

Financial Statements

Idaho Health Insurance Exchange.
dba Your Health Idaho
Including additional information
Years Ended June 30, 2018 and 2017



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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, 2018 and 2017, 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.

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, 2018 and 2017, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018, 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.

Meridian, Idaho
September 21, 2018

Harris CPAs

MANAGEMENT'S DISCUSSION AND ANALYSIS

IDAHO HEALTH INSURANCE EXCHANGE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018 and 2017

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, 2018 and 2017. 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 the year ended June 30, 2017, YHI had 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 \$21,157,023 for the year ended June 30, 2018, a \$12,767,476 decrease from 2017. The decrease in assets is driven primarily by a \$14,456,701 increase in Accumulated Depreciation (offset by an additional capital investment of \$1,088,052) and a \$802,730 decrease in Accounts Receivable. YHI held cash and investments of \$11,202,033, an increase of \$1,391,367 over 2017. This was largely the result of the increase in the assessment fee rate from 1.99% to 2.29% effective January 1, 2018 combined with an average 25% increase in premiums charged by Carriers beginning the same date.

Liabilities and Net Position of \$21,157,023 consisted of short-term payables and accrued expenses of \$648,414 and a Net Position of \$20,508,609, a decrease of \$12,767,476 from FY2017. The change in Net Position resulted from a net loss of \$12,837,886.

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YHI incurred operational expenses of \$23,297,740 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 \$1,400,199, a decrease of \$108,453 from 2017, which includes general business consulting, legal and technology consulting related to the implementation of the YHI marketplace technology;
- Marketing and advertising of \$877,530, a decrease of \$34,869 from 2017. Marketing efforts include outreach and education, earned media, website maintenance, public relations and related consulting;
- Consumer Support Services of \$2,662,905, an increase of \$14,722 compared to 2017. 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 \$3,146,752, an increase of \$23,502 from 2017 driven by an increase in the health insurance account, particularly medical;
- Depreciation expense of \$14,474,696, an increase of \$4,664,331 over 2017, due to the increased capital technology investment (\$1,088,052 in 2018 and \$7,158,233 in 2017). YHI also renewed its contract with its technology provider, effective January 1, 2019. This resulted in an acceleration in the capital technology by \$1,253,261, or 27% of the total increase in annual depreciation expense noted above.

At the end of the 2018 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.

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 2017, 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, 2018, 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.

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Available Federal Establishment Grant funding has been fully utilized with effectively \$0 remaining. YHI will rely on assessment fee revenues to operate the exchange. YHI's current financial projections assume that assessment fee revenue will exceed cash operating expenses by approximately \$1.3M in financial year 2019. YHI has over \$11.2M 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 2019 assessment fee revenue will cover 100% of operating expenses, and thus management will not need to access cash reserves.

During YHI's establishment period, the company has invested heavily in the Marketplace technology which has been one of the keys to YHI's success. The remaining book value of the asset will be completely amortized during the coming financial year. While this depreciation expense will still be significant, YHI will begin to experience a relative increase in Net Position over the remainder of the financial year after the completion of amortization of the technology..

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the enterprise fund financial statements. The notes to the financial statements can be found on pages 14–23 of this report.

BASIC FINANCIAL STATEMENTS

IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO
STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Assets		
Current Assets		
Cash and cash equivalents	\$ 6,123,135	\$ 4,789,447
Investments	5,078,898	5,021,219
Assessments receivable	582	803,312
Prepaid expenses and other assets	<u>107,925</u>	<u>77,394</u>
Total Current Assets	11,310,540	10,691,372
Capital Assets, net of accumulated depreciation	<u>9,846,483</u>	<u>23,233,127</u>
Total Assets	<u>\$ 21,157,023</u>	<u>\$ 33,924,499</u>
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable	\$ 318,860	\$ 53,036
Accrued expenses and other current liabilities	157,676	390,107
Accrued salaries and payroll costs	<u>171,878</u>	<u>134,861</u>
Total Liabilities	648,414	578,004
Net Position		
Net investment in capital assets	9,846,483	23,233,127
Unrestricted	<u>10,662,126</u>	<u>10,113,368</u>
Total Net Position	<u>20,508,609</u>	<u>33,346,495</u>
Total Liabilities and Net Position	<u>\$ 21,157,023</u>	<u>\$ 33,924,499</u>

See accompanying notes to basic financial statements.

IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Federal grants	\$ 13,120	\$ 11,141,467
Assessment income	<u>10,369,254</u>	<u>8,142,977</u>
Total Operating Revenues	10,382,374	19,284,444
Operating Expenses		
Professional services	1,400,199	1,508,652
Depreciation and amortization	14,474,696	9,810,365
Marketing and advertising	877,530	912,399
Call center services	2,662,905	2,648,183
Payroll and related expenses	3,146,752	3,123,250
Insurance	150,562	152,946
Utilities	179,404	166,833
Rent	184,103	161,872
Office expenses	54,868	55,208
Travel and meals	42,113	30,834
Other operating expenses	<u>124,608</u>	<u>78,506</u>
Total Operating Expenses	<u>23,297,740</u>	<u>18,649,048</u>
Operating Income (Loss)	(12,915,366)	635,396
Non-Operating Revenue (Expenses)		
Interest income	71,304	29,085
Advertising income	6,176	9,903
Loss on disposal of capital assets	<u>0</u>	<u>(1,884)</u>
Total Non-operating Revenue (Expenses)	<u>77,480</u>	<u>37,104</u>
Increase (Decrease) in Net Position	(12,837,886)	672,500
Net Position, Beginning of Year	<u>33,346,495</u>	<u>32,673,995</u>
Net Position, End of Year	<u>\$ 20,508,609</u>	<u>\$ 33,346,495</u>

See accompanying notes to basic financial statements.

IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flow From Operating Activities		
Federal grants received	\$ 13,120	\$ 13,289,245
Assessments received	11,171,984	7,344,532
Other income received	77,480	41,072
Cash paid to vendors for goods and services	(5,661,028)	(8,250,492)
Cash paid for employees services	(3,109,735)	(3,060,101)
Cash paid for expense reimbursements	<u>(12,402)</u>	<u>(8,455)</u>
Net Cash Provided (Used) by Operating Activities	2,479,419	9,355,801
Cash Flow From Financing Activities		
Acquisition of capital assets	<u>(1,088,052)</u>	<u>(7,158,233)</u>
Net Cash Used in Capital and Related Financing Activities	<u>(1,088,052)</u>	<u>(7,158,233)</u>
Cash Flow From Investing Activities		
Reinvestment of interest and dividends	<u>(57,679)</u>	<u>(17,189)</u>
Net Cash Provided (Used) in Investing Activities	<u>(57,679)</u>	<u>(17,189)</u>
Net Change in Cash and Cash Equivalents	1,333,688	2,180,379
Cash and Cash Equivalents, Beginning of Year	<u>4,789,447</u>	<u>2,609,068</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,123,135</u>	<u>\$ 4,789,447</u>

See accompanying notes to basic financial statements.

IDAHO HEALTH INSURANCE EXCHANGE
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STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Reconciliation Of Change In Net Position To Net Cash Provided By Operating Activities		
Change in net position	\$ (12,837,886)	\$ 672,500
Adjustments to reconcile change in net position to net cash from operating activities:		
Depreciation and amortization	14,474,696	9,810,365
Loss on disposal of capital assets	0	1,884
Change in assets and liabilities:		
Grant receivable	0	2,147,778
Prepaid expenses	(30,531)	(28,289)
Assessments receivable	802,730	(796,417)
Accounts payable	256,728	(2,356,520)
Accrued expenses and other current liabilities	(223,335)	(158,649)
Accrued salaries and payroll costs	<u>37,017</u>	<u>63,149</u>
Net Cash Provided by Operating Activities	<u>\$ 2,479,419</u>	<u>\$ 9,355,801</u>

See accompanying notes to basic financial statements.

