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WELLNESS INSURANCE NETWORK

ANNUAL FINANCIAL REPORT

JUNE 30, 2021

eder, casella & co

WELLNESS INSURANCE NETWORK
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Wellness Insurance Network
Chicago, Illinois

We have audited the accompanying financial statements of the business-type activities and each major fund of:

WELLNESS INSURANCE NETWORK

as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Agency'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.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 from 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 the assessment of the risks 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 the Agency'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 the Agency'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 we have 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 and each major fund of Wellness Insurance Network as of June 30, 2021, and the respective changes in financial position and,

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applicable cash flows thereof for the year 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, as listed on the table of contents, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the entity's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, the supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Eder, Casella & Co.

EDER, CASELLA & CO.
Certified Public Accountants

McHenry, Illinois
August 19, 2021

REQUIRED SUPPLEMENTARY INFORMATION

WELLNESS INSURANCE NETWORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

As management of the Wellness Insurance Network (WIN), we offer readers of WIN's financial statements this narrative overview and analysis of the financial activities of WIN for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information found in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

The assets of WIN exceed its liabilities at June 30, 2021 by \$3,514,824 (net position). The entire amount is restricted at June 30, 2021, which must be used for insurance and related employee benefits.

WIN's total net position increased by \$233,105.

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 23 members participating in WIN.

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.

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 and fund financial statements.

FINANCIAL ANALYSIS

Business-Type Activities

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the WIN, assets exceeded liabilities by at June 30, 2021.

Wellness Insurance Network's Net Position at Year-End

| | Business Type Activities | |
|--------------------------|--------------------------|---------------------|
| | FY 2021 | FY 2020 |
| Assets | | |
| Current and Other Assets | \$ 4,208,516 | \$ 3,980,750 |
| Total Assets | <u>\$ 4,208,516</u> | <u>\$ 3,980,750</u> |
| Liabilities | | |
| Other Liabilities | \$ 693,692 | \$ 699,031 |
| Total Liabilities | <u>\$ 693,692</u> | <u>\$ 699,031</u> |
| Net Position | | |
| Restricted | \$ 3,514,824 | \$ 3,281,719 |
| Total Net Position | <u>\$ 3,514,824</u> | <u>\$ 3,281,719</u> |

Business-Type activities increased WIN's net assets by \$233,105. Key elements of this increase are as follows:

Wellness Insurance Network's Change in Net Position

| | Business-Type Activities | |
|-------------------------------------|--------------------------|---------------------|
| | FY 2021 | FY 2020 |
| Revenues | | |
| Program Revenues | | |
| Operating Revenue | \$ 6,452,679 | \$ 5,739,035 |
| Expenses | | |
| Operating Expenses | \$ 6,225,139 | \$ 5,562,894 |
| Operating Income/(Loss) | \$ 227,540 | \$ 176,141 |
| Non-Operating Revenue/Expenses | <u>5,565</u> | <u>59,243</u> |
| Increase/(Decrease) in Net Position | \$ 233,105 | \$ 235,384 |
| Net Position - Beginning | <u>3,281,719</u> | <u>3,046,335</u> |
| Net Position - Ending | <u>\$ 3,514,824</u> | <u>\$ 3,281,719</u> |

Operating Revenue increased mainly due to an increase in medical insurance premiums.

Operating Expenses increased mainly due to an increase in medical claims.

REQUESTS 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, c/o Assurance, 111 North Canal St., Suite 550, Chicago, IL 60606.

BASIC FINANCIAL STATEMENTS

WELLNESS INSURANCE NETWORK
FUND FINANCIAL STATEMENTS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2021

Assets

| | |
|---------------------------|---------------------|
| Cash and Cash Equivalents | \$ 4,171,370 |
| Accounts Receivable, Net | 23,924 |
| Prepaid Expense | 13,222 |
| Total Assets | <u>\$ 4,208,516</u> |

Liabilities

| | |
|-------------------|-------------------|
| Accounts Payable | \$ 427,225 |
| Claims Payable | 266,467 |
| Total Liabilities | <u>\$ 693,692</u> |

Net Position

| | |
|------------------------|----------------------------|
| Restricted - Insurance | <u>\$ 3,514,824</u> |
| Total Net Position | <u><u>\$ 3,514,824</u></u> |

The Notes to Financial Statements are an integral part of this statement.

