

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

**FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

**For the Year Ended June 30, 2014 and the
Period from May 9, 2013 to June 30, 2013**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Idaho Health Insurance Exchange
dba Your Health Idaho
Boise, Idaho

Report on Financial Statements

We have audited the accompanying financial statements of the Idaho Health Insurance Exchange dba Your Health Idaho ("YHI"), as of and for the year ended June 30, 2014 and as of and for the period from May 9, 2013 to June 30, 2013, and the related notes to the financial statements, which collectively comprise The Idaho Health Insurance Exchange dba Your Health Idaho's basic financial statements as listed in the table of contents.

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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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 assessments of the risk 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 Idaho Health Insurance Exchange dba Your Health Idaho'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 Idaho Health Insurance Exchange dba Your Health Idaho's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness

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of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Idaho Health Insurance Exchange dba Your Health Idaho as of June 30, 2014 and 2013, and the respective changes in financial position and cash flows for the year ended June 30, 2014 and period from May 9, 2013 to June 30, 2013 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 6–7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for the purpose of additional analysis, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2014, on our consideration of the Idaho Health Insurance Exchange dba Your Health Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Idaho Health Insurance Exchange dba Your Health Idaho's internal control over financial reporting and compliance.

Harris & Co. PLLC

Meridian, Idaho
August 20, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Within this section of the Idaho Health Insurance Exchange, dba Your Health Idaho's ("YHI") financial report, YHI's management provides narrative discussion and analysis of the financial activities of YHI for the year ended June 30, 2014 and period May 9, 2013 to June 30, 2013. YHI's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

YHI is considered an enterprise fund and accounted for using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units. The financial statements are designed to provide the readers with a broad overview of the YHI's finances, in a manner similar to a private-sector business.

Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. YHI, regardless of the timing of cash flows, applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Per the establishing legislation, House Bill 248, YHI cannot rely on any funding from any state agency. As such, YHI is required to generate revenue on an ongoing basis from the fees earned on policies generated from YHI's website. In the interim period, YHI will rely upon federal grants to cover the costs associated with operations and the capital investments necessary.

FINANCIAL HIGHLIGHTS

YHI reported assets of \$22,312,980 for the year ended June 30, 2014, a \$21,581,176 increase from 2013. The increase in assets is driven primarily by a \$9,462,167 increase in grants receivable and a \$11,227,229 increase in capital assets, net of depreciation. YHI held cash of \$840,889 and grant receivables of \$9,804,264. These assets will be used to meet YHI's short-term obligations to creditors.

Liabilities and Net Position of \$22,312,980 consisted of short-term payables and accrued expenses of \$9,883,132 and a change in Net Position of \$12,429,848. The Net Position change was due to the net investment in capital assets of \$11,227,229 and an increase in unrestricted assets of \$1,202,619.

YHI incurred operational expenses of \$13,856,731 related to the establishment and operation of the entity. Operational expenses include, but are not limited to, the following key areas of operation:

- Professional services of \$5,662,497, an increase of \$5,365,920 from 2013 and includes general business consulting, legal and technology consulting related to the implementation of the YHI marketplace technology;

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

- Marketing and advertising - \$5,273,230 compared to \$0 expenses incurred in 2013. Efforts include outreach and education, media, website maintenance, public relations and related consulting;
- Consumer Support Services - \$1,658,146 compared to \$0 expenses in 2013. The current year expenses included costs for the services of the In Person Assistors and Tribal engagement costs, call center services and related travel and training;
- Payroll and related expenses - \$641,115, an increase of \$609,030 from 2013 driven by increased YHI headcount; and
- Depreciation of \$329,079.

On September 25, 2013, YHI repaid a \$385,000 advance payable to the Department of Health and Welfare. The Department of Health and Welfare utilized discretionary federal funds it received from a high performance bonus award in providing this advance to YHI. The funds were used to cover interim costs until YHI received the federal grant from the U.S. Department of Health and Human Services, ensuring no state funds were used.

