



Financial Statements
June 30, 2019 and 2018

Idaho Health Insurance Exchange dba
Your Health Idaho

Idaho Health Insurance Exchange dba Your Health Idaho

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June 30, 2019 and 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Idaho Health Insurance Exchange dba Your Health Idaho (YHI) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the YHI'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 opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the business-type activities of Idaho Health Insurance Exchange dba Your Health Idaho, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flow thereof for the year 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 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Prior Year Financial Statements

The financial statements of Idaho Health Insurance Exchange dba Your Health Idaho as of June 30, 2018 were audited by other auditors, whose report dated September 21, 2018, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019 on our consideration of Idaho Health Insurance Exchange dba Your Health Idaho 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 solely 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 the effectiveness of the YHI's 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 YHI's internal control over financial reporting and compliance.



Boise, Idaho
September 20, 2019

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, 2019 and 2018. 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 YHI's finances, in a manner similar to a private sector business.

Revenues are recorded when earned, and expenses are recorded at the time the 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 the year ended June 30, 2018, YHI had closed the federal establishment grants, and as such no longer relies 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 \$14,548,010 for the year ended June 30, 2019, a \$6,609,013 decrease from 2018. The decrease in assets is driven primarily by a \$10,408,674 increase in accumulated depreciation (offset by additional capital investment in technology of \$1,120,242), a \$601,816 increase in inventory asset and an increase of \$21,241 for cubicles, furniture and other equipment.

YHI held cash and investments of \$13,286,720, an increase of \$2,084,687 over 2018. This increase was the result of two impacts: 1) Cash provided by Operations of \$3,693,443 (not including depreciation expense). And 2) The use of cash, \$1,743,299 to invest in technology and other capital equipment.

Liabilities and Net Position of \$14,548,010 consisted of short-term payables and accrued expenses of \$609,384 and Net Position of \$13,938,626, a decrease of \$6,569,983 from FY2018. The change in Net Position resulted from a net operating loss of \$6,719,096.

YHI incurred operational expenses of \$18,955,135 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 \$1,467,421, an increase of \$67,222 over 2018, which includes general business consulting, legal and technology consulting related to the maintenance, operations, enhancement of the YHI marketplace technology;
- Marketing and advertising of \$981,324, an increase of \$103,794 over 2018. Marketing efforts include outreach and education, earned media; website maintenance, public relations and related consulting, and market research;

- Consumer Support Services of \$2,141,355, a decrease of \$521,550 compared to 2018. 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 of \$3,171,208, an increase of \$24,456 from 2018 driven primarily by an increase in medical health insurance benefits for employees;
- Depreciation expense of \$10,408,879, a decrease of \$4,065,817 from 2018. While capital technology investments continued through 2019 (\$1,120,242 in 2019 and \$1,088,052 in 2018) the capital technology investment was completely depreciated halfway through 2019 to coincide with the end of the initial contract term. YHI also renewed its contract with its technology provider, effective January 1, 2019. YHI will continue to invest in capital technology for the life of the new contract, and as such expects depreciation expense to reset with the new contract and begin to grow with these ongoing investments.

YHI will continue to invest additional capital into its technology platform with a focus on continuous improvement of the consumer experience and the experience for its partners. These expenditures are related to an existing multi-year contract with our technology vendor and 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.

As mentioned above, YHI (per enabling legislation HB248) is restricted from using any state resources fund its operations. As such, YHI has created a four-year financial forecast to evaluate the long-term sustainability of the exchange. As of June 30, 2019, 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 the assessment fee rate at 2.29% for effectuations effective January 1, 2018. This rate continued effective through June 30, 2019 and YHI does not currently anticipate changing the assessment fee rate in the immediate future.

In November 2018, Idaho voters passed Proposition Two to expand Medicaid and provide coverage to individuals with an annual income up to 138% of the Federal Poverty Level (FPL). Prior to Medicaid expansion, eligible individuals with an annual household income between 100%-400% of the FPL could enroll with YHI and receive a tax credit to help reduce the cost of monthly insurance premiums. In reviewing its current consumer base YHI estimates 18,000 people with income between 100-138% of the FPL will become Medicaid eligible with the passage of Proposition Two. YHI anticipates that these consumers will enroll in Medicaid instead of YHI. YHI therefore estimates a corresponding decrease in monthly assessment fee revenues beginning January of 2020. This decrease will result in an approximate 10.6% reduction in assessment fee revenues from 2019 to 2020.

