

**Financial Statements and
Other Financial Information**

Maine Vaccine Board

June 30, 2018



**DAWSON SMITH
PURVIS & BASSETT**
CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS ADVISORS

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MAINE VACCINE BOARD

June 30, 2018

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**DAWSON SMITH
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Maine Vaccine Board
Concord, New Hampshire

We have audited the accompanying financial statements of Maine Vaccine Board (the Board), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets, 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 auditor's 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Maine Vaccine Board as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Lawson, Smith, Purvis & Bassett, P.A.

September 20, 2018
Portland, Maine

STATEMENTS OF FINANCIAL POSITION

MAINE VACCINE BOARD

June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 10,869,233	\$ 13,534,087
TOTAL ASSETS	<u>\$ 10,869,233</u>	<u>\$ 13,534,087</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ -	\$ 11,178
Deferred assessment revenue	2,068	4,023
TOTAL LIABILITIES	<u>2,068</u>	<u>15,201</u>
NET ASSETS		
Unrestricted	10,867,165	13,518,886
TOTAL NET ASSETS	<u>10,867,165</u>	<u>13,518,886</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,869,233</u>	<u>\$ 13,534,087</u>

See accompanying notes.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

MAINE VACCINE BOARD

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues:		
Assessment revenue	\$ 10,740,032	\$ 12,535,504
Assessment interest	511	604
Investment income	<u>106,225</u>	<u>101,488</u>
TOTAL REVENUES	<u>10,846,768</u>	<u>12,637,596</u>
Expenses:		
Vaccine replenishments	13,347,946	10,916,405
Professional fees	144,721	153,536
Bank fees	5,747	5,200
Miscellaneous	<u>75</u>	<u>10</u>
TOTAL EXPENSES	<u>13,498,489</u>	<u>11,075,151</u>
CHANGES IN UNRESTRICTED NET ASSETS	(2,651,721)	1,562,445
Net assets at beginning of year	<u>13,518,886</u>	<u>11,956,441</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,867,165</u>	<u>\$ 13,518,886</u>

See accompanying notes.

STATEMENTS OF CASH FLOWS

MAINE VACCINE BOARD

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (2,651,721)	\$ 1,562,445
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts payable	(11,178)	(3,222)
Deferred assessment revenue	(1,955)	(37,669)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(2,664,854)</u>	<u>1,521,554</u>
 (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	 (2,664,854)	 1,521,554
 Cash and cash equivalents at beginning of year	 <u>13,534,087</u>	 <u>12,012,533</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 10,869,233</u>	 <u>\$ 13,534,087</u>

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

MAINE VACCINE BOARD

June 30, 2018 and 2017

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Maine Vaccine Board (the "Board") was created by the Maine State Legislature in 2010 (22 M.R.S.A § 1066) to provide all children from birth until 19 years of age in the State with access to a uniform set of vaccines as determined and periodically updated by the Board. The Board assures the necessary flow of vaccine purchase funds by collecting payments from health plans, insurance companies, and other payers and remitting the funds to the state. Through the Maine Center for Disease Control and Prevention's (CDC) Childhood Vaccine Program, the state purchases vaccines at favorable rates and distributes them to providers at no charge. Additionally, through a joint rule (Rule 95-695 Chapter 248) issued between the Department of Health and Human Services (DHHS) and the Maine Vaccine Board, the Board also determines the list of childhood vaccines available in the Maine Universal Childhood Immunization Program. The board is comprised of 9 individuals including members of the medical profession, State of Maine employees, and insurance company employees.

The servicing agent for most operations is KidsVax, LLC. Based in New Hampshire, KidsVax® was founded in 2002. It provides a range of administrative services for non-profit, governmental, and quasi-governmental organizations nationwide.

Basis of Accounting Presentation

The Board's financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Under FASB ASC 958-205-05-6, the Board is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of restrictions and the nature of those restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Board did not have any temporarily restricted or permanently restricted net assets at June 30, 2018 and 2017.

Cash and Cash Equivalents

All highly liquid savings deposits and investments with maturities of three months or less when purchased are considered to be cash equivalents.

Member Assessments Receivable

Assessments receivable represents the running total of replenishment requests to date minus amounts collected to date through the end of the year, and is the amount that is expected to be collected from members. It has been determined that an allowance for uncollectible amounts is not necessary due to the method used to calculate the balance.

Assessments are due quarterly, 45 days after the quarter ends. Interest is charged on late submission of assessments at a rate of .03 percent per day past due. Interest is added to the assessment if the submittal is made after the due date.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

MAINE VACCINE BOARD

June 30, 2018 and 2017

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Net Assets

Net assets of the Board and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to restrictions.

