



Harris & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

**Idaho Health Insurance Exchange
dba Your Health Idaho**

**Financial Statements and Additional Information
Years Ended June 30, 2017 and 2016**

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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 business type activities of the Idaho Health Insurance Exchange dba Your Health Idaho ("YHI"), as of and for the years ended June 30, 2017 and 2016, 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.

Auditors' 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.

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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 business type activities of the Idaho Health Insurance Exchange dba Your Health Idaho as of June 30, 2017 and 2016, 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 opinions on the financial statements that collectively comprise the Idaho Health Insurance Exchange's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 September 15, 2017, 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 15, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

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 year ended June 30, 2017 and 2016. 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 state resources or direct 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. As of June 30, 2017, YHI has spent almost all the federal establishment grants, and as such will no longer rely upon federal grants to cover the costs associated with establishment activities and related capital investments. Operating costs and future capital investments will be covered by revenue from assessment fees and existing cash reserves.

FINANCIAL HIGHLIGHTS

YHI reported assets of \$33,924,499 for the year ended June 30, 2017, a \$1,779,520 decrease from 2016. The decrease in assets is driven primarily by a \$9,796,607 increase in Accumulated Depreciation (offset by an additional capital investment of \$7,142,591) and a \$2,147,778 decrease in Grants Receivable. YHI held cash of \$9,810,666 and Assessment Fee receivables of \$803,312. These assets will be used to meet YHI's obligations to vendors. As of June 30, 2017, YHI had \$0 in Grant Receivables.

Liabilities and Net Position of \$33,924,499 consisted of short-term payables and accrued expenses of \$578,004 and a Net Position of \$33,346,495, an increase of \$672,250 from FY2016. The Net Position resulted from a decrease in the net investment in capital assets of \$2,654,016, offset by an increase in unrestricted assets of \$3,326,516.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

YHI incurred operational expenses of \$18,649,048 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 \$1,508,652, a decrease of \$5,611,393 from 2016, which includes general business consulting, legal and technology consulting related to the implementation of the YHI marketplace technology;
- Marketing and advertising of \$912,399, a decrease of \$1,083,805 from 2016. Marketing efforts include outreach and education, earned media, website maintenance, public relations and related consulting;
- Consumer Support Services of \$2,648,183, a decrease of \$724,674 compared to 2016. 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. The decrease is due primarily to the shift in consumer support services from the DHW call center to the new YHI Consumer Support Center in early 2017. In the first fiscal quarter of 2017, YHI executed the Board-approved integration of the Customer Support Center within YHI's operations. These functions were previously performed by the Idaho Department of Health and Welfare as part of the Eligibility Shared Services agreement.
- Payroll and related expenses of \$3,123,250, an increase of \$1,216,977 from 2016 driven by increased YHI headcount to establish the new Consumer Support Center.
- Depreciation expense of \$9,810,365, an increase of \$2,047,916 over 2016, due to the increased capital technology investment (\$7,158,233 in 2017 and \$4,752,637 in 2016).

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 four-year financial forecast to evaluate the long-term sustainability of the exchange. During FY2017, the Board approved and YHI began selling advertising space on its web site. However, as a revenue stream YHI does not consider this revenue material to considerations of sustainability. As of June 30, 2017, YHI relies largely on a single source of revenue, assessment fees, which are earned on policies generated from YHI's website. In April 2017, the Board approved an assessment fee increase from the rate of 1.99% (effective through December 31, 2017) to 2.29% for effectuations effective January 1, 2018.

As noted above, available Federal Establishment Grant funding has been used with effectively \$0 remaining. YHI will rely on assessment fee revenues to operate the exchange. YHI's current financial projections assume that cash operating expenses will exceed assessment fee revenue by approximately \$1.0M in financial year 2018. YHI has over \$9.8M in cash reserves, approximately \$0.2M higher than projected at this time last year and management will access cash reserves as needed to cover any shortfall. YHI anticipates FY19 assessment fee revenue will cover 100% of operating expenses, and thus management will not need to access cash reserves.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017 and 2016

Due to YHI's capital assets acquired during YHI's establishment period, YHI is projecting to incur significant depreciation expenses associated with the YHI Marketplace technology as it is amortized over the life of the asset. As such, YHI is projecting a reduction in Net Position over the next two financial years. YHI's reduction in Net Position does not indicate cause for concern for the long-term sustainability of the exchange.