WELLNESS INSURANCE NETWORK
FUND FINANCIAL STATEMENTS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

| | |
|-------------------------------------|----------------------------|
| Operating Revenues | |
| Member Assessment Charges | \$ 5,696,981 |
| Reinsurance Reimbursements | 755,698 |
| Total Operating Revenues | <u>\$ 6,452,679</u> |
| Operating Expenses | |
| Benefits Expenses | |
| Medical and Dental Claims | \$ 3,416,130 |
| Life Insurance | 88,890 |
| Prescriptions | 1,524,126 |
| Professional Services | 1,170,041 |
| Total Benefits Expense | <u>\$ 6,199,187</u> |
| Liability Insurance | |
| Liability Insurance | \$ 13,154 |
| Other Professional Services | 9,750 |
| Supplies and Postage | 161 |
| Bank Activity Fees | 2,887 |
| Total Liability Insurance | <u>\$ 25,952</u> |
| Total Operating Expenses | <u>\$ 6,225,139</u> |
| Operating Income/(Loss) | <u>\$ 227,540</u> |
| Non-Operating Revenue/(Loss) | |
| Investment Income | \$ 5,565 |
| Total Non Operating Income/(Loss) | <u>\$ 5,565</u> |
| Change in Net Position | \$ 233,105 |
| Net Position - July 1, 2020 | <u>3,281,719</u> |
| Net Position - June 30, 2021 | <u><u>\$ 3,514,824</u></u> |

The Notes to Financial Statements are an integral part of this statement.

WELLNESS INSURANCE NETWORK
FUND FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR END JUNE 30, 2021

Cash Flows From Operating Activities:

| | |
|--|-------------------|
| Receipts from Members and Users | \$ 6,531,380 |
| Payments for Services and Supplies | (12,798) |
| Benefits Paid | (6,231,031) |
| Net Cash Provided/(Used) by Operating Activities | <u>\$ 287,551</u> |

Cash Flows From Investing Activities:

| | |
|--|-----------------|
| Interest on Cash and Cash Equivalents | \$ 5,565 |
| Net Cash Provided/(Used) by Investing Activities | <u>\$ 5,565</u> |

Net Increase/(Decrease) in Cash and Cash Equivalents \$ 293,116

Cash and Cash Equivalents Balance - July 1, 2020 3,878,254

Cash and Cash Equivalents Balance - June 30, 2021 \$ 4,171,370

Reconciliation of Operating Income/(Loss) to Net

Cash Provided/(Used) by Operating Activities

Operating Income/(Loss) \$ 227,540

Adjustments to reconcile operating income to net cash provided by operating activities:

Change in Assets and Liabilities:

| | |
|---------------------|---------------|
| Accounts Receivable | 65,418 |
| Prepaid Expenses | (68) |
| Accounts Payable | (18,690) |
| Claims Payable | <u>13,351</u> |

Net Cash Provided/(Used) by Operating Activities \$ 287,551

The Notes to Financial Statements are an integral part of this statement.

WELLNESS INSURANCE NETWORK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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. WIN is a consortium of Illinois libraries that provides health insurance and other benefits to its members. 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. *Basic Financial Statements – Fund Financial Statements*

WIN uses a fund to report on its financial position and the changes in its net 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.

WIN operates as a Proprietary Fund. 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. *Basis of Accounting*

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. The financial statements are reported using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governmental proprietary. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting policies of the System conform to applicable generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB). Operating revenues and expenses generally result from providing insurance to its members. Operating expenses include the cost of claims, professional services, and other expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS (Continued)

D. *Cash and Cash Equivalents*

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

E. *Investments*

Investments are stated at the fair market value. Gains or losses on the sale of investments are recognized upon realization.

F. *Net Position*

Due to the single-purpose nature of WIN, management considers all of WIN's net assets as restricted for insurance and related employee benefits.

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.

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 insured balances 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

A summary of WIN's claims for the year shows:

| | 2021 | 2020 |
|--|--------------------|--------------------|
| Estimated claims incurred but not reported - Beginning of Year | \$ 253,116 | \$ 211,565 |
| Medical and Dental claims incurred | 3,416,130 | 3,231,497 |
| Medical and Dental claims paid | <u>(3,402,779)</u> | <u>(3,189,946)</u> |
| Estimated claims incurred by not reported - End of Year | <u>\$ 266,467</u> | <u>\$ 253,116</u> |

NOTE 4 - SUBSEQUENT EVENTS

Since March 2020, the COVID-19 outbreak in the United States has created disruptions in various governments and will continue to impact these organizations. WIN was not impacted during the year ended June 30, 2021. However, the extend of any additional impact on WIN is uncertain and cannot be reasonably estimated at this time

SUPPLEMENTARY INFORMATION

WELLNESS INSURANCE NETWORK
CLAIMS DEVELOPMENT INFORMATION
LAST TEN FISCAL YEARS
JUNE 30, 2021

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|-----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | \$ 6,452,679 | \$ 5,739,035 | \$ 5,667,609 | \$ 4,740,294 | \$ 4,882,557 | \$ 4,474,601 | \$ 4,542,020 | \$ 5,077,440 | \$ 5,606,565 | \$ 5,616,399 |
| Net Incurred Expenses | 6,225,139 | 5,562,894 | 5,712,105 | 4,845,010 | 4,921,815 | 4,085,201 | 4,063,856 | 4,207,734 | 4,882,028 | 5,331,930 |
| Paid Claims | | | | | | | | | | |
| End of Policy Year | 266,467 | 253,116 | 211,565 | 207,122 | 126,782 | 124,292 | 135,000 | 114,000 | 260,000 | 290,000 |

See Independent Auditor's Report