

***Finance & Operations Committee Meeting Minutes***  
***October 22, 2018***  
***9:30 AM – 11:30 AM***

**Board Members Present:** Adela Flores-Brennan, Annie Lee and Nathan Wilkes

**Staff Present:** Brian Braun, Kelly Davies, Kelly Guthner, David Hague, Carolyn Pickton, Ilana Rivera, Alan Schmitz and Ezra Watland

**I. Welcome & Introductions**

Nathan Wilkes called the meeting to order at 9:30 a.m., welcoming everyone in attendance, both in-person and on the phone. The September committee meeting minutes were approved.

**II. Quarterly Financial FY 2019**

The quarterly financials for the first quarter of fiscal year (FY) 2019 were reviewed.

Earnings from operations for the first quarter of fiscal year 2019 were \$560,000 (before depreciation), exceeding expectations by \$293,000. It was noted that depreciation is a larger than normal number and is a carryover from the original technology investment made to build the Marketplace.

The positive variance is primarily due to a slower ramp up than expected of the medical assistance site along with lower personnel spending. The organization is anticipating these expenses to be more in line with the budget in the second quarter.

Carrier fee revenue was slightly lower than expectations for the quarter due to effectuated enrollments being 2% below budgeted assumptions. This variance will continue through the end of the 2018 plan year.

The cash balance as of September 30 was below budget projections by \$1.2 million. The lower level of cash compared to budget is due to timing on the payment of receivables. Using the measure of receivables net of payables (working capital) a positive variance is shown with the budget. The cash metric of days cash on hand exceeds our target (220 days vs 120 days) and provides sufficient reserves for future expected capital expenditures along with operations.

Based on the first quarter's results and additional information regarding future capital investments projections have been revised for the next 24 months. The overall impact on cash over the projection period did not significantly change.

Included in the new cash projections are assumptions for capital investments over the projection period. These investments are primarily related to replacements/improvements to the eligibility, marketplace and customer service technology platforms and total \$14 MM over the next 24 months.

### III. Preliminary Financial Audit Report

Tiffany Knight with the auditing firm of Kundinger, Corder & Engle, p.c. reviewed a preliminary report on the financial audit for FY 2018.

Financial statements are comparative with unmodified opinion for 2018. Due to expenditures of more than \$7,500,000 in federal funding, a Single Audit was required.

On the Statements of Net Position:

- Total cash balance was \$13,858,433, down from the previous year by 7.5 MM due to the purchase of investments.
- Investment return totaled \$88,780 for FY 2018.
- Capital assets have a net book balance of \$7,390,176 and consist mainly of software and web portal development.
- Largest liabilities are accounts payable and accrued liabilities at \$4.9 MM
- Total Net Position is \$34 MM
- Most of the Net Position is unrestricted at \$26 MM, which represents approximately 8 months of expenses
- Total operating revenues were \$43.2 MM, down approximately \$4.3 MM from last year due to the carrier assessment fee ending last year.
- Fees for service revenue totaled \$32 MM, with a \$5.8 MM increase from the previous year due to an increase in premiums
- Total operating expenses were \$55 MM, a decrease of \$2.4 MM from the previous year

Additionally, a Single Audit was completed with no findings or issues.

Significant audit findings that were mentioned were accounting estimates including collectability of receivables, accounts receivable for carrier fees and account receivable for Medicaid cost reimbursement, the depreciable lives of capitalized assets, and the accrued liabilities recognized for the Colorado Department of Health Care Policy and Financing (HCPF) Single Eligibility System (SES) and questioned costs under the Office of Inspector General (OIG) audit.

The committee accepted the financial statement as it was presented.

The audit will be brought to the full board during the November board meeting.

**IV. Public Comment**

None.

**V. Adjourn**

Meeting adjourned at 10:00 a.m.

Respectfully submitted,

Nathan Wilkes  
Committee Chair