
<b>CHANGES IN NET ASSETS</b>	-	-	-
Net Assets - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Financial Statements.

**WASHINGTON VACCINE ASSOCIATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Assessments Collected	\$ 80,271,027	\$ 76,308,160
Cash Remittances to Washington Department of Health for Vaccines	(64,641,884)	(66,860,517)
Administrative Expenses Paid	(1,019,279)	(977,703)
Cash Paid for Interest Expense	(186,972)	(433,109)
Net Cash Provided by Operating Activities	<u>14,422,892</u>	<u>8,036,831</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Line of Credit Repayments	<u>(10,000,000)</u>	<u>(5,000,000)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	4,422,892	3,036,831
Cash and Cash Equivalents - Beginning of Year	<u>5,159,161</u>	<u>2,122,330</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 9,582,053</u></u>	<u><u>\$ 5,159,161</u></u>
<b>RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ -	\$ -
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
(Increase) Decrease in:		
Estimated Collectible Assessments	(3,866,348)	6,454,066
Prepaid Vaccines to Washington Department of Health	1,193,699	131,606
Increase (Decrease) in:		
Accounts Payable	56,159	36,445
Vaccine Fees Payable to Washington Department of Health	(72,511)	(4,987)
Assessments Collected in Excess of Vaccine Funding and Administrative Activities	<u>17,111,893</u>	<u>1,419,701</u>
Net Cash Provided by Operating Activities	<u><u>\$ 14,422,892</u></u>	<u><u>\$ 8,036,831</u></u>

See accompanying Notes to Financial Statements.



**WASHINGTON VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 1 NATURE OF ORGANIZATION**

**Organization and Operations**

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

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

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

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

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

**Termination of the Association**

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

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

**WASHINGTON VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Association have been prepared in accordance with the provisions of accounting standards generally accepted in the United States of America. Under those standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Association's net assets do not contain restrictions as of June 30, 2017 and 2016.

**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, 2017 and 2016.

**Estimates and Assumptions**

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

**Cash and Cash Equivalents**

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

**Estimated Collectible Assessments**

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

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

**Revenue Recognition**

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

**WASHINGTON VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Dosage Based Assessments**

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

**Remittance to Universal Purchase Account**

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

**Assessments Collected in Excess of Vaccine Funding and Administrative Costs**

The Association has collected assessments in excess of amounts required to be paid to the DOH through the end of the accounting period for childhood vaccine funding and administrative costs. The Association is a limited purpose entity whose funds are dedicated solely to the specific purposes discussed above. These excess assessment collections, which may accumulate from time to time, will be applied to (i) future vaccine funding obligations of the Association, and (ii) reasonable and necessary operating costs of the Association. The Association maintains a level of excess collections (reserves) to be able to meet DOH needs for funding timely. As of June 30, 2017 and 2016, assessments collected in excess of vaccine funding and administrative activities totaled \$24,249,018 and \$7,137,125, respectively.

**Income Taxes**

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

**WASHINGTON VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

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

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

**Subsequent Events**

The board of directors and management have evaluated subsequent events through September 7, 2017, the date the financial statements were available to be issued.

**NOTE 3 REMITTANCE TO THE STATE OF WASHINGTON**

Pursuant to the Association's statutory purposes, transfers of \$64,641,884 and \$66,860,517 were made by the Association to the state of Washington's UVPA during the years ended June 30, 2017 and 2016, respectively.

**NOTE 4 LINE OF CREDIT**

In September 2013, the Association accepted a commitment from KeyBank National Association for a \$15 million line of credit (LOC) that expired in December 2014. The Association renewed the LOC on December 1, 2014. The maximum available balance on the renewed LOC was \$15 million until January 31, 2016, reduced to \$10 million until August 31, 2016, and finally reduced to \$5 million until January 1, 2017. The LOC was renewed on April 6, 2017 with a maximum available balance of \$5 million for one year. The Association may elect to pay interest on the LOC at either the adjusted LIBOR rate or Bank Prime rate (3.5% at June 30, 2017). The LOC is secured by the general assets of the Association.

This LOC was designed to enable the Association's timely response to a new requirement from the federal Centers for Disease Control (CDC). Effective October 1, 2013, all states purchasing from the CDC contract must purchase under a new advanced funding method. The LOC was necessary for the Association to respond to this immediate cash call. The Association increased its assessment rates on December 1, 2013, April 1, 2015, July 1, 2015, and again July 1, 2016 so that it should have sufficient funds both (i) to repay the LOC, and (ii) to rebuild liquidity reserves.

**WASHINGTON VACCINE ASSOCIATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016**

**NOTE 5 CONTINGENCIES**

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