

WELLNESS INSURANCE NETWORK, ILLINOIS

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2022

WELLNESS INSURANCE NETWORK, ILLINOIS

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

This section includes the opinion of the Network's independent auditing firm.



INDEPENDENT AUDITORS' REPORT

September 9, 2022

Members of the Board of Directors
Wellness Insurance Network
Chicago, Illinois

Opinions

We have audited the accompanying financial statements of the Wellness Insurance Network, (the Network), Illinois, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Network's basic 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 respective financial position of the Wellness Insurance Network, Illinois, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the Network, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 the Network's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 generally accepted auditing standards 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 generally accepted 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 the Network'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 the Network'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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wellness Insurance Network, Illinois' basic financial statements. The supplemental schedule is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, supplemental schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Lauterbach & Amen, LLP

LAUTERBACH & AMEN, LLP

MANAGEMENT'S DISCUSSION AND ANALYSIS

WELLNESS INSURANCE NETWORK, ILLINOIS

Management's Discussion and Analysis

June 30, 2022

Our discussion and analysis of the Wellness Insurance Network's financial performance provides an overview of the Network's financial activities for the year ended June 30, 2022. Please read it in conjunction with the Network's financial statements.

Financial Highlights

- The assets of the Network exceed its liabilities at June 30, 2022 by \$3,766,962 (net position). The entire amount is restricted at June 30, 2022, which must be used for insurance and related employee benefits.
- The Network's total net position increased by \$252,138.

USING THIS ANNUAL REPORT

The Network is a public entity risk pool established by certain units of local government in Illinois to administer some of the personnel benefit programs offered by the participating members to their employees and retirees. These benefit programs include, but are not limited to, medical expense claim payments, dental, life, long-term disability, and short-term disability insurance.

The Network acts as a public entity risk pool to receive, process and pay such claims as may come within the benefit programs of each participating unit. All units participating in the cooperative pool their risks and funds and share in the cost of losses or surpluses.

The Network is governed by a Board of Directors which consists of seven elected officials who participate in the pool as defined in the by-laws. Each Director has an equal vote. The officers of the Network are elected by the Board of Directors from among their membership. The Board of Directors determines the general policies of the Network; sets all rates; approves contracts and renewal terms; adopts by-laws; rules and regulations; and exercises such power and performs such duties as may be prescribed in the Network's by-laws.

During the fiscal year there were 23 members participating in the Network. The separate accounts of the cooperative are as follows:

- Group Insurance Trust Account - This account is used to control and fund all expenses of the Network.
- Medical Claims Account - This account is used to fund all the costs associated with the medical and dental claims of the program.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following tables show that in the case of the Network, assets exceeded liabilities by \$3,766,962.

WELLNESS INSURANCE NETWORK, ILLINOIS

Management's Discussion and Analysis

June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS - Continued

	Statement of Net Position	
	June 30, 2022	June 30, 2021
Current Assets	\$ 4,444,673	4,208,516
Total Assets	4,444,673	4,208,516
Current Liabilities	677,711	693,692
Total Liabilities	677,711	693,692
Net Position		
Restricted - Insurance	3,766,962	3,514,824
Total Net Position	3,766,962	3,514,824

Net position increased by \$252,138 from 2021 to 2022, increasing the overall net position to \$3,766,962. Operating revenues increased mainly due to an increase in medical insurance premiums. Operating expenses increased mainly due to an increase in medical claims.

	Statement of Revenues, Expenses and Changes in Net Position	
	June 30, 2022	June 30, 2021
Operating Revenue		
Member Assessment Charges	\$ 6,113,653	5,696,981
Reinsurance Reimbursements	431,577	755,698
Total Operating Revenues	6,545,230	6,452,679
Operating Expenses		
Benefits Expenses	6,278,644	6,199,187
Liability Insurance	27,171	25,952
Total Operating Expenses	6,305,815	6,225,139
Operating Income	239,415	227,540
Nonoperating Revenues		
Investment Income	12,723	5,565
Change in Net Position	252,138	233,105
Net Position - Beginning	3,514,824	3,281,719
Net Position - Ending	3,766,962	3,514,824

WELLNESS INSURANCE NETWORK, ILLINOIS

Management's Discussion and Analysis

June 30, 2022

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Wellness Insurance Network's finances for all those with an interest in the Network's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Wellness Insurance Network Board President, c/o Assurance, 111 North Canal St., Suite 550, Chicago, IL 60606.