YHI, expects to continue to receive funding from Federal Government grants during the build out phase through December 31, 2015, and will continue to see increase in capital assets during this period. YHI will continues to have several multi-year contracts with vendors to complete the build out phase of the health insurance exchange, during this time. After December 31, 2015, YHI's operations are expected to be funded from the assessment fees collected from the insurance carriers. YHI will expects to see an increase in assessment income and the related cash balance during the coming year as the funds from the Federal grants will continue to be used to fund operations and the build out through the next fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the enterprise fund financial statements. The notes to the financial statements can be found on pages 14–21 of this report.

BASIC FINANCIAL STATEMENTS

IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO

STATEMENTS OF NET POSITION

June 30

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 840,889	\$ 351,936
Grants receivable	9,804,264	342,097
Accounts receivable	361,648	0
Prepaid expenses	77,117	35,938
Security deposits	<u>1,833</u>	<u>1,833</u>
Total Current Assets	11,085,751	731,804
CAPITAL ASSETS, net	<u>11,227,229</u>	<u>0</u>
Total Assets	<u>\$ 22,312,980</u>	<u>\$ 731,804</u>
LIABILITIES		
CURRENT LIABILITIES		
Advance from the Department of Health and Welfare	\$ 0	\$ 385,000
Accounts payable	6,635,353	279,402
Accrued expenses and other current liabilities	3,200,126	55,000
Accrued salaries and payroll costs	<u>47,653</u>	<u>12,402</u>
Total Liabilities	9,883,132	731,804
NET POSITION		
Net invested in capital assets	11,227,229	0
Unrestricted	<u>1,202,619</u>	<u>0</u>
Total Net Position	<u>12,429,848</u>	<u>0</u>
Total Liabilities and Net Position	<u>\$ 22,312,980</u>	<u>\$ 731,804</u>

See accompanying notes to basic financial statements.

IDAHO HEALTH INSURANCE EXCHANGE
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STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year and Period Ended June 30

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Federal grants	\$ 25,083,746	\$ 342,097
Assessment income	<u>1,202,571</u>	<u>0</u>
Total Operating Revenues	26,286,317	342,097
OPERATING EXPENSES		
Professional services	5,662,497	296,577
Marketing and advertising	5,273,230	0
Call center services	1,658,146	0
Payroll and related expenses	641,115	32,085
Depreciation	329,079	0
Insurance	114,140	4,923
Rent	59,462	1,908
Utilities	38,375	509
Travel and meals	28,466	5,680
Office expenses	27,899	371
Staff training	11,375	0
Dues and subscriptions	5,176	44
Miscellaneous expenses	<u>7,771</u>	<u>0</u>
Total Operating Expenses	<u>13,856,731</u>	<u>342,097</u>
Operating Income	12,429,586	0
NONOPERATING REVENUE		
Interest income	<u>262</u>	<u>0</u>
Increase in Net Position	12,429,848	0
NET POSITION, Beginning of Year	<u>0</u>	<u>0</u>
NET POSITION, End of Year	<u>\$ 12,429,848</u>	<u>\$ 0</u>

See accompanying notes to basic financial statements.

**IDAHO HEALTH INSURANCE EXCHANGE
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STATEMENTS OF CASH FLOWS

For the Year and Period Ended June 30

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal grants received	\$ 15,698,693	\$ 0
Assessments received	840,923	0
Other income received	262	0
Cash paid to vendors for goods and services	(3,451,554)	(10,935)
Cash paid for employees services	(643,852)	(15,787)
Cash paid for expense reimbursements	<u>(14,211)</u>	<u>(6,342)</u>
Net Cash Provided by (Used in) Operating Activities	12,430,261	(33,064)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from note payable proceeds	0	385,000
Repayment of note payable	<u>(385,000)</u>	<u>0</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	(385,000)	385,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(11,556,308)</u>	<u>0</u>
Net Cash Used in Capital and Related Financing Activities	<u>(11,556,308)</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	488,953	351,936
CASH AND CASH EQUIVALENTS, Beginning of Period	<u>351,936</u>	<u>0</u>
CASH AND CASH EQUIVALENTS, End of Period	<u>\$ 840,889</u>	<u>\$ 351,936</u>

See accompanying notes to basic financial statements.