YHI will continue to rely on assessment fee revenues to operate the exchange. YHI's current financial projections assume that assessment fee revenues (\$11.1M) will exceed operating expenses (\$9.9M) by approximately \$1.3M in fiscal year 2020. Planned capital expenditures of \$1.2M should result in a net increase in cash of approximately \$0.1M by the end of 2020. YHI currently has over \$13.2M in cash reserves, approximately \$0.7M higher than projected at this time last year and management will access cash reserves as needed to cover any shortfall. YHI anticipates 2020 assessment fee revenue will cover 100% of operating expenses and 100% of capital investing activities, and thus management will not need to access cash reserves.

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 9-18 of this report.

Idaho Health Insurance Exchange dba Your Health Idaho

Statements of Net Position

June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 8,113,204	\$ 6,123,135
Investments	5,173,516	5,078,898
Receivables	153	582
Prepaid expenses and other assets	80,029	107,925
Total current assets	13,366,902	11,310,540
Property and Equipment	1,181,108	9,846,483
Total assets	\$ 14,548,010	\$ 21,157,023
Liabilities		
Accounts payable	\$ 204,507	\$ 318,860
Accrued expenses and other current liabilities	222,648	157,676
Accrued salaries and payroll costs	182,229	171,878
Total liabilities	609,384	648,414
Net Position		
Net investment in capital assets	1,181,108	9,846,483
Unrestricted	12,757,518	10,662,126
Total net position	13,938,626	20,508,609
Total liabilities and net position	\$ 14,548,010	\$ 21,157,023

Idaho Health Insurance Exchange dba Your Health Idaho
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended June 30, 2019 and 2018

	2019	2018
Operating Revenue		
Federal grants	\$ -	\$ 13,120
Assessment income	12,236,039	10,369,254
Total operating revenue	12,236,039	10,382,374
Operating Expenses		
Professional services	1,467,421	1,400,199
Depreciation and amortization	10,408,879	14,474,696
Marketing and advertising	981,324	877,530
Call center services	2,141,355	2,662,905
Payroll and related expenses	3,171,208	3,146,752
Insurance	151,013	150,562
Utilities	168,364	179,404
Rent	178,793	184,103
Office expenses	65,199	54,868
Travel and meals	41,137	42,113
Other operating expenses	180,442	124,608
Total operating expenses	18,955,135	23,297,740
Operating (Loss)	(6,719,096)	(12,915,366)
Non-Operating Revenues		
Interest income	140,040	71,304
Advertising income	9,073	6,176
Total non-operating revenues (expenses)	149,113	77,480
Change in Net Position	(6,569,983)	(12,837,886)
Net Position, Beginning of Year	20,508,609	33,346,495
Net Position, End of Year	\$ 13,938,626	\$ 20,508,609

Idaho Health Insurance Exchange dba Your Health Idaho

Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Federal grants received	\$ -	\$ 13,120
Assessments received	12,235,610	11,171,984
Other income received	149,113	77,480
Cash paid to vendors for goods and services	(5,396,533)	(5,661,028)
Cash paid for employees services	(3,160,857)	(3,109,735)
Cash paid for expense reimbursement	-	(12,402)
Net Cash from Operating Activities	3,827,333	2,479,419
Investing Activities		
Acquisition of capital assets	(1,743,504)	(1,088,052)
Reinvestment of interest and dividends	(93,760)	(57,679)
Net Cash used for Investing Activities	(1,837,264)	(1,145,731)
Net Change in Cash and Cash Equivalents	1,990,069	1,333,688
Cash and Cash Equivalents, Beginning of Year	6,123,135	4,789,447
Cash and Cash Equivalents, End of Year	\$ 8,113,204	\$ 6,123,135
Reconciliation of Change in Net Position to Net Cash From Operating Activities		
Change in net position	\$ (6,569,983)	\$ (12,837,886)
Adjustments to reconcile change in net position to net cash from operating activities		
Depreciation and amortization	10,408,879	14,474,696
Change in assets and liabilities		
Prepaid expenses	27,896	(30,531)
Assessments receivable	429	802,730
Accounts payable	(114,353)	256,728
Accrued expenses and other current liabilities	64,114	(223,335)
Accrued salaries and payroll costs	10,351	37,017
Net Cash from Operating Activities	\$ 3,827,333	\$ 2,479,419

Note 1 - Principal Business Activity and Significant Accounting Policies**Financial Reporting Entity**

Idaho Health Insurance Exchange dba Your Health Idaho (YHI) was created as an independent body corporate and 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.

