MILBURN CAIN & CO.
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS
4237 GROVE AVENUE
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WELLNESS INSURANCE NETWORK

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2012

WELLNESS INSURANCE NETWORK

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Wellness Insurance Network
Orland Park, Illinois

We have audited the basic financial statements of the Wellness Insurance Network (WIN) as of and for the year ended June 30, 2012, as listed in the accompanying table of contents. These financial statements are the responsibility of WIN's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Wellness Insurance Network as of June 30, 2012, and the changes in its financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the other required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Milburn Cain & Co.

MILBURN CAIN & CO.
Certified Public Accountants

Gurnee, Illinois
September 20, 2012

REQUIRED SUPPLEMENTAL INFORMATION

WELLNESS INSURANCE NETWORK

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Management of the Wellness Insurance Network (WIN) offers this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with WIN financial statements and notes to financial statements to enhance their understanding of WIN's financial performance.

Overview of the Financial Statements

WIN 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 cooperative 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.

WIN 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 WIN are elected by the Board of Directors from among their membership. The Board of Directors determines the general policies of WIN; 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 WIN's by-laws.

During the fiscal year there were 25 members participating in WIN. Somonauk Library and SWAN joined the cooperative effective July 1, 2012.

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 cooperative.
- Medical Claims Account -- This account is used to fund all the costs associated with the medical and dental claims of the program.
- Flexible Spending Account -- This account is used to fund all the costs associated with the flexible spending program under the Section 125 Plan.

Effective July 1, 2012, the cooperative retained The Assurance Agency to administer the risk pool.

Financial Position

Total assets increased $288,448 from $1,131,526 in 2011 to $1,419,974 in 2012. Cash and cash equivalents increased from $815,741 in 2011 to $1,181,753 in 2012. Net assets increased from $841,266 in 2011 to $1,129,974 in 2012.

Wellness Insurance Network
Table 1
Balance Sheets
As of June 30

	2012	2011
Total Assets	$ 1,419,974	$ 1,131,526
Total Liabilities	290,000	290,260
Net Assets	$ 1,129,974	$ 841,266

Results of Operations

Operating revenues, consisting of member contributions and reinsurance reimbursements, increased 12.0% from $4,928,627 in 2011 to $5,616,399 in 2012. Total operating expenses decreased from $5,728,045 to $5,331,930. Net claims expense was 97.9% of total operating expenses, or $5,221,658, and decreased 7.1% from 2011.

Total operating revenues exceeded operating expenses by $284,469 and net assets increased by $288,708 to $1,129,974 in 2012 from $841,266 in 2011.

Wellness Insurance Network
Table 2
Statement of Revenues, Expenses
and Changes in Net Assets
As of June 30

	2012	2011
Operating Revenues	$ 5,616,399	$ 4,928,627
Operating Expenses	5,331,930	5,728,045
Operating Income	284,469	(799,418)
Non-Operating Revenue	4,239	6,973
Change in Net Assets	288,708	(792,445)
Net Assets - Beginning	841,266	1,633,711
Net Assets - Ending	1,129,974	841,266

Request for Information

This financial report is designed to provide a general overview of WIN's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the WIN Board President, P.O. Box 1016, Orland Park, IL 60462.

WELLNESS INSURANCE NETWORK

STATEMENT OF NET ASSETS

AS OF JUNE 30, 2012

Assets	
Cash and Cash Equivalents	$ 1,181,753
Accounts Receivable	112,909
Prepaid Expenses	125,312
Total Assets	$ 1,419,974
Liabilities	
Claims Payable	$ 290,000
Net Assets	
Restricted for Insurance	$ 1,129,974

See accompanying Notes to Financial Statements.

WELLNESS INSURANCE NETWORK

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenues	
Charges for Services	$ 4,597,149
Reinsurance Reimbursements	1,019,250
Total Operating Revenues	$ 5,616,399
Operating Expenses	
Medical and Dental Claims	$ 3,692,911
Life Insurance	80,297
Section 125 Payments	133,533
Prescriptions	621,598
Liability Insurance	2,602
Professional Services	659,601
Management Fee	99,419
Wellness Program	33,718
Supplies and Postage	394
Other Expenses	7,857
Total Operating Expenses	$ 5,331,930
Operating Income	$ 284,469
Non-Operating Revenues	
Investment Income	4,239
Change in Net Assets	$ 288,708
Net Assets - July 1, 2011	841,266
Net Assets - June 30, 2012	$ 1,129,974

See accompanying Notes to Financial Statements.