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH USED IN OPERATING ACTIVITIES		
Change in net position	\$ 12,429,848	\$ 0
Adjustments to reconcile change in net position to net cash used in operating activities:		
Depreciation and amortization	329,079	0
Change in assets and liabilities:		
Grant receivable	(9,462,167)	(342,097)
Accounts receivable	(361,648)	0
Prepaid expenses	(41,179)	(35,938)
Rent deposit	0	(1,833)
Accounts payable	6,355,951	279,402
Accrued expenses	3,145,126	55,000
Accrued salaries and payroll costs	<u>35,251</u>	<u>12,402</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 12,430,261</u>	<u>\$ (33,064)</u>

**IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Idaho Health Insurance Exchange dba Your Health Idaho (“YHI”) was created as an independent body corporate politic, meaning a “government entity”, by the Idaho State Legislature under the provisions of House Bill No. 248. The Act empowers YHI to enhance Idaho residents’ access to health insurance, by establishing a state-created, market-driven health insurance exchange that will facilitate the voluntary selection of individual and employer health benefit plans.

Although the State of Idaho considers YHI to be a component unit for financial reporting purposes in accordance with GASB Statement No. 14, *The Financial Reporting Entity*, and 39, *Determining Whether Certain Organizations are Component Units*, and the State’s governor appoints the Board of Directors of YHI, YHI is legally separate from the State of Idaho, in that it is not a State agency under State law, and does not rely on State resources to support its operations.

Basis of Presentation

YHI is considered an enterprise fund and accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the balance sheet. YHI’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. YHI, regardless of the timing of cash flows, applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Federal grants related to the establishment and running of the exchange are included in operating revenues. Operating expenses for the proprietary fund include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

YHI considers all unrestricted, short-term, highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Assessment Revenue and Receivables

On December 12, 2013, the Board of Directors of YHI adopted the Fee Assessment Policy #1. This policy established a fee of 1.5% of the total premium due for individual and small group policies certified by the exchange and sold through the Exchange's individual marketplaces. The fee is assessed on and payable by the Carriers. Accounts receivable as of June 30, 2014 and 2013 consist of amounts assessed that are not remitted to YHI as of year-end. YHI has not recorded an allowance for the receivable because all balances are deemed to be collectible.

Grants Receivable

Grants receivable consist of grants awarded and paid on a reimbursement basis. The receivable balance represents eligible expenses unreimbursed as of June 30, 2014 and 2013. No provision for an allowance for bad debt has been made since the grant is issued by the U.S. Department of Health and Human Services and no collection issues are anticipated by management.

Grant Revenue

YHI recognizes revenue associated with the Federal grant when the corresponding expenses have been incurred and are considered reimbursable from the grants. The grants are for the establishment and operations of YHI.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

**IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

In the financial statements, fixed assets are accounted for as capital assets. All fixed assets are stated at cost, less accumulated depreciation and amortization. YHI capitalizes assets with a cost of \$5,000 individually, or for bulk purchases greater than \$10,000 or more as purchases and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method over the useful life of the related asset. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

Compensated Absences

YHI provides personal leave to all full time and part time employees. It is paid to employees when taken and will also be paid to employees or their beneficiaries upon the employee's termination, retirement or death. The amount of unpaid personal leave accumulated by YHI employees is accrued as a liability in the financial statements.

Net Position

Capital assets, net of related debt, are reported as a separate component of net position. Any net position not subject to classification as restricted or invested in capital assets are reported as unrestricted.

**IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Reclassifications

Certain amounts for the year ended June 30, 2013 have been reclassified to conform to the current year presentation. The reclassifications have no effect on the excess of revenues over expenses for the year ended June 30, 2013.

NOTE B - CASH AND CASH EQUIVALENTS

At June 30, 2014 and 2013, YHI's cash and cash equivalents consisted of the following:

<u>2014</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Bank deposits	\$ <u>842,791</u>	\$ <u>840,889</u>
<u>2013</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Bank deposits	\$ <u>360,639</u>	\$ <u>351,936</u>

Custodial Credit Risk of Cash

Custodial credit risk is the risk that in event of failure of the counterparty, YHI will not be able to recover the value of its deposits or collateral securities that are in the possession of the outside party. The Federal Deposit Insurance Corporation (FDIC), insures \$250,000 of the bank balance. In the normal course of business YHI will hold balances in excess of the insurance limits. YHI was exposed to custodial credit risk of \$592,791 and \$110,639 at June 30, 2014 and 2013, respectively.

**IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

	<u>Balance</u> <u>7/1/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/14</u>
Capital assets, not being depreciated				
Trademark	\$ 0	\$ 12,000	\$ 0	\$ 12,000
Capital assets, being depreciated				
Furniture and equipment		42,394		42,394
Software and development		3,996,140		3,996,140
Computers		22,708		22,708
Development in progress	<u> </u>	<u>7,483,066</u>	<u> </u>	<u>7,483,066</u>
	0	11,544,308	0	11,544,308
Less accumulated depreciation for:				
Furniture and equipment	0	5,779	0	5,779
Software and development		317,319		317,319
Computers	<u> </u>	<u>5,981</u>	<u> </u>	<u>5,981</u>
	<u>0</u>	<u>329,079</u>	<u>0</u>	<u>329,079</u>
	<u>\$ 0</u>	<u>\$ 11,227,229</u>	<u>\$ 0</u>	<u>\$ 11,227,229</u>

There was no activity for the period ended June 30, 2013. For the year ended June 30, 2014, depreciation was charged to operating expenses.

NOTE D - ADVANCE FROM DEPARTMENT OF HEALTH AND WELFARE

On May 16, 2013, the Idaho Health Insurance Exchange dba Your Health Idaho received an advance from the Idaho Health and Welfare Department in the amount of \$385,000 for interim financing of start-up costs, until the grant from U.S. Department of Health and Human Services was received. On September 25, 2013, YHI repaid the advance.

**IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

**NOTE D - ADVANCE FROM DEPARTMENT OF HEALTH AND WELFARE
(Continued)**

The following is a summary of changes in short-term advance for the years ended June 30, 2014 and 2013.

	<u>04/09/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/13</u>
Advance, balance	\$ <u>0</u>	\$ <u>385,000</u>	\$ <u>0</u>	\$ <u>385,000</u>
	<u>06/30/13</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/14</u>
Advance, balance	\$ <u>385,000</u>	\$ <u>0</u>	\$ <u>385,000</u>	\$ <u>0</u>

NOTE E - COMPENSATED ABSENCES

The following is a summary of changes in accrued compensated absences for the year ended June 30, 2014. Due to immateriality, there was no accrual for the year ended June 30, 2013.

	<u>06/30/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/14</u>	<u>Due Within One Year</u>
Compensated absences	\$ <u>0</u>	\$ <u>33,496</u>	\$ <u>13,248</u>	\$ <u>20,248</u>	\$ <u>20,248</u>

NOTE F - CONTINGENCIES

YHI receives grants that are subject to review and audit by the federal agency. Such audits could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the agency. In the opinion of management, such disallowances, if any, will not be significant.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE G - ECONOMIC DEPENDENCY

YHI receives a major portion of its revenue from Federal Government grants, during the start-up phase. The management of YHI is of the opinion that the Exchange will receive Federal funding for the cost of start-up and operations through 2015, at which time the Exchange will be self-funded by fees payable by insurers and insurance producers who use the Exchange's facilities.