BASIC FINANCIAL STATEMENTS

WELLNESS INSURANCE NETWORK, ILLINOIS

Statement of Net Position

June 30, 2022

ASSETS	
Cash and Investments	\$ 4,410,151
Receivables - Net of Allowances	
Accounts - Member Contributions	20,592
Prepaid Expenses	<u>13,930</u>
Total Assets	<u>4,444,673</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	397,597
Claims Payable	<u>280,114</u>
Total Liabilities	<u>677,711</u>
NET POSITION	
Restricted - Insurance	<u><u>3,766,962</u></u>

The notes to the financial statements are an integral part of this statement.

WELLNESS INSURANCE NETWORK, ILLINOIS

Statement of Revenues, Expenses and Changes in Net Position For the Fiscal Year Ended June 30, 2022

Operating Revenues	
Member Assessment Charges	\$ 6,113,653
Reinsurance Reimbursements	431,577
Total Operating Revenues	<u>6,545,230</u>
Operating Expenses	
Benefits Expenses	
Medical and Dental Claims	3,641,108
Life Insurance	127,443
Prescriptions	1,242,077
Professional Services	1,268,016
Liability Insurance	
Liability Insurance	13,222
Other Professional Services	10,250
Supplies and Postage	142
Bank Activity Fees	3,557
Total Operating Expenses	<u>6,305,815</u>
Operating Income	239,415
Nonoperating Revenues	
Investment Income	<u>12,723</u>
Change in Net Position	252,138
Net Position - Beginning	<u>3,514,824</u>
Net Position - Ending	<u><u>3,766,962</u></u>

The notes to the financial statements are an integral part of this statement.

WELLNESS INSURANCE NETWORK, ILLINOIS

Statement of Cash Flows

For the Fiscal Year Ended June 30, 2022

Cash Flows from Operating Activities	
Receipts from Customers and Users	\$ 6,547,854
Payments to Suppliers	(6,321,796)
	<u>226,058</u>
Cash Flows from Investing Activities	
Interest Received	<u>12,723</u>
Net Change in Cash and Cash Equivalents	238,781
Cash and Cash Equivalents	
Beginning	<u>4,171,370</u>
Ending	<u><u>4,410,151</u></u>
Reconciliation of Operating Income to Net Cash	
Provided (Used) by Operating Activities	
Operating Income	239,415
Adjustments to Reconcile Operating Income to	
Net Income to Net Cash	
Provided by (Used in) Operating Activities:	
(Increase) Decrease in Current Assets	2,624
Increase (Decrease) in Current Liabilities	<u>(15,981)</u>
Net Cash Provided by Operating Activities	<u><u>226,058</u></u>

The notes to the financial statements are an integral part of this statement.

WELLNESS INSURANCE NETWORK, ILLINOIS

Notes to the Financial Statements

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Wellness Insurance Network (the Network), Illinois have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Network's accounting policies are described below.

The government-wide financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

REPORTING ENTITY

As defined by generally accepted accounting principles established by the Governmental Accounting Standards Board, the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations to which the elected officials of the primary government are financially accountable. The Network is a consortium of Illinois libraries that provides health insurance and other benefits to its members. Management has determined that the Network is not a component unit of any of its members and none of its members are a component unit of the Network.

BASIS OF PRESENTATION

Basic Financial Statements

In the Statement of Net Position, the Network's activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Network's net position is reported only as restricted.

The Network utilizes proprietary fund type accounting. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to members and are accounted for as enterprise funds. The Network maintains only one fund. Funding is provided by member assessment charges and reinsurance reimbursements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

WELLNESS INSURANCE NETWORK, ILLINOIS

Notes to the Financial Statements

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING - Continued

Measurement Focus

All proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets/deferred outflows and liabilities/deferred inflows (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting

The Network’ basic financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. The principal operating revenues of the Board are member assessment charges and reinsurance reimbursements. Operating expenses for the Board include the the cost of services related to medical, dental, prescription, life, and liability insurance benefits. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

Cash and Investments

For purpose of the Statement of Net Position, the Network' cash and cash equivalents are considered to be cash on hand, demand deposits, and cash with fiscal agent. Investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Network categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At year-end, the Network' does not have any investments.