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.

Concentrations of Credit Risk

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. To reduce this risk, YHI entered into a Repurchase Agreement (the Agreement) with Idaho Independent Bank (purchased by First Interstate Bank in March 2019) (the Bank) on March 19, 2014. The Agreement calls for funds in YHI's main operating accounts to be used to purchase 1) securities that are direct obligations of, or obligations guaranteed as to principal and interest by, the United States; or 2) securities issued or guaranteed as to principal and/or interest by any corporation the securities that are designated to constitute exempt securities under the Securities Act of 1933.

Securities may include U.S. Treasury Bills, Notes or Bonds, governmental agency securities, the government-guaranteed portion of certain government-guaranteed securities and/ or securities issued by the Federal Home Loan Mortgage Corporation or Federal National Mortgage Association. The execution of the Agreement, through the stated intent of both parties, has mitigated the custodial credit risk to YHI balances in excess of \$250,000.

YHI has all its investments held through a CDARS program, administered by the Bank. The deposits at the 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.

Cash and Equivalents

Cash and cash equivalents consists of highly liquid investments with an original maturity of three months or less.

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 Certificate of Deposit Account Registry Service (CDARS) Program, limiting its exposure to interest rate risk.

Receivables and Credit Policy

Receivables due from carriers are uncollateralized carrier obligations due under normal trade terms requiring payment within 30 days from the invoice date. Receivables are stated at the amount billed to the customer. YHI does not charge interest on overdue customer account balances. Payments of receivables are allocated to the specific invoices identified on the carrier's remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

YHI has not recorded an allowance for the receivable because all balances are deemed to be collectible.

Investments

The Company's only investments consist of certificates of deposit that are held through a certificate of deposit registry service. These certificates of deposits are recorded at cost plus accrued interest in accordance with GASB 72. The certificate of deposit registry service automatically allocates the value of the investment balance between various banks to allow each specific investment to be below the FDIC \$250,000 cap. This policy allows the company to invest in several certificates of deposit through one lender while also eliminating the risk of balances at banks being above the FDIC limit.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided using the straight-line method, based on useful lives of the assets which range from three to five years.

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at June 30, 2019 and 2018.

Compensated Absences

YHI provides personal leave to all full time and part time employees (except those who work less than 30 hours a week.) 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. It is YHI's policy to cap compensated absences at 200 hours for each employee. Employees are also allowed to cash out hours down to 80 hours.

Net Position

Net position is displayed in three components as follows:

Net investment in capital assets- Consist of 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. At June 30, 2019 and 2018, YHI did not have any outstanding debt.

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, 2019 and 2018.

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

Revenue Recognition

On December 12, 2013; the Board of Directors of YHI adopted the Fee Assessment Policy #1. This policy established an assessment 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 Board of Directors approved an assessment fee rate of 1.99% on April 17, 2015 effective January 1, 2016. In March 2017, the Board of Directors approved an increase to the assessment fee to 2.29%, effective January 1, 2018. The assessment fee is assessed on and payable by the carriers.

YHI recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, or services have been rendered, the fee for the arrangement is fixed or determinable and collectability is reasonably assured.

Advertising Costs

Advertising costs are expensed as incurred. Such costs approximated \$981,324 and \$877,530 for the years ended June 30, 2019 and 2018, respectively.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on change in net position or total net position.

Subsequent Events

The Company has evaluated subsequent events through September 20, 2019, the date which the financial statements were available to be issued.

Note 2 - Cash

The carrying amounts of deposits and investments as of June 30, 2019 and 2018, are as follows:

	<u>2019</u>	<u>2018</u>
Carrying Amount		
Cash and deposits	\$ 8,113,204	\$ 6,123,135
Total	<u>\$ 8,113,204</u>	<u>\$ 6,123,135</u>

Idaho Health Insurance Exchange dba Your Health Idaho

Notes to Financial Statements

June 30, 2019 and 2018

Deposits – Custodial Credit Risk

YHI has all of its investments held through a CDARS program, administered by the Bank. The deposits at the 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.

