



Financial Statements

December 31, 2021 and 2020

**Minnesota Comprehensive Health Association
(MCHA)**

Administrator of the Minnesota Premium Security Plan (MPSP)

Minnesota Comprehensive Health Association

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Independent Auditor's Report

To the Board of Directors
Minnesota Comprehensive Health Association
St. Louis Park, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Minnesota Comprehensive Health Association, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Minnesota Comprehensive Health Association's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minnesota Comprehensive Health Association as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Minnesota Comprehensive Health Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Notes 1 and 2 to the financial statements, Minnesota Comprehensive Health Association has adopted the provisions of GASB Statement No. 87, *Leases*, which has resulted in a restatement of the net position as of January 1, 2021. In accordance with GASB Statement No. 87, the 2020 financial statements have not been restated to reflect this change. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnesota Comprehensive Health Association's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Minnesota Comprehensive Health Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Minnesota Comprehensive Health Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022 on our consideration of the Minnesota Comprehensive Health Association’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 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 Minnesota Comprehensive Health Association’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 Minnesota Comprehensive Health Association’s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
June 29, 2022

Minnesota Comprehensive Health Association
Statements of Net Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current assets		
Cash	\$ 123,018	\$ 292,651
Prepaid assets	4,264	15,553
Receivables		
Due from primary government for administration of MPSP	189,308,067	160,210,351
Total current assets	189,435,349	160,518,555
Right-of-use intangible asset	17,441	-
Total assets	\$ 189,452,790	\$ 160,518,555
Liabilities and net position		
Current liabilities		
Grant liability	\$ 98,197	\$ 279,667
Accounts payable	29,085	28,537
Current portion of lease liability	12,090	-
Due to health issuers	189,308,067	160,210,351
Total current liabilities	189,447,439	160,518,555
Long-term lease liability, net of current portion	5,351	-
Total net position	-	-
Total liabilities and net position	\$ 189,452,790	\$ 160,518,555

Minnesota Comprehensive Health Association
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended December 31, 2021 and 2020

	2021	2020
Revenues		
Grant revenue	\$ 189,736,197	\$ 160,629,806
Premium security plan reinsurance expenses incurred	189,308,067	160,210,351
Gain before grant expenditures	428,130	419,455
Administrative grant expenses		
Administrative and general	4,203	3,507
Office lease	11,847	11,627
Insurance	14,410	14,996
Professional fees	199,524	197,282
Consulting fees	198,100	192,000
Other expenses	46	43
Total grant expenses	428,130	419,455
Excess of revenues over benefit and other expenses	\$ -	\$ -

Minnesota Comprehensive Health Association

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Operating activities		
Grants received	\$ 160,457,011	\$ 149,945,234
Premium security plan reinsurance expenses paid	(160,210,351)	(149,660,234)
General and administrative expenses paid	(416,293)	(432,957)
Net cash used for operating activities	(169,633)	(147,957)
Net change in cash	(169,633)	(147,957)
Cash, beginning of year	292,651	440,608
Cash, end of year	\$ 123,018	\$ 292,651
Reconciliation of operating income to net cash provided by operating activities		
Excess of revenues over benefit and other expenses	\$ -	\$ -
Changes in assets that relate to operations:		
Due from primary government for administration of MPSP	(29,097,716)	(10,550,117)
Prepaid expenses	11,289	24
Changes in liabilities that relate to operations:		
Grant Liability	(181,470)	(134,455)
Accounts payable	548	(13,526)
Due to health insurers	29,097,716	10,550,117
Net cash used for operating activities	\$ (169,633)	\$ (147,957)

Note 1 - Summary of Significant Accounting Policies**Principal Business Activity**

Minnesota Comprehensive Health Association (MCHA) was created as a not-for-profit association under the provisions of the Minnesota Comprehensive Health Insurance Act of 1976 (the Act). MCHA's purpose is to promote the public health and welfare of the people of Minnesota by making available certain health insurance plans, as described in the Act, to residents of the state who are not otherwise able to obtain such coverage in the marketplace. With the passage of the Patient Protection and Affordable Care Act the primary purpose of MCHA was eliminated and they ceased writing business at the end of December 31, 2014.