NOTE H - RISK MANAGEMENT

YHI maintains commercial insurance coverage for directors and officers, errors and omissions, tort claims, and property loss and other casualties. Workers compensation insurance is maintained through the state insurance fund.

NOTE I - COMMITMENTS

During the years ended June 30, 2014 and 2013, YHI entered into various multi-year contract agreements relating to the development of a health insurance exchange. After December 31, 2015, operational cost are expected to be funded by assessment fees collected from the insurance carriers. Management anticipates that development cost beyond December 31, 2015, would continue to be funded by Federal grants, if needed.

NOTE J - LEASES

YHI leases office space and equipment under non-cancellable agreements that expire at various times through June 2017. The leases require monthly payments of \$4,469. Future minimum lease payments as of June 30, 2014 are as follows:

2015	\$	53,633
2016		43,200
2017		<u>14,400</u>
		<u>\$ 111,233</u>

Rent expense under the operating lease for the years ended June 30, 2014 and 2013 was \$59,462 and \$1,908, respectively.

**IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2014 and 2013

NOTE K - RETIREMENT PLAN

During 2013, YHI established a retirement plan under section 219(G)(5)(A) of the Internal Revenue Service Code that is available to employees. YHI can contribute up to 3% of the participant's compensation in the plan year. Participants are fully vested at all times. Total employer contributions under this plan were \$12,745 and \$0 for the years ended June 30, 2014 and 2013, respectively.

NOTE L - RELATED PARTIES

Certain representatives from insurance carriers serve on YHI's Board. The representatives are not compensated by YHI for their services. Regence Blue Shield, an insurance company (also represented in the Board) provided medical and dental insurance to employees of YHI during the year ended June 30, 2014. YHI paid a total of \$33,171 in premiums for the year then ended.

NOTE M- SUBSEQUENT EVENTS

In mid-July, 2014, YHI's Executive Director and Operations Director both tendered their resignation. On July 18, 2014, the YHI Board of Directors approved a transition plan for the Operations Director role which included additional funds to engage a consultant to fill the role and to commence an immediate search for a full time replacement. On July 25, 2014, the YHI Board of Directors appointed Pat Kelly, current YHI Director of Finance, to serve as the Interim Executive Director until a permanent replacement can be found. The Board also approved an ad hoc Search Committee, comprised of existing Board members, to conduct the search.

YHI expects to finalize a new lease at the Jefferson Street office location to accommodate the increased space needs for both YHI employees as well as vendors engaged in the marketplace technology implementation. As a result of the increased capacity at the Jefferson Street office location, YHI expects to terminate the lease for office space at 714 W. State Street on or around September 30, 2014.

FEDERAL REPORTS



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Helping our clients make sense of a changing and complex world

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Idaho Health Insurance Exchange
dba Your Health Idaho
Boise, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Idaho Health Insurance Exchange dba Your Health Idaho which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows, and the related notes to the financial statements, which collectively comprise The Idaho Health Insurance Exchange dba Your Health Idaho's basic financial statements and have issued our report thereon dated August 20, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Idaho Health Insurance Exchange dba Your Health Idaho's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Idaho Health Insurance Exchange dba Your Health Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of Idaho Health Insurance Exchange dba Your Health Idaho's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of YHI's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Our consideration of internal control was for the purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Idaho Health Insurance Exchange dba Your Health Idaho's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as item 2014-01.