Note 3 - Investments

Available-for-sale securities include the following on June 30, 2019:

	Original Cost	Accrued Interest	Estimated Fair Value
Certificates of deposit	\$ 5,139,175	\$ 34,341	\$ 5,173,516
	\$ 5,139,175	\$ 34,341	\$ 5,173,516

Available-for-sale securities include the following on June 30, 2018:

	Original Cost	Accrued Interest	Estimated Fair Value
Certificates of deposit	\$ 5,053,753	\$ 25,145	\$ 5,078,898
	\$ 5,053,753	\$ 25,145	\$ 5,078,898

Contractual maturities of available-for-sale at June 30, 2019, are as follows:

	Net Carrying Amount
Due in 1 year or less	\$ 5,139,175
	\$ 5,139,175

Actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

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Notes to Financial Statements

June 30, 2019 and 2018

Investment income and gains and losses consists of the following for the year ended June 30, 2019:

	2019
Investment income	\$ 92,629
	\$ 92,629

Note 4 - Property and Equipment

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2019, are as follows:

	Balance June 30, 2018	Additions	Deletions	Transfers	Balance June 30, 2019
Capital assets not being depreciated					
Trademark	\$ 12,000	\$ -	\$ -	\$ -	\$ 12,000
Development in progress	189,807	1,414,713	-	(812,897)	791,623
Total capital assets not being depreciated	\$ 201,807	\$ 1,414,713	\$ -	\$ (812,897)	\$ 803,623
Capital assets being depreciated					
Furniture and equipment	\$ 67,350	\$ -	\$ -	\$ 21,241	\$ 88,591
Software and development	46,234,839	328,791	-	786,613	47,350,243
Computers	493,863	-	-	5,043	498,906
Leasehold improvements	5,000	-	-	-	5,000
Total capital assets being depreciated	46,801,052	328,791	-	812,897	47,942,740
Less accumulated depreciation for					
Furniture and equipment	43,366	9,376	-	-	52,742
Software and development	36,753,872	10,274,075	-	-	47,027,947
Computers	355,943	123,762	-	-	479,705
Leasehold improvements	3,195	1,666	-	-	4,861
Total accumulated depreciation	37,156,376	\$ 10,408,879	\$ -	\$ -	47,565,255
Net capital assets being depreciated	\$ 9,644,676		\$ -		\$ 377,485
Capital assets, net	\$ 9,846,483		\$ -		\$ 1,181,108

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Notes to Financial Statements

June 30, 2019 and 2018

Included in total capital asset increases for the year ended June 30, 2019 are transfers of \$812,897 from development in progress to software and development and acquisitions of \$786,613.

Capital assets additions, retirements, transfers and balances for the year ended June 30, 2018, are as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital assets not being depreciated					
Trademark	\$ 12,000	\$ -	\$ -	\$ -	\$ 12,000
Development in progress	515,360	1,403,725	-	(1,729,278)	189,807
	<u>515,360</u>	<u>1,403,725</u>	<u>-</u>	<u>(1,729,278)</u>	<u>189,807</u>
Total capital assets not being depreciated	<u>\$ 527,360</u>	<u>\$ 1,403,725</u>	<u>\$ -</u>	<u>\$ (1,729,278)</u>	<u>\$ 201,807</u>
Capital assets being depreciated					
Furniture and equipment	\$ 67,350	\$ -	\$ -	\$ -	\$ 67,350
Software and development	44,830,094	1,404,745	-	-	46,234,839
Computers	502,998	8,861	(17,996)	-	493,863
Leasehold improvements	5,000	-	-	-	5,000
	<u>45,405,442</u>	<u>\$ 1,413,606</u>	<u>\$ (17,996)</u>	<u>\$ -</u>	<u>46,801,052</u>
Total capital assets being depreciated	<u>45,405,442</u>	<u>\$ 1,413,606</u>	<u>\$ (17,996)</u>	<u>\$ -</u>	<u>46,801,052</u>
Less accumulated depreciation for					
Furniture and equipment	29,896	\$ 13,470	\$ -	\$ -	43,366
Software and development	22,454,862	14,299,010	-	-	36,753,872
Computers	213,389	160,550	(17,996)	-	355,943
Leasehold improvements	1,528	1,667	-	-	3,195
	<u>22,699,675</u>	<u>\$ 14,474,696</u>	<u>\$ (17,997)</u>	<u>\$ -</u>	<u>37,156,376</u>
Total accumulated depreciation	<u>22,699,675</u>	<u>\$ 14,474,696</u>	<u>\$ (17,997)</u>	<u>\$ -</u>	<u>37,156,376</u>
Net capital assets being depreciated	<u>\$ 22,705,767</u>				<u>\$ 9,644,676</u>
Capital assets, net	<u>\$ 23,233,127</u>				<u>\$ 9,846,483</u>

