

Maine Vaccine Board

FINANCIAL REPORT

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S 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, 2020 and 2019, 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.

Auditor's 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 that 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, 2020 and 2019, 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.

Nicholson, Michaud & Naudeau

Waterville, Maine
October 14, 2020

MAINE VACCINE BOARD
STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

| | 2020 | 2019 |
|---------------------------|----------------------------|-----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 7,192,394 | \$ 11,564,586 |
| Assessments receivable | <u>24,954</u> | <u>-</u> |
| Total Assets | <u>\$ 7,217,348</u> | <u>\$ 11,564,586</u> |

LIABILITIES and NET ASSETS

| | | |
|---|----------------------------|-----------------------------|
| Current Liabilities | | |
| Accounts payable | \$ - | \$ 19,090 |
| Deferred assessment revenue | <u>-</u> | <u>8,248</u> |
| Total Current Liabilities | <u>-</u> | <u>27,338</u> |
| Assessments Collected in Excess of Vaccine Funding and Administrative Activities | <u>7,217,348</u> | <u>11,537,248</u> |
| Total Liabilities | <u>7,217,348</u> | <u>11,564,586</u> |
| Net Assets | <u>-</u> | <u>-</u> |
| Total Liabilities and Net Assets | <u>\$ 7,217,348</u> | <u>\$ 11,564,586</u> |

**See independent auditor's report.
The accompanying notes are an integral part of these financial statements.**

MAINE VACCINE BOARD
STATEMENTS OF ACTIVITIES
Years Ended June 30,

| | 2020 | 2019 |
|---|---------------------|---------------|
| Revenues | | |
| Assessment revenue | \$ 9,059,398 | \$ 12,341,198 |
| Assessment interest | 99 | 13,165 |
| Investment income | 155,293 | 251,288 |
| Total Revenue | 9,214,790 | 12,605,651 |
| Program Expenses | | |
| Vaccine replenishments | 13,254,805 | 11,732,696 |
| Administrative Expenses | | |
| Servicing agent fees | 149,536 | 149,040 |
| Project management fees | 14,092 | 28,673 |
| Legal fees | 102,805 | 13,857 |
| Audit | 6,200 | 4,250 |
| Bank fees | 7,252 | 7,052 |
| Total Administrative Expenses | 279,885 | 202,872 |
| Total Expenses | 13,534,690 | 11,935,568 |
| Change in Net Assessments Collected | (4,319,900) | 670,083 |
| Vaccine Funding and Administrative Activities in Excess of Assessments Collected | 4,319,900 | (670,083) |
| Change in Net Assets | - | - |
| Net Assets at Beginning of Year | - | - |
| Net Assets at End of Year | \$ - | \$ - |

See independent auditor's report.
The accompanying notes are an integral part of these financial statements.

MAINE VACCINE BOARD
STATEMENTS OF CASH FLOWS

Years Ended June 30,

| | 2020 | 2019 |
|--|-----------------------------------|------------------------------------|
| Cash flow from operating activities: | | |
| Changes in net assets | \$ - | \$ - |
| Adjustments to reconcile changes in net assets to net cash flows from operating activities | | |
| (Increase) decrease in assets: | | |
| Assessments receivable | (24,954) | - |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (19,090) | 19,090 |
| Deferred assessment revenue | (8,248) | 6,180 |
| Vaccine funding and administrative activities in excess of assessments collected | (4,319,900) | 670,083 |
| Net cash flows from operating activities | <u>(4,372,192)</u> | <u>695,353</u> |
| Net change in cash and cash equivalents | (4,372,192) | 695,353 |
| Cash and cash equivalents at beginning of period | <u>11,564,586</u> | <u>10,869,233</u> |
| Cash and cash equivalents at end of period | <u><u>\$ 7,192,394</u></u> | <u><u>\$ 11,564,586</u></u> |

**See accompanying independent auditor's report.
The accompanying notes are an integral part of these financial statements.**

Maine Vaccine Board

NOTES to FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The Universal Childhood Immunization Program (Program) and the Maine Vaccine Board were established 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 of Maine with access to a uniform set of vaccines as determined and periodically updated by the Maine Vaccine Board (Board). Through the Maine Center for Disease Control and Prevention's (CDC) Childhood Vaccine Program, the State of Maine 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 Childhood Immunization Fund (Fund) was established under the same legislation for the sole purpose of funding the Program, including the costs of vaccines provided under the Program to children and any costs the Board may incur for staff, a service agent, administrative support services, legal representation and contracted services. The Fund is administered by the Board or the service agent, which shall act as a fiduciary. The Fund is held in trust by the Treasurer of the State of Maine for the purpose of making payments under the provisions of the Program and is not available for general use of the State of Maine. The Treasurer of the State of Maine is the custodian of the Fund and may make disbursements only upon written direction from the Board or the service agent. No portion of the Fund may be used to subsidize any other State of Maine programs or budgets.

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. The amounts paid to KidsVax® under the terms of the management agreement during the years ended June 30, 2020 and 2019 were \$149,536 and \$149,040, respectively.

Basis of Accounting Presentation

The Board's financial statements have been prepared on the accrual basis of accounting in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

Cash and Cash Equivalents

The Board considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Assessment Credit Policy

Assessments receivable would include the running total of replenishment requests to date minus amounts collected to date through the end of the fiscal year, and is the amount that would be expected to be collected from assessed entities. There were no such receivables at June 30, 2020 and 2019. Assessments receivable would also include outstanding amounts due from assessed entities on quarterly assessment billings which amounted to \$24,954 at June 30, 2020.

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.

