

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

**FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

**For the Years Ended June 30, 2015 and 2014**

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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 years ended June 30, 2015 and 2014, 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 audits. We conducted our audits 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 of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

## Harris & Co. PLLC

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, 2015 and 2014, and the respective changes in financial position and cash flows for the years then ended 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 6-9 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 audit was 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 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 financial statements as a whole.

Harris & Co. PLLC

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2015, 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  
September 18, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**IDAHO HEALTH INSURANCE EXCHANGE  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2015 and 2014**

Within this section of the Idaho Health Insurance Exchange, dba Your Health Idaho ("YHI") financial report, YHI's management provides narrative discussion and analysis of the financial activities of YHI for the years ended June 30, 2015 and 2014. 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 \$44,249,586 for the year ended June 30, 2015, an \$21,936,606 increase from 2014. The increase in assets is driven primarily by a \$17,674,533 increase in capital assets, net of depreciation. YHI held cash of \$5,154,991 and grant receivables of \$9,371,858. These assets will be used to meet YHI's short-term obligations to creditors.

Liabilities and net position of \$44,249,586 consisted of short-term payables and accrued expenses of \$9,461,608 and net position of \$34,787,978, a \$22,358,130 increase from 2014. The net position change was due to an increase in net investment in capital assets of \$17,674,533 and an increase in unrestricted assets of \$4,683,597.

YHI incurred operational expenses of \$32,818,521 related to the establishment and operation of the entity. Operational expenses include, but are not limited to, the following key areas of operation:

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2015 and 2014**

- Professional services of \$19,506,478, an increase of \$13,843,981 from 2014 and includes general business consulting, legal and technology consulting related to the implementation of the YHI marketplace technology;
- Marketing and advertising - \$4,140,261 compared to \$5,273,230 expenses incurred in 2014. Efforts include outreach and education, media, website maintenance, public relations and related consulting;
- Consumer Support Services - \$2,571,615 compared to \$1,658,146 expenses in 2014. 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 - \$1,183,408, an increase of \$542,293 from 2014 driven by increased YHI headcount; and
- Depreciation of \$4,820,359 compared to \$329,079 expense in 2014.

As mentioned above, YHI, per enabling legislation HB248, is restricted from using any state resources to fund its operations. As such, YHI has created a five year financial forecast to evaluate the long-term sustainability of the exchange. Excluding federal grant funds, YHI currently relies on a single source of revenue, assessment fees, which are earned on policies generated from YHI's website. To ensure sufficient revenue from Assessment Fee and after discussion and consideration at both the Committee and Board level, an assessment fee increase from a current level of 1.50% to 1.99% was approved for plan year 2016. Based on our five year financial forecast, this increase is vital for the long-term financial sustainability of the exchange and to ensure sufficient revenue to support YHI's projected operating expenses.

As Federal Grant funding decrease over the next two years, YHI will rely on assessment fee revenues to cover the operational costs for the exchange. YHI's current financial projections assume that assessment fee revenue will approximate the cash outflows associated with the operating expenses and as such, YHI is projected to be at or near breakeven on a cashflow basis. Due to the significant capital assets acquired through the grants during the establishment period, YHI is projecting to incur significant non-cash depreciation expenses in the coming years related to the capital assets. As such, YHI is projecting decreases in Net Position over the next three financial years on a GAAP basis.

At the end of the 2015 financial year, YHI has two Federal Government grants to be used for establishment activities. As of June 30, 2015, YHI currently has approximately \$1,128,944, and \$35,896,938 in available Federal Grant funds from its second and third grants, respectively. As such, YHI expects to continue to receive funding from these Federal Government grants for establishment activities through December 2016. YHI expects to utilize the Federal Government grant fund for additional capital investment and as such, will continue to see increase in capital assets



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**June 30, 2015 and 2014**

through the end of financial year 2017. These expenditures are related to several existing multi-year contracts with vendors to complete the build out phase of the health insurance technology and related establishment activities. In addition to the capital investment and establishment activities, YHI will utilize assessment fee revenues to fund operational activities during this same time period. Beginning January 1, 2016, YHI's operations are expected to be funded solely from the assessment fees collected from the insurance carriers.