At the end of the 2017 financial year, YHI no longer has any Federal Establishment Grants to be used for necessary ongoing capital investment activities. However, YHI does anticipate the need for ongoing additional capital investment. These expenditures are related to an existing multi-year contract with our technology vendor to continue to build new functionality in support of YHI's consumer support activities. These capital investments will be funded by Assessment Fees. In addition to the capital investments, YHI will utilize assessment fee revenues to fund operational activities during this same time period.

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 15–24 of this report.

BASIC FINANCIAL STATEMENTS

**IDAHO HEALTH INSURANCE EXCHANGE
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STATEMENTS OF NET POSITION

June 30

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,789,447	\$ 2,609,068
Investments	5,021,219	5,004,030
Grants receivable	0	2,147,778
Assessments receivable	803,312	6,895
Prepaid expenses and other assets	<u>77,394</u>	<u>49,105</u>
Total Current Assets	10,691,372	9,816,876
CAPITAL ASSETS, net of accumulated depreciation	<u>23,233,127</u>	<u>25,887,143</u>
Total Assets	<u>\$ 33,924,499</u>	<u>\$ 35,704,019</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 53,036	\$ 2,407,183
Accrued expenses and other current liabilities	390,107	551,129
Accrued salaries and payroll costs	<u>134,861</u>	<u>71,712</u>
Total Liabilities	578,004	3,030,024
NET POSITION		
Net investment in capital assets	23,233,127	25,887,143
Unrestricted	<u>10,113,368</u>	<u>6,786,852</u>
Total Net Position	<u>33,346,495</u>	<u>32,673,995</u>
Total Liabilities and Net Position	<u>\$ 33,924,499</u>	<u>\$ 35,704,019</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 Years Ended June 30

	<u>2017</u>	<u>2016</u>
OPERATING REVENUES		
Federal grants	\$ 11,141,467	\$ 14,446,766
Assessment income	<u>8,142,977</u>	<u>6,029,694</u>
Total Operating Revenues	19,284,444	20,476,460
OPERATING EXPENSES		
Professional services	1,508,652	7,120,045
Depreciation and amortization	9,810,365	7,762,449
Marketing and advertising	912,399	1,996,204
Call center services	2,648,183	3,372,857
Payroll and related expenses	3,123,250	1,906,273
Insurance	152,946	157,652
Utilities	166,833	23,914
Rent	161,872	130,625
Office expenses	55,208	42,018
Travel and meals	30,834	46,101
Other operating expenses	<u>78,506</u>	<u>40,272</u>
Total Operating Expenses	<u>18,649,048</u>	<u>22,598,410</u>
Operating Income (Loss)	635,396	(2,121,950)
NON-OPERATING REVENUE (EXPENSES)		
Interest income	29,085	12,774
Advertising income	9,903	0
Loss on disposal of capital assets	<u>(1,884)</u>	<u>(4,807)</u>
Total Non-operating Revenue (Expenses)	<u>37,104</u>	<u>7,967</u>
Increase (Decrease) in Net Position	672,500	(2,113,983)
NET POSITION, Beginning of Year	<u>32,673,995</u>	<u>34,787,978</u>
NET POSITION, End of Year	<u>\$ 33,346,495</u>	<u>\$ 32,673,995</u>

See accompanying notes to basic financial statements.

**IDAHO HEALTH INSURANCE EXCHANGE
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STATEMENTS OF CASH FLOWS

For the Years Ended June 30

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Federal grants received	\$ 13,289,245	\$ 21,670,846
Assessments received	7,344,532	6,020,982
Other income received	41,072	11,506
Cash paid to vendors for goods and services	(8,250,492)	(18,502,024)
Cash paid for employees services	(3,060,101)	(1,982,979)
Cash paid for expense reimbursements	<u>(8,455)</u>	<u>(11,617)</u>
Net Cash Provided by Operating Activities	9,355,801	7,206,714
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	<u>(7,158,233)</u>	<u>(4,752,637)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(7,158,233)</u>	<u>(4,752,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	0	(5,000,000)
Reinvestment of interest and dividends	<u>(17,189)</u>	<u>0</u>
Net Cash Used in Investing Activities	<u>(17,189)</u>	<u>(5,000,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,180,379	(2,545,923)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>2,609,068</u>	<u>5,154,991</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 4,789,447</u>	<u>\$ 2,609,068</u>

See accompanying notes to basic financial statements.