Temporarily restricted net assets – Net assets subject to stipulations that may or will be met by action of the Board and/or passage of time. The Board does not have any temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to stipulations that they be maintained permanently by the Board. Generally, the Board may use all or part of the income earned on related investments for general or specific purposes. The Board does not have any permanently restricted net assets.

Revenue and Expenses

Revenue received is mainly related to quarterly assessments for vaccines by insurers, third party administrators, hospitals, etc. Each entity is required to pay the assessment based on the number of its covered lives. The Board (by way of its servicing agent, KidsVax®) collects member assessments that are remitted to the State of Maine to fund the purchase of vaccines. Expense is recognized for the administrative costs of operating the Maine Vaccine Board and for the purchase of vaccines as approved and administered by the State of Maine.

Use of Estimates

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 disclosures 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.

Subsequent Events

The Board has evaluated subsequent events through September 20, 2018, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, that changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. The ASU requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors and other users. The amendment is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendment is permitted. Application to interim financial statements is permitted but not required in the initial year of application. The Board is assessing the impact of ASU 2016-14 on its financial statements.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

MAINE VACCINE BOARD

June 30, 2018 and 2017

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Recent Accounting Pronouncements--Continued

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes and replaces nearly all existing GAAP revenue recognition guidance, including industry-specific guidance. The authoritative guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. The five steps are: (i) identify the contract with the customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when or as each performance obligation is satisfied. The authoritative guidance applies to all contracts with customers except those that are within the scope of other topics in the FASB ASC. The authoritative guidance requires significantly expanded disclosure about revenue recognition and was initially effective for fiscal years beginning on or after December 15, 2017 and interim periods within annual periods beginning after December 15, 2018. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*. This standard defers for one year the effective date of ASU 2014-09. The deferral will result in this standard being effective for fiscal years and the interim periods within those fiscal years beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016 including interim periods within that reporting period. The Board is currently assessing the impact of the adoption of this authoritative guidance on the financial statements.

NOTE B--CONCENTRATION OF CREDIT RISK

The State of Maine and the Board maintain cash balances at two financial institutions. Accounts at these financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. Balances in certain accounts may exceed this amount. The Board has not experienced any such losses in the past, and does not believe it is exposed to any significant financial risk on these account balances.

NOTE C--CASH AND CASH EQUIVALENTS

Cash balances of \$10,848,672 and \$12,225,127 at June 30, 2018 and 2017, respectively, are pooled and invested into an instrument called the State of Maine Treasurer's Cash Pool ("TCP"). Cash is recorded in the State's accounting system. Any cash deposited for the Maine Vaccine Board that is in excess of the total needed for operations is invested in the TCP.

The TCP is used to invest, for short periods, cash not needed to meet immediate expenditure requirements. Custodial services for a portion of the pool are provided by JP Morgan Bank and the State also uses an investment advisor. Investments may include:

- Certificates of deposit (CDs)
- Commercial paper
- Corporate bonds
- U.S. Treasury bills
- Repurchase agreements
- Federal agency notes

The holding period for investments is up to 36 months.

NOTES TO FINANCIAL STATEMENTS--CONTINUED

MAINE VACCINE BOARD

June 30, 2018 and 2017

NOTE C--CASH AND CASH EQUIVALENTS--Continued

Cash balances of \$20,561 and \$1,308,960 were kept in a bank lockbox at June 30, 2018 and 2017 before being transferred to the TCP.

Total cash and cash equivalents as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Cash held in State of Maine Treasurer's Cash Pool	\$ 10,848,672	\$ 12,225,127
Cash lockbox account	<u>20,561</u>	<u>1,308,960</u>
Total cash and cash equivalents	<u>\$ 10,869,233</u>	<u>\$ 13,534,087</u>

NOTE D--SIGNIFICANT CUSTOMERS

The Board collected revenues of approximately \$8,019,000 and \$7,760,000 for the years ended June 30, 2018 and 2017, respectively, from four significant payers. These combined revenues represent 75% and 62% of 2018 and 2017 gross revenues, respectively.

NOTE E--RELATED PARTY TRANSACTIONS

Under the terms of the management agreement, the Board has agreed to pay KidsVax® a monthly fee for management and administrative services performed by personnel of KidsVax®. For the years ended June 30, 2018 and 2017, these fees were \$140,346 and \$145,134, respectively. Amounts due to KidsVax® as of June 30, 2018 and 2017 were \$0 and \$11,178, respectively.

NOTE F--FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Board's financial instruments approximate their carrying amounts, either because the expected collection or payment period is relatively short or because the terms are similar to market terms.