**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 15–23 of this report.

## **BASIC FINANCIAL STATEMENTS**

**IDAHO HEALTH INSURANCE EXCHANGE**  
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**STATEMENTS OF NET POSITION**

**June 30**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,154,991	\$ 840,889
Grants receivable	9,371,858	9,804,264
Accounts receivable	945	361,648
Prepaid expenses	820,030	77,117
Security deposits	<u>0</u>	<u>1,833</u>
Total Current Assets	15,347,824	11,085,751
CAPITAL ASSETS, net of accumulated depreciation	<u>28,901,762</u>	<u>11,227,229</u>
Total Assets	<u>\$ 44,249,586</u>	<u>\$ 22,312,980</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 5,540,825	\$ 6,635,353
Accrued expenses and other current liabilities	3,772,365	3,200,126
Accrued salaries and payroll costs	<u>148,418</u>	<u>47,653</u>
Total Liabilities	9,461,608	9,883,132
<b>NET POSITION</b>		
Net investment in capital assets	28,901,762	11,227,229
Unrestricted	<u>5,886,216</u>	<u>1,202,619</u>
Total Net Position	<u>34,787,978</u>	<u>12,429,848</u>
Total Liabilities and Net Position	<u>\$ 44,249,586</u>	<u>\$ 22,312,980</u>

See accompanying notes to basic financial statements.

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**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

**For the Years Ended June 30**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
Federal grants	\$ 51,212,660	\$ 25,083,746
Assessment income	<u>3,964,069</u>	<u>1,202,571</u>
Total Operating Revenues	55,176,729	26,286,317
<b>OPERATING EXPENSES</b>		
Professional services	19,506,478	5,662,497
Depreciation and amortization	4,820,359	329,079
Marketing and advertising	4,140,261	5,273,230
Call center services	2,571,615	1,658,146
Payroll and related expenses	1,183,408	641,115
Insurance	133,469	114,140
Utilities	124,350	38,375
Rent	120,781	59,462
Office expenses	106,149	28,429
Travel and meals	66,723	33,191
Dues and subscriptions	25,004	5,176
Staff training	16,954	11,375
Miscellaneous expenses	<u>2,970</u>	<u>2,516</u>
Total Operating Expenses	<u>32,818,521</u>	<u>13,856,731</u>
Operating Income	22,358,208	12,429,586
<b>NON-OPERATING REVENUE (EXPENSES)</b>		
Interest income	3,726	262
Loss on disposal of capital assets	<u>(3,804)</u>	<u>0</u>
Total Non-operating Revenue (Expenses)	<u>(78)</u>	<u>262</u>
Increase in Net Position	22,358,130	12,429,848
NET POSITION, Beginning of Year	<u>12,429,848</u>	<u>0</u>
NET POSITION, End of Year	<u>\$ 34,787,978</u>	<u>\$ 12,429,848</u>

See accompanying notes to basic financial statements.

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**STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Federal grants received	\$ 51,567,949	\$ 15,698,693
Assessments received	4,324,772	840,923
Other income received	5,559	262
Cash paid to vendors for goods and services	(27,991,222)	(3,451,554)
Cash paid for employees services	(1,082,643)	(643,852)
Cash paid for expense reimbursements	<u>(11,617)</u>	<u>(14,211)</u>
Net Cash Provided by Operating Activities	26,812,798	12,430,261
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Repayment of note payable	0	(385,000)
<b>CASH FLOWS FROM CAPITAL AND RELATED INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(22,499,446)	(11,556,308)
Proceeds from sale of equipment	<u>750</u>	<u>0</u>
Net Cash Used in Capital and related Investing Activities	<u>(22,498,696)</u>	<u>(11,556,308)</u>
Net Increase in Cash and Cash Equivalents	4,314,102	488,953
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>840,889</u>	<u>351,936</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 5,154,991</u>	<u>\$ 840,889</u>

See accompanying notes to basic financial statements.