Maine Vaccine Board

NOTES to FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assessments Collected in Excess of Vaccine Funding and Administrative Activities

The Board has collected assessments in excess of amounts required to fund vaccines and associated administrative costs. The Board is a limited purpose entity and its primary purpose is to collect funds through mandatory assessments paid by assessed entities. Funds collected are dedicated solely to the specific purposes discussed above. Net assessments collected accumulate and will be used to reduce assessments in the succeeding Program year, for timely funding of future vaccine funding obligations of the Program, and for reasonable and necessary administrative costs of the Board.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of restrictions and the nature of those restrictions. The Board did not report any net assets at June 30, 2020 and 2019.

Revenue and Expense Recognition

The Board collects assessment revenue due from participating health plans, insurance companies and other payors. Each entity is required to pay the assessment based on the number of covered lives multiplied by the monthly assessment rate. Monthly assessment rates are determined by the provisions of the Program and are approved annually by the Board. The Board remits payments to the State of Maine to pay for vaccine costs each time a vaccine replenishment order for the Program is due and requested from the State of Maine.

Collection of assessment revenue and payments remitted to the State of Maine for vaccine replenishments are similar to agency transactions. Although these transactions are not considered revenue or expenses of the Board, they are included in the statement of activities to reflect gross amount of collections and replenishments. Other administrative expenditures of the Board are recognized when incurred.

Functional Expenses

The statements of activities present the natural classification detail of the Board's expenses. Vaccine replenishments are primarily related to program activities as outlined in 22 M.R.S.A § 1066. All other expenditures are considered administrative and the Board has determined that no allocation of administrative costs among program and supporting services was necessary for the years ended June 30, 2020 and 2019. As a result, the Board excluded a statement of functional expenses, as required by FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, and determined the exclusion did not materially affect the Board's financial statement presentation or impact the users of its financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require the Board to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Financial Instruments and Credit Risk

Cash balances are maintained at two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Balances in certain accounts may exceed FDIC insurance. The Board has not experienced any losses in such accounts and management believes it is not exposed to any significant risk.

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

Maine Vaccine Board

NOTES to FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 1 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Income Taxes

The Board was established by the Maine State Legislature in 2010 (22 M.R.S.A § 1066) and as such is exempt from federal and state income taxes.

Subsequent Events

Management has evaluated subsequent events through October 14, 2020, the date the financial statements were available to be issued and determined that any subsequent events that would require recognition or disclosure have been considered in the preparation of the financial statements.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure (vaccine replenishments and administrative costs), within one year of the statement of financial position date, comprise the following as of June 30:

| | 2020 | 2019 |
|---------------------------|---------------------------|---------------------|
| Cash and cash equivalents | \$7,192,394 | \$11,564,586 |
| Assessments receivable | 24,954 | |
| | <u>\$7,217,348</u> | <u>\$11,564,586</u> |

NOTE 3 – CASH AND CASH EQUIVALENTS

The State of Maine sponsors an internal investment pool called the State of Maine Treasurer’s Cash Pool (TCP). The Board invests monies that are not needed for immediate use in the TCP, in accordance with the requirements of the Childhood Immunization Fund (see Note 1). The TCP is primarily comprised of investment vehicles with short maturities (certificates of deposit, commercial paper, corporate bonds, U.S. treasury bills, repurchase agreements and federal agency notes) and the Board characterizes the investments with the TCP as low risk. The TCP is not rated by external rating agencies. The Board is able to make withdrawals from the TCP at par with little advance notice and without penalty. The Board considers this investment vehicle a money market instrument and carries the amounts in the pool at cost. Cash balances of \$7,059,222 and \$11,479,889 were pooled and invested in the TCP at June 30, 2020 and 2019, respectively.

Cash balances of \$133,172 and \$84,697 were kept in a bank lockbox at June 30, 2020 and 2019, respectively, before being transferred to the TCP.

Total cash and cash equivalents are as follows as of June 30:

| | 2020 | 2019 |
|---------------------------------|---------------------------|---------------------|
| Cash held in State of Maine TCP | \$7,059,222 | \$11,479,889 |
| Cash lockbox account | 133,172 | 84,697 |
| | <u>\$7,192,394</u> | <u>\$11,564,586</u> |

NOTE 4 – CONCENTRATIONS

The Board collected assessment revenues of approximately \$6,031,000 and \$8,077,000 from four payers for the years ended June 30, 2020 and 2019, respectively. These combined assessment revenues represent 67% and 65% of 2020 and 2019 gross revenues collected, respectively.

Maine Vaccine Board

NOTES to FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE 5 – TRICARE SETTLEMENT

In June 2018, the Board received a \$3,568,551 settlement from TRICARE, the U.S. military's health insurance program. This settlement covered arrears for assessments not paid from July 1, 2011 to March 31, 2018. Additionally, with the passage of the 2018 National Defense Authorization Act (NDAA) in December 2017, TRICARE's participation in the State of Maine Universal Immunization Program is mandatory which requires them to pay quarterly just as other payers in the State of Maine. TRICARE began partially contributing to the State of Maine Universal Immunization Program with assessments due on December 31, 2017 and their full participation began with assessments due on August 15, 2018. With TRICARE's participation, there is an increase of approximately 18,800 child covered lives per quarter. Also, TRICARE's financial participation helps to further the goal of equitable participation for all payers.

The Board approved a \$100,000 contribution to Washington Vaccine Association (WVA) for administrative expenses WVA incurred in regards to the TRICARE settlement described above. The amount was paid in August 2019 and is included in legal fees in the 2020 statement of activities.

NOTE 6 – UNCERTAINTY

The Board is currently evaluating the COVID-19 virus pandemic and while it is reasonably possible that the pandemic could have a negative effect on the Board's operations, financial position and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.