WELLNESS INSURANCE NETWORK

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows From Operating Activities:	
Receipts From Members and Users	$ 5,819,275
Payments to Suppliers	(1,764,331)
Claims Paid	(3,693,171)
Net Cash Flows From Operating Activities	$ 361,773
Cash Flows From Investing Activities:	
Investment Income	$ 4,239
Net Increase (Decrease) in Cash and Cash Equivalents	$ 366,012
Cash and Cash Equivalents - July 1, 2011	815,741
Cash and Cash Equivalents - June 30, 2012	$ 1,181,753

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income (Loss)	$ 288,708
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities	
Changes in Assets and Liabilities:	
Accounts Receivable	202,876
Prepaid Expenses	(125,312)
Claims Payable	(260)
Net Cash Flows From Operating Activities	$ 366,012

See accompanying Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. 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. Management has determined that WIN is not a component unit of any of its members and none of its members are a component unit of WIN.

B. Fund Accounting

WIN uses a fund to report on its financial position and the changes in its financial position and cash flows. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

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 can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of revenues, expenses and changes in net assets) report information on all of the activities of WIN.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Operating revenues/expenses include all revenues/expenses directly related to providing enterprise fund services. Incidental revenues/expenses are reported as non-operating.

E. Cash and Investments

Cash and Cash Equivalents

For purposes of the statement of cash flows, WIN's proprietary funds consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are stated at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Net Assets

On the statement of net assets, restricted net assets are legally restricted by outside parties for a specific purpose. None of the restricted net assets resulted from enabling legislation adopted by the WIN Board.

G. GASB Pronouncements

WIN has elected, under the provisions of GASB Statement No. 20, titled *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* to apply all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and the Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

NOTE 2 - DEPOSITS AND INVESTMENTS

Permitted Deposits and Investments -- Statutes and WIN's investment policy authorize WIN to make deposits/invest in insured commercial banks, or any other financial institution whose funds are federally insured, and Illinois Funds.

Illinois Funds is an investment pool managed by the State of Illinois, Office of the Treasurer, which allows governments within the State to pool their funds for investment purposes. Illinois Funds is not registered with the SEC as an investment company, but does not operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in Illinois Funds are valued at Illinois Fund's share price, which is the price for which the investment could be sold.

A. Deposits

To guard against credit risk for deposits with financial institutions, WIN's investment policy requires that deposits with financial institutions in excess of FDIC be collateralized.

B. Investments

WIN's investment policy requires all funds not needed for current operating expenses to be invested in liquid short-term investments.

WIN limits its exposure to credit risk, the risk that the issuer of a debt security will not pay its par value upon maturity, by only allowing investments in insured commercial banks, or any other financial institution whose funds are federally insured, and Illinois Funds.

NOTE 3 - RISK MANAGEMENT

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

NOTE 3 - RISK MANAGEMENT (continued)

	2012	2011
Claims Payable - Beginning of Year	$ 290,260	$ 246,021
Claims Incurred	3,692,911	4,111,996
Claims Paid	(3,693,171)	(4,067,757)
Claims Payable - End of Year	$ 290,000	$ 290,260

NOTE 4 - SUBSEQUENT EVENTS

Prior to June 30, 2012, WIN decided to employ another third-party administrator and to use Blue Cross/Blue Shield to process and pay medical and dental claims. The change was effective July 1, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

WELLNESS INSURANCE NETWORK

CLAIMS DEVELOPMENT INFORMATION

LAST TEN FISCAL YEARS

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues	$ 5,616,399	$ 4,928,627	$ 4,411,509	$ 5,200,268	$ 5,057,716	$ 4,609,900	$ ---	$ ---	$ ---	$ ---
Unallocated Expenses	---	---	---	---	---	---	---	---	---	---
Net Incurred Expenses	5,331,930	5,728,045	4,931,424	4,020,870	5,130,818	4,682,758	---	---	---	---
Paid Claims										
End of Policy Year	290,000	290,260	246,021	172,185	183,879	149,572	---	---	---	---
One Year Later	---	---	---	---	---	---	---	---	---	---
Two Years Later	---	---	---	---	---	---	---	---	---	---
Three Years Later	---	---	---	---	---	---	---	---	---	---
Four Years Later	---	---	---	---	---	---	---	---	---	---
Five Years Later	---	---	---	---	---	---	---	---	---	---
Six Years Later	---	---	---	---	---	---	---	---	---	---
Seven Years Later	---	---	---	---	---	---	---	---	---	---
Eight Years Later	---	---	---	---	---	---	---	---	---	---
Nine Years Later	---	---	---	---	---	---	---	---	---	---
Re-estimated Incurred Claims and Expense										
End of Policy Year	---	---	---	---	---	---	---	---	---	---
One Year Later	---	---	---	---	---	---	---	---	---	---
Two Years Later	---	---	---	---	---	---	---	---	---	---
Three Years Later	---	---	---	---	---	---	---	---	---	---
Four Years Later	---	---	---	---	---	---	---	---	---	---
Five Years Later	---	---	---	---	---	---	---	---	---	---
Six Years Later	---	---	---	---	---	---	---	---	---	---
Seven Years Later	---	---	---	---	---	---	---	---	---	---
Eight Years Later	---	---	---	---	---	---	---	---	---	---
Nine Years Later	---	---	---	---	---	---	---	---	---	---

See Independent Auditor's Report.