	<u>2017</u>	<u>2016</u>
RECONCILIATION OF CHANGE IN NET POSITION TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net position	\$ 672,500	\$ (2,113,983)
Adjustments to reconcile change in net position to net cash from operating activities:		
Depreciation and amortization	9,810,365	7,762,449
Loss on disposal of capital assets	1,884	4,807
Change in assets and liabilities:		
Grant receivable	2,147,778	7,224,080
Prepaid expenses	(28,289)	770,925
Assessments receivable	(796,417)	(5,950)
Accounts payable	(2,356,520)	(3,142,041)
Accrued expenses and other current liabilities	(158,649)	(3,216,867)
Accrued salaries and payroll costs	<u>63,149</u>	<u>(76,706)</u>
Net Cash Provided by Operating Activities	<u>\$ 9,355,801</u>	<u>\$ 7,206,714</u>

**IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017 and 2016 and 2016

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.

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

June 30, 2017 and 2016 and 2016

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. In April 2015, the Board of Directors approved an increase to the assessment fee to 1.99%, effective January 1, 2016. The fee is assessed on and payable by the carriers. Accounts receivable as of June 30, 2017 and 2016 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. 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, 2017 and 2016 and 2016

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

Net position is displayed in three components as follows:

Invested in capital assets, net of related debt – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation. There are no restricted assets as of June 30, 2017 and 2016.

Unrestricted net position – All other net position that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2017 and 2016 and 2016

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.

NOTE B - CASH AND INVESTMENTS

At June 30, YHI's cash and investments consisted of the following:

	2017	
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank deposits	<u>\$ 4,813,343</u>	<u>\$ 4,789,447</u>
		<u>Fair Value</u>
Investments		
Certificates of deposit		<u>\$ 5,021,219</u>
	2016	
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Bank deposits	<u>\$ 2,699,217</u>	<u>\$ 2,609,068</u>
		<u>Fair Value</u>
Investments		
Certificates of deposit		<u>\$ 5,004,030</u>

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

June 30, 2017 and 2016 and 2016

NOTE B - CASH AND INVESTMENTS (Continued)

Custodial Credit Risk of Cash and Investments

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 \$4,563,343 and \$2,449,217 at June 30, 2017 and 2016, respectively.

YHI has all of its investments held through a CDARS program, administered by Idaho Independent Bank. The deposits at Idaho Independent Bank are placed in certificates of deposit among several other banks, all under the \$250,000 FDIC insurance limit. The certificates of deposits have varying terms and interest rates, however, all remain FDIC insured.

Interest Rate Risk

Interest rate risk is the risk that the changes in market interest rates will adversely impact the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. The exchange's policy is to put investments in the CDARS Program, limiting its exposure to interest rate risk.

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

June 30, 2017 and 2016 and 2016

NOTE C - CAPITAL ASSETS

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

	2017			
	<u>Balance</u> <u>7/1/2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2017</u>
Capital assets, not being depreciated				
Trademark	\$ 12,000	\$ 0	\$ 0	\$ 12,000
Capital assets, being depreciated				
Furniture and equipment	32,781	37,301	(2,732)	67,350
Software and development	35,707,513	9,122,581		44,830,094
Computers	229,450	286,458	(12,910)	502,998
Leasehold Improvements	0	5,000		5,000
Development in progress	<u>2,808,467</u>	<u>6,829,474</u>	<u>(9,122,581)</u>	<u>515,360</u>
	38,778,211	16,280,814	(9,138,223)	45,920,802
Less accumulated depreciation for:				
Furniture and equipment	17,930	14,001	(2,035)	29,896
Software and development	12,817,632	9,637,230		22,454,862
Leasehold Improvements	0	1,528		1,528
Computers	<u>67,506</u>	<u>157,606</u>	<u>(11,723)</u>	<u>213,389</u>
	<u>12,903,068</u>	<u>9,810,365</u>	<u>(13,758)</u>	<u>22,699,675</u>
	<u>\$ 25,887,143</u>	<u>\$ 6,470,449</u>	<u>\$ (9,124,465)</u>	<u>\$ 23,233,127</u>