Prior to January 1, 2017 MCHA membership was comprised of all insurers, self-insurers, health maintenance organizations, nonprofit health service corporations, fraternal benefit societies, and other members as defined in the Minnesota Insurance Laws, Chapter 62 E. A member company became a contributing member company to MCHA if it recognizes premium revenue for health insurance coverage during the year. Contributing member companies were assessed amounts to reimburse MCHA for claims and other expenses in excess of revenues less losses reimbursed from legislative appropriation.

Minnesota session law chapter 13 was enacted during the 2017 legislative session. This law amended the function of MCHA to become an administrator for the Minnesota Premium Security Plan (MPSP), a risk mitigation program designed to help keep premiums affordable to individual purchasers within the State of Minnesota. The Premium Security Plan was created in the State of Minnesota. Funds provided or receivable for relevant costs incurred for payment to issuers under the Premium Security Plan are reported by the State. A grant was provided to MCHA during 2017 to fund the operational costs of preparing for this new function and the entity is included as a component unit of the State of Minnesota given their primary mission of supporting the governmental operations. Effective July 1, 2019 the 2017 grant was updated and clarified to reflect the funding described by Statute to support the statutory structure of the additional funds to support the administrative function as well as provide funding for payment of the reinsurance expenses related to the 2018 benefit year.

The financial statements of MCHA are included as a component unit of the state of Minnesota's Annual Comprehensive Financial Report (ACFR). The financial statements are, therefore, required to be prepared in accordance with accounting standards prescribed by the Governmental Accounting Standards Board (GASB).

Cash

As of December 31, 2021 and 2020 MCHA held all balances in cash accounts. MCHA maintains cash balances at certain financial institutions and throughout the year that may exceed federally insured limits. As of December 31, 2021 and 2020 the Company had \$0 and \$42,651 held with financial institutions that was in excess of federally insured limits and was fully uncollateralized.

Prepaid Assets

Operating obligations and contractual obligations paid before their due date are recorded as an asset until the related expense is incurred.

Grants

Grants arise primarily under contractual agreements with government entities for operating costs and administration of the premium security plan. These agreements represent exchange transactions between MCHA and the grantors. Revenues are recognized under these agreements as qualifying expenses are incurred. The remaining amounts of grant funds received are recorded in the grant liability until expenses are incurred, or the grant expires, and funds are returned to the grantor.

Revenue Recognition

Revenue is recognized when earned. Revenue from the reinsurance program of the MPSP are earned concurrent with the benefits incurred by the MPSP.

Income Taxes

The Internal Revenue Service (IRS) has determined that MCHA is qualified as a tax-exempt organization under Section 501(c)(26) of the Internal Revenue Code and is exempt from federal taxation. Additionally, under the provisions of state law, MCHA is exempt from state taxation. Accordingly, no provision for income taxes has been made in the financial statements.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2021 and 2020, the unrecognized tax benefits accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Implementation of GASB Statement No. 87

As of January 1, 2021, MCHA adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The effect of the implementation of this standard on beginning net position is disclosed in Note 2 and the additional disclosures required by this standard is included in Note 5.

Note 2 - Adoption of New Standard

As of December 31, 2021, MCNA adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Beginning net position was restated to retroactively adopt the provisions of GASB Statement No. 87 as follows:

Net Position at January 1, 2021, as Previously Reported	\$ -
Add Right-to-Use Intangible Asset, Net of Amortization, Under GASB Statement No. 87 at January 1, 2021	28,267
Less: Lease Liability Under GASB Statement No. 87 at January 1, 2021	<u>(28,267)</u>
Net Position at January 1, 2021, as Restated	<u><u>\$ -</u></u>

Note 3 - Commitments and Contingencies

MCHA is involved in various claims and proceedings that arose in the ordinary course of business. While these actions are being contested, the outcome of individual matters is not predictable. MCHA does not believe that any liability resulting from any of the actions will have a material adverse effect on its financial position, cash flows or liquidation.