Receivables

In the government-wide financial statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivables balances business-type activities report surcharge revenue as their major receivables.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in the financial statements. The costs of prepaids are recorded as expenses when consumed rather than when purchased.

WELLNESS INSURANCE NETWORK, ILLINOIS

Notes to the Financial Statements

June 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION - Continued

Net Position

In the government-wide financial statements, equity is classified as net position and displayed in two components (if, applicable):

Restricted - Consists 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.

Unrestricted - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets.”

NOTE 2 - DETAILS NOTES ON THE BASIC FINANCIAL STATEMENTS

DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments - Statutes authorize the Board to make deposits/invest in commercial banks, savings and loan institutions, obligations of the U.S. Treasury and U.S. Agencies, obligations of States and their political subdivisions, credit union shares, repurchase agreements, and commercial paper rated within the three highest classifications by at least two standard rating services.

Credit Risk, Custodial Credit Risk and Concentration Risk

Deposits. At year-end, the carrying amount of the Network’ deposits totaled \$4,410,151 and the bank balances totaled \$4,410,151.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Network does not have an investment policy that addresses interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Network does not have an investment policy that addresses credit risk.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of bank failure, the Network’s deposits may not be returned to it. The Network obtains pledging of collateral for all bank balances in excess of federal depository insurance, at an amount greater than the fair market value of the funds secured, with the collateral held by an independent third party in the Network’s name. At year-end, the entire amount of the bank balance of deposits was covered by collateral, federal depository or equivalent insurance.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of the Network’s investment in a single issuer. The Network does not have an investment policy that addresses concentration of credit risk. At year-end, the Network has no investments that represent more than 5 percent of the total cash and investment portfolio.

WELLNESS INSURANCE NETWORK, ILLINOIS

Notes to the Financial Statements

June 30, 2022

NOTE 3 - OTHER INFORMATION

RISK MANAGEMENT

The Network provides health insurance benefits to member participants. Membership is voluntary and rates for participation are established on an annual basis for membership based on the number of employees, types of coverage, and expected claims.

Claims are administered and paid by a third-party administrator acting on behalf of the Network. The administrative contract between the Network and the third-party administrator is renewable annually. The Network has purchased individual risk and excess risk stop-loss insurance to limit its exposure to claims in excess of specified amounts; however, the Network does retain some risk of loss. The liability and obligation of the Network to pay benefits and make other required payments under the Plan shall be expressly limited to those assets held in the Network.

A summary of the Network's claims for the current year and past year is as follows:

	2021	2022
Claims Payable - Beginning	\$ 253,116	266,467
Medical and Dental Claims Incurred	3,416,130	3,654,755
Medical and Dental Claims Paid	(3,402,779)	(3,641,108)
Claims Payable - Ending	266,467	280,114

NOTE 3 - OTHER INFORMATION

CONTINGENT LIABILITIES

Litigation

The Network is not involved in any lawsuits.

SUPPLEMENTAL SCHEDULE

WELLNESS INSURANCE NETWORK, ILLINOIS

Claims Development Information - Last Ten Fiscal Years

June 30, 2022

See Following Page

WELLNESS INSURANCE NETWORK, ILLINOIS**Claims Development Information - Last Ten Fiscal Years**
June 30, 2022

	2013	2014	2015	2016
Revenues	\$ 5,606,565	5,077,440	4,542,020	4,474,601
Net Incurred Expenses	4,882,028	4,207,734	4,063,856	4,085,201
Paid Claims				
End of Policy Year	260,000	114,000	135,000	124,292

2017	2018	2019	2020	2021	2022
4,882,557	4,740,294	5,667,609	5,739,035	6,452,679	6,545,230
4,921,815	4,845,010	5,712,105	5,562,894	6,225,139	6,305,815
126,782	207,122	211,565	253,113	266,467	280,114