Included in total capital asset increases for the year ended June 30, 2017 are transfers of \$9,122,581 from development in progress to software and development and acquisitions of \$7,158,234.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2017 and 2016 and 2016

NOTE C - CAPITAL ASSETS (Continued)

	2016			
	<u>Balance</u>			<u>Balance</u>
	<u>7/1/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2016</u>
Capital assets, not being depreciated				
Trademark	\$ 12,000	\$ 0	\$ 0	\$ 12,000
Capital assets, being depreciated				
Furniture and equipment	42,395		(9,614)	32,781
Software and development	33,936,154	1,771,359		35,707,513
Computers	56,639	172,811		229,450
Development in progress	<u>0</u>	<u>2,808,467</u>		<u>2,808,467</u>
	34,035,188	4,752,637	(9,614)	38,778,211
Less accumulated depreciation for:				
Furniture and equipment	14,258	8,479	(4,807)	17,930
Software and development	5,114,549	7,703,083		12,817,632
Computers	<u>16,619</u>	<u>50,887</u>		<u>67,506</u>
	<u>5,145,426</u>	<u>7,762,449</u>	<u>(4,807)</u>	<u>12,903,068</u>
	<u>\$ 28,901,762</u>	<u>\$ (3,009,812)</u>	<u>\$ (4,807)</u>	<u>\$ 25,887,143</u>

For the years ended June 30, 2017 and 2016, depreciation of \$9,810,365 and \$7,762,449, respectively, was charged to operating expenses.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2017 and 2016 and 2016

NOTE D - COMPENSATED ABSENCES

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

	2017				
	<u>07/01/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/17</u>	<u>Due Within One Year</u>
Compensated absences	\$ <u>46,931</u>	\$ <u>233,408</u>	\$ <u>(227,142)</u>	\$ <u>53,197</u>	\$ <u>53,197</u>
	2016				
	<u>07/01/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/16</u>	<u>Due Within One Year</u>
Compensated absences	\$ <u>27,201</u>	\$ <u>78,126</u>	\$ <u>(58,396)</u>	\$ <u>46,931</u>	\$ <u>46,931</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 - 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 39% and 87% of accounts payable as of June 30, 2017 and 2016, respectively.

NOTE G - 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, 2017 and 2016 and 2016

NOTE H - COMMITMENTS

During the years ended June 30, 2017 and 2016, YHI entered into various multi-year contract agreements relating to the development of a health insurance exchange. After June 30, 2017, operational cost are expected to be funded by assessment fees collected from the insurance carriers.

NOTE I - LEASES

YHI leases office space and equipment under non-cancellable agreements that expire at various times through June 2022. The leases require monthly payments ranging from \$3,600 to \$9,396. Future minimum lease payments as of June 30, 2017 are as follows:

2018	\$	154,635
2019		157,683
2020		159,330
2021		146,190
2022		<u>13,290</u>
	\$	<u><u>631,128</u></u>

Rent expense under the operating lease for the years ended June 30, 2017 and 2016 was \$150,637 and \$120,781 respectively.

NOTE J - 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 \$49,562 and \$29,449 for the years ended June 30, 2017 and 2016, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

June 30, 2017 and 2016 and 2016

NOTE K - 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 insurance to employees of YHI during the years ended June 30, 2017 and 2016. YHI paid a total of \$373,019 and \$151,285 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, 2017, 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 15, 2017.

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 15, 2017

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017 and 2016

<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>11,141,467</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>11,141,467</u>
Total expenditures of federal awards			<u>\$ 11,141,467</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, 2017 and 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards include the federal award activity of Idaho Health Insurance Exchange dba Your Health Idaho under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Idaho Health Insurance Exchange, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Idaho Health Insurance Exchange dba Your Health Idaho.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Idaho Health Insurance Exchange dba Your Health Idaho has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.



Harris & Co. PLLC

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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 THE UNIFORM GUIDANCE

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's compliance with the types of compliance requirements described in the OMB 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, 2017. 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.

Auditors' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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.

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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, 2017.

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 types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Meridian, Idaho
September 15, 2017

Harris & Co. PLLC

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017 and 2016

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:		Unmodified		
• 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:				
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200-516(a)?	_____	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:	\$ 750,000
Auditee qualified as a low-risk auditee?	_____ X _____ yes _____ no

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended June 30, 2017 and 2016

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, 2017 and 2016

There were no prior audit findings in 2016.