Idaho Health Insurance Exchange dba Your Health Idaho's Response to Findings

Idaho Health Insurance Exchange dba Your Health Idaho's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Idaho Health Insurance Exchange dba Your Health Idaho's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harris & Co. PLLC

Meridian, Idaho
August 20, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
Idaho Health Insurance Exchange
dba Your Health Idaho
Boise, Idaho

Report on Compliance for Each Major Federal Program

We have audited Idaho Health Insurance Exchange dba Your Health Idaho's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Idaho Health Insurance Exchange dba Your Health Idaho's major federal program for the year ended June 30, 2014. Idaho Health Insurance Exchange dba Your Health Idaho's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Idaho Health Insurance Exchange dba Your Health Idaho's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Idaho Health Insurance Exchange dba Your Health Idaho's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provided a reasonable basis for our opinion on compliance for the federal program. However, our audit does not provide a legal determination of Idaho Health Insurance Exchange dba Your Health Idaho's compliance.

Opinion on Each Major Federal Program

In our opinion, Idaho Health Insurance Exchange dba Your Health Idaho complied, in all material respects, with the type of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-01. Our opinion on each major federal program is not modified with respect to these matters.

Idaho Health Insurance Exchange dba Your Health Idaho's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Idaho Health Insurance Exchange dba Your Health Idaho's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

Report on Internal Control Over Compliance

Management of Idaho Health Insurance Exchange dba Your Health Idaho is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Idaho Health Insurance Exchange dba Your Health Idaho's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Idaho Health Insurance Exchange dba Your Health Idaho's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Harris & Co. PLLC

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Harris & Co. PLLC

Meridian, Idaho
August 20, 2014

IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct program:			
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	N/A	\$ <u>13,856,558</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>13,856,558</u>
Total expenditures of federal awards			\$ <u><u>13,856,558</u></u>

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

NOTE A – BASIS OF PRESENTATION

This accompanying schedule of expenditures of federal awards include the federal grant activity of the Idaho Health Insurance Exchange dba Your Health Idaho and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on this schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the costs principals contained in the OMB Circular A-87, *Cost Principals for State, Local and Indian Tribal Governments*, wherein certain types of expenditure are not allowable or are limited to reimbursement.

IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDIT RESULTS

Financial Statements:

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness identified?	_____ yes	_____ <u>X</u> no	
• Reportable condition identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported	
Noncompliance material to the financial statements noted?	_____ yes	_____ <u>X</u> no	

Federal Awards:

Internal control over major programs:			
• Material weakness identified?	_____ yes	_____ <u>X</u> no	
• Reportable condition identified that are not considered to be material weaknesses?	_____ <u>X</u> yes	_____ none reported	
Type of auditors' report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____ yes	_____ <u>X</u> no	

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as a low-risk auditee?	_____ yes _____ <u>X</u> no

IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-01 Form SF-PPR-B Reporting Finding – 93.525

Criteria: The US Department of Health and Human Services requires that semi-annual progress reports (SF-PPR-B) be submitted within 30 days following the end of the period covered for certain grants.

Condition: Based on communication with the Center for Medicare and Medicaid (CMS), YHI was late in submitting progress reports for the period ending December 31, 2013.

Cause: YHI was not aware that these progress reports were due at that time, due to conflicting guidance received. Additionally, the reporting was delayed due to technical issues when submitting to CMS.

Effect: Progress reports due January 31, 2014, were submitted in May 2014.

Recommendation: YHI should ensure that all grant provisions are met and that required reports are submitted in a timely manner, by having multiple individuals confirm the requirements of the grant.

Response and Action Plan of Management: Management concurs with this finding and noted that the error was fixed before year end. YHI is also updating its policies to ensure that this does not happen in the future.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2014

Condition: YHI was in the start-up phase and had not hired full-time accounting and finance staff. During the audit, material journal entries were required to correct YHI's books and adjust them in accordance with generally accepted accounting standards.

Recommendation: YHI needs to continue to evaluate the ability to maintain proper accounting records, with current staffing levels as YHI engages in operation in fiscal year 2014. Further, YHI should ensure that proper executive oversight of the financial statements occurs to ensure proper segregation of duties and control oversight.

Current Status: The finding was resolved during the year. YHI has hired a Director of Finance and has a full-time accountant in place. They have also put in place various financial policies to put accounting controls and processes in place.