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WELLNESS INSURANCE NETWORK
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

WELLNESS INSURANCE NETWORK

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Wellness Insurance Network (WIN) as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise WIN's basic financial statements as listed in the accompanying 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 an opinion 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 of 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 controls relevant to WIN'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 WIN'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.


Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Wellness Insurance Network as of June 30, 2016, and the respective changes in financial position and its cash flows 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 and claims development information on pages 3-4 and 11 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.



MILBURN CAIN & CO.
Certified Public Accountants

Gurnee, Illinois
August 13, 2016

REQUIRED SUPPLEMENTAL INFORMATION

WELLNESS INSURANCE NETWORK
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

Management of the Wellness Insurance Network (WIN) offers this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with WIN's 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 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.

Financial Position

Total assets increased \$414,065 from \$3,626,821 in 2015 to \$4,040,886 in 2016. Cash and cash equivalents increased from \$3,611,476 in 2015 to \$4,003,247 in 2016. Net position increased from \$3,213,005 in 2015 to \$3,606,117 in 2016.

Wellness Insurance Network
Table 1
Statement of Net Position
As of June 30

	2016	2015
Total Assets	\$ 4,040,886	\$ 3,626,821
Total Liabilities	434,769	413,816
Net Position	\$ 3,606,117	\$ 3,213,005

Results of Operations

Operating revenues, consisting of member contributions and reinsurance reimbursements, decreased 1.5% from \$4,542,020 in 2015 to \$4,474,601 in 2016. Total operating expenses increased from \$4