Included in total capital asset increases for the year ended June 30, 2018 are transfers of \$1,729,278 from development in progress to software and development and acquisitions of \$1,088,053.

Depreciation expense totaled \$10,408,879 and \$14,474,696 for the years ended December 31, 2019 and 2018, respectively.

Note 5 - Concentrations

The following table summarizes the Company's customer concentrations of revenue:

	<u>2019</u>	<u>2018</u>
Customer A (also a related party)	43.0%	33.0%
Customer B (also a related party)	34.0%	19.0%
Customer C	22.0%	25.0%

YHI has contracted with and is dependent upon an IT company to develop its core IT systems including but not limited to a web portal, enrollment system, and corresponding IT infrastructure. YHI has also contracted with the State of Idaho (also a related party) for eligibility determinations. The two entities represented 80% and 34% of accounts payable and accrued expenses for the years ended June 30, 2019 and 2018, respectively.

Note 6 - Risk Management

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

Note 7 - Commitments and Contingencies

Prior to the year ended June 30, 2017, YHI entered into various multi-year contract agreements relating to the development of a health insurance exchange, partly funded by the Federal government. After June 30, 2017, operational costs are expected to be funded by assessment fees collected from the insurance carriers.

During 2018, YHI received 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 8 - Leases

YHI leases office space and equipment under various non-cancellable short and long-term leases. The leases expire through various times through June 2023.

Idaho Health Insurance Exchange dba Your Health Idaho

Notes to Financial Statements

June 30, 2019 and 2018

Future minimum lease payments as of June 30, 2019, are as follows:

Years Ending June 30,	
2020	\$ 176,927
2021	176,927
2022	2,328
2023	970
	\$ 357,152

Rent expense under the operating lease for the years ended June 30, 2019 and 2018, was \$178,793 and \$184,103, respectively.

Note 9 - Employee Benefit Plan

YHI sponsors a retirement plan under section 219(G)(5)(A) of the Internal Revenue Service Code covering substantially all employees. The plan provides that employees are eligible once they have surpassed their 90-day probationary period and can contribute up to \$13,000 in 2019 and \$12,500 in 2018 of their salary. YHI matches up to 3% of the participant's compensation in the calendar year. Participants are fully vested at all times. Total employer contributions under this plan were \$51,861 and \$55,266 for the years ended June 30, 2019 and 2018, respectively.

Note 10 - Compensated Absences

The following is a summary of changes in accrued compensated absences for the year ended June 30.

	2019				
	7/1/2018	Additions	Reductions	6/30/2019	Due Within One Year
Compensated Absences	\$ 73,548	\$ 232,941	\$ (216,567)	\$ 89,922	\$ 89,922
	2018				
	7/1/2017	Additions	Reductions	6/30/2018	Due Within One Year
Compensated Absences	\$ 53,197	\$ 147,639	\$ (127,288)	\$ 73,548	\$ 73,548

The liability is recorded in accrued salaries and payroll costs on the Statements of Net Position.

Note 11 - 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 year ended June 30, 2018. YHI paid a total of \$396,566 in premiums for the year ended June 30, 2018. As of November 21, 2017, the insurance company was no longer represented on the Board. In January 2019 YHI switched to Blue Cross of Idaho (also represented in the Board) for medical insurance to employees, incurring the total related party premium paid of \$193,397 for the year ended June 30, 2019. YHI received assessment fees from Blue Cross of Idaho of \$5,208,462 for the year ended June 30, 2019.



Independent Auditor’s 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 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 the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Idaho Health Insurance Exchange dba Your Health Idaho (YHI), as of and for the year then ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Idaho Health Insurance Exchange dba Your Health Idaho basic financial statements and have issued our report thereon dated September 20, 2019.

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 opinion 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 the entity’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.

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 from 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.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

Boise, Idaho
September 20, 2019