Note 4 - Grant Revenue and Expenditures

MCHA received a grant from the State of Minnesota in 2018 of \$750,000 for operating costs related to preparation of administrative services to the Premium Security Plan. During 2019, the grant was amended to provide additional operational funding of \$592,000, for a total grant amount of \$1,342,000. MCHA expended \$428,130 and \$419,455 from the grant award for the years ended December 31, 2021 and 2020, respectively. The total obligation under the grant for the MPSP was \$189,308,067 and \$160,210,351 for benefit years 2021 and 2020, respectively. The payment parameters were reviewed and updated for 2021 and 2020 in accordance with the statute. The order of funds made available to satisfy the obligation is established by the grant. The approximate source of grant revenue earned by MCHA for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Federal Funds	\$ 142,727,000	\$ 86,063,821
State Funds - Health Care Access Funds	47,009,197	74,565,985
State Funds - General Funds	<u>-</u>	<u>-</u>
Total Grant Revenue	<u><u>\$ 189,736,197</u></u>	<u><u>\$ 160,629,806</u></u>

Note 5 - Leases

MCHA leases office space for its operations as its only lease. The lease automatically renews at the end of the contract period, unless prior notice is given by the lessee. Rental expense includes rent expense stated in the rental contract along with common area maintenance and miscellaneous charges. Rental expense for the years ended December 31, 2021 and 2020 was \$11,847 and \$11,627, respectively.

The lessor also has the option to non-renew utilizing the same notice requirements of MCHA. MCHA has renewed the lease through June 30, 2023 and at this time that is the best estimate by the Company of the full lease term.

Lease Assets	Classification	2021
Operating right-of-use assets	Other assets	\$ 17,441
Lease Liabilities	Classification	2021
Current		
Operating lease liabilities	Current operating lease liabilities	\$ 12,090
Noncurrent		
Operating lease liabilities	Operating lease liabilities	\$ 5,351
Total Lease Liabilities		<u>\$ 17,441</u>

Weight-Average Information

	2021
Weighted-average remaining lease term in years:	
Operating leases	1.40
Weighted-average discount rate:	
Operating leases	4.00%

Future Minimum Lease Payments

	2021
	Operating
2021	\$ 12,572
2022	5,405
Thereafter	-
Total lease payments	17,977
Less interest	(536)
Present value of lease liabilities	<u>\$ 17,441</u>

The following details the initial value of the right-of-use-assets as well as accumulated amortization as of December 31, 2021:

Right-of-Use Assets	\$ 43,517
Accumulated Amortization	<u>(26,076)</u>
Total	<u>\$ 17,441</u>

Note 6 - Related Party Transactions

Certain members of MCHA's Board of Directors are employed by health issuers that are eligible to participate in the reinsurance program of MPSP. The terms of the reinsurance program are established by statute, approved by the commissioner of insurance and published annually. All transactions are arm's length for all participants eligible to receive benefits in the MPSP.

Note 7 - Subsequent Events

MCHA has evaluated subsequent events through June 29, 2022, the date the financial statements were available to be issued.

On January 19, 2022, a *request for funding of operational and administrative costs of the Minnesota Premium Security Plan* was submitted related to the 1st quarter of 2022. A total of \$139,000 was requested and received by MCHA in January 2022 to cover operational and administrative expenses.



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
Minnesota Comprehensive Health Association
St. Louis Park, Minnesota

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 Minnesota Comprehensive Health Association as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Minnesota Comprehensive Health Association’s basic financial statements and have issued our report thereon dated June 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minnesota Comprehensive Health Association's internal control over financial reporting (internal control) as a basis for designing 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 Minnesota Comprehensive Health Association’s internal control. Accordingly, we do not express an opinion on the effectiveness of Minnesota Comprehensive Health Association’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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minnesota Comprehensive Health Association'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 financial statements. 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".

Fargo, North Dakota
June 29, 2022