**IDAHO HEALTH INSURANCE EXCHANGE
dba YOUR HEALTH IDAHO
NOTES TO THE FINANCIAL STATEMENTS**

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
dba YOUR HEALTH IDAHO
NOTES TO THE FINANCIAL STATEMENTS**

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 March 2017, the Board of Directors approved an increase to the assessment fee to 2.29%, effective January 1, 2018. The fee is assessed on and payable by the carriers. Accounts receivable as of June 30, 2018 and 2017 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**

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. Design, development and implementation costs incurred for YHI's state based marketplace application are capitalized as software and development in accordance with GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets". The useful lives of the intangible assets is determined based on contractual and licensing provisions. 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. At June 30, 2018 and 2017, 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, 2018 and 2017.

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

**IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS**

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:

	<u>2018</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank deposits	\$ <u>6,130,919</u>	\$ <u>6,123,135</u>
		<u>Fair Value</u>
Investments		
Certificates of deposit		\$ <u>5,078,898</u>
	<u>2017</u>	
	<u>Bank Balance</u>	<u>Carrying Amount</u>
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>

IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS

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. To reduce this risk, YHI entered into a Repurchase Agreement with Idaho Independent Bank (the Agreement) 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 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.

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NOTES TO THE FINANCIAL STATEMENTS

Note C – Capital Assets

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

	2018			
	<u>Balance</u> <u>7/1/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>6/30/2018</u>
Capital assets, not being depreciated				
Trademark	\$ 12,000	\$ 0	\$ 0	\$ 12,000
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
Development in progress	<u>515,360</u>	<u>1,403,725</u>	<u>(1,729,278)</u>	<u>189,807</u>
	45,920,802	2,817,331	(1,747,274)	46,990,859
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
Leasehold Improvements	1,528	1,667		3,195
Computers	<u>213,389</u>	<u>160,550</u>	<u>(17,996)</u>	<u>355,943</u>
	<u>22,699,675</u>	<u>14,474,697</u>	<u>(17,996)</u>	<u>37,156,376</u>
	<u>\$ 23,233,127</u>	<u>\$ 11,657,366</u>	<u>\$ (1,729,278)</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.

IDAHO HEALTH INSURANCE EXCHANGE
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NOTES TO THE FINANCIAL STATEMENTS

Note C – Capital Assets (Continued)

	<u>2017</u>			
	<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 \$7,158,233.

For the years ended June 30, 2018 and 2017, depreciation of \$14,474,697 and \$9,810,365, respectively, was charged to operating expenses.

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NOTES TO THE FINANCIAL STATEMENTS

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.

	<u>2018</u>				
	<u>07/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/18</u>	<u>Due Within One Year</u>
Compensated absences	\$ 53,197	\$ 147,639	\$ (127,288)	\$ 73,548	\$ 73,548
	<u>2017</u>				
	<u>07/01/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/17</u>	<u>Due Within One Year</u>
Compensated absences	\$ 46,931	\$ 233,408	\$ (227,142)	\$ 53,197	\$ 53,197

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 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 for eligibility determinations. A large concentration existed these entities. The two entities represented 34% and 23% of accounts payable for the years ended June 30, 2018 and 2017, 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

Note H – Commitments

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, by part funded by the Federal government. After June 30, 2017, operational costs 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 2023. The leases require monthly payments ranging from \$194 to \$13,290 Future minimum lease payments as of June 30, 2018 are as follows:

2019	\$	160,013
2020		161,660
2022		148,520
2022		15,620
2023		<u>971</u>
	\$	<u>486,784</u>

Rent expense under the operating lease for the years ended June 30, 2018 and 2017 was \$154,635 and \$150,637 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 \$55,266 and \$49,562 for the years ended June 30, 2018 and 2017, respectively.

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, 2018 and 2017. YHI paid a total of \$396,566 and \$373,019 in premiums for the years then ended, respectively. As of January 1, 2018 the insurance company was no longer represented on the Board.

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, 2018, 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 21, 2018.

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.





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 CPAs

Meridian, Idaho
September 21, 2018