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net position	\$ 22,358,130	\$ 12,429,848
Adjustments to reconcile change in net position to net cash from operating activities:		
Depreciation and amortization	4,820,359	329,079
Loss on disposal of capital assets	3,804	0
Change in assets and liabilities:		
Grant receivable	432,406	(9,462,167)
Accounts receivable	360,703	(361,648)
Prepaid expenses	(742,913)	(41,179)
Rent deposit	1,833	0
Accounts payable	(1,102,483)	6,355,951
Accrued expenses and other current liabilities	580,194	3,145,126
Accrued salaries and payroll costs	<u>100,765</u>	<u>35,251</u>
Net Cash Provided by Operating Activities	<u>\$ 26,812,798</u>	<u>\$ 12,430,261</u>

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**NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2015 and 2014**

**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.

*Measurement focus, basis of accounting, and financial statement 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.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**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, 2015 and 2014 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.

In April 2015, the Board of Directors approved an increase to the assessment fee to 1.99%, effective January 1, 2016.

*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, 2015 and 2014. 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.



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**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. 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. Capital assets are depreciated using the straight-line method over the useful lives:

Computers	3 years
Software	5 years
Furniture and Equipment	5 years

*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 any 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.

*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.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Reclassifications*

Certain expenses for the year ended June 30, 2014 have been reclassified to conform to the current year presentation. The reclassifications had no impact on total expenses or the increase in Net Position.

*Subsequent Events*

YHI has evaluated subsequent events through September 18, 2015, which is the date the financial statements were available to be issued.

**NOTE B - CASH AND CASH EQUIVALENTS**

At June 30, 2015 and 2014, YHI's cash and cash equivalents consisted of the following:

<u>2015</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Bank deposits	\$ <u>5,204,575</u>	\$ <u>5,154,991</u>
<u>2014</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Bank deposits	\$ <u>842,791</u>	\$ <u>840,889</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 \$4,954,575 and \$592,791 at June 30, 2015 and 2014, respectively.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**NOTE C - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015 is as follows:

	<b>Balance 7/1/14</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 6/30/15</b>
Capital assets, not being depreciated				
Trademark	\$ 12,000	\$ 0	\$ 0	\$ 12,000
Capital assets, being depreciated				
Furniture and equipment	42,394			42,394
Software and development	3,996,140	29,940,015		33,936,155
Computers	22,708	42,497	(8,566)	56,639
Development in progress	<u>7,483,066</u>	<u>                    </u>	<u>(7,483,066)</u>	<u>0</u>
	11,544,308	29,982,512	(7,491,632)	34,035,188
Less accumulated depreciation for:				
Furniture and equipment	5,779	8,479	0	14,258
Software and development	317,319	4,797,230		5,114,549
Computers	<u>5,981</u>	<u>14,650</u>	<u>(4,012)</u>	<u>16,619</u>
	<u>329,079</u>	<u>4,820,359</u>	<u>(4,012)</u>	<u>5,145,426</u>
	<u>\$ 11,227,229</u>	<u>\$ 25,162,153</u>	<u>\$ (7,487,620)</u>	<u>\$ 28,901,762</u>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**NOTE C - CAPITAL ASSETS (Continued)**

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

	<u>Balance</u> <u>7/1/2013</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>7,483,066</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>5,981</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>

For the years ended June 30, 2015 and 2014, depreciation was charged to operating expenses.

**NOTE D - COMPENSATED ABSENCES**

The following is a summary of changes in accrued compensated absences for the years ended June 30, 2015 and 2014. The liability is recorded in accrued salaries and payroll costs on the statement of Net Position.

	<u>06/30/14</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/15</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	<u>\$ 20,248</u>	<u>\$ 54,568</u>	<u>\$ (47,615)</u>	<u>\$ 27,201</u>	<u>\$ 27,201</u>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**NOTE D - COMPENSATED ABSENCES (Continued)**

	<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 E - 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.

**NOTE F - 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 December 2015, after which time the Exchange will be self-funded by fees payable by insurers and insurance producers who use the Exchange's facilities. Management believes they will be able to apply for an extension of the grant to cover the completion of the technology, through December 2016, but will be reliant upon assessment fees for operations starting January 1, 2016.

**NOTE G - VENDOR CONCENTRATION**

YHI has contracted with and is dependent upon several IT consultants and companies to develop its core IT systems including but not limited to a web portal, enrollment system, and corresponding IT infrastructure. A large concentration existed with a single company. This company represented 70% and 76% of accounts payable as of the year ended June 30, 2015 and 2014.

**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.

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**NOTE I - COMMITMENTS**

During the years ended June 30, 2015 and 2014, 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 2020. The leases require monthly payments ranging from \$3,600 to \$9,396. Future minimum lease payments as of June 30, 2015 are as follows:

2016	\$	154,521
2017		152,402
2018		124,110
2019		112,250
2020		<u>28,189</u>
		<u>\$ 571,472</u>

Rent expense under the operating lease for the years ended June 30, 2015 and 2014 was \$120,781 and \$59,462, respectively.

**NOTE K - RETIREMENT PLAN**

YHI sponsors 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 \$22,659 and \$12,746 for the years ended June 30, 2015 and 2014, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**June 30, 2015 and 2014**

**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 years ended June 30, 2015 and 2014. YHI paid a total of \$74,884 and \$33,171 in premiums for the years then ended, respectively.

## **FEDERAL REPORTS**





**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, 2015, 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 September 18, 2015.

**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.

## Harris & Co. PLLC

Our consideration of internal control was for the limited 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. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Harris & Co. PLLC*

Meridian, Idaho  
September 18, 2015

IDAHO HEALTH INSURANCE EXCHANGE  
dba YOUR HEALTH IDAHO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2015

<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>51,216,334</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>51,216,334</u>
Total expenditures of federal awards			<u>\$ 51,216,334</u>

See notes to schedule of expenditures of federal awards.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended June 30, 2015**

**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.

Certain expenditures, which are included in amounts above, represent payments for prepaid expenses and capital assets. In accordance with the accrual basis of accounting, these payments have been capitalized on the Statement of Net Position.



Harris & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Helping our clients make sense of a changing and complex world

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY 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, 2015. 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.

2289 S. Bonito Way, Ste 100  
Meridian, Idaho 83642

208 333-8965  
208 333-8966 FAX

[www.harriscpas.com](http://www.harriscpas.com)

### 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, 2015.

### 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.

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*

IDAHO HEALTH INSURANCE EXCHANGE  
dba YOUR HEALTH IDAHO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

SECTION I - SUMMARY OF AUDIT RESULTS

*Financial Statements:*

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness identified?	_____ yes	___X___ no	
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported	
Noncompliance material to the financial statements noted?	_____ yes	___X___ no	

*Federal Awards:*

Internal control over major programs:			
• Material weakness identified?	_____ yes	___X___ no	
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___X___ 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	___X___ 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 ___X___ no

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**For the Year Ended June 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

No findings related to the financial statements were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings related to the federal awards were noted which would be required to be reported under generally accepted governmental auditing standards (GAGAS).



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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**For the Year Ended June 30, 2015**

**2014-01**

**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.

**Recommendation:** YHI should continue to 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. Further, YHI should ensure that proper executive oversight of the CMS requirements occurs to ensure proper reporting procedures.

**Current Status:** The finding was resolved during the year. YHI has hired additional staff to ensure that program reporting is submitted in a timely manner. They have also put in place various policies to strengthen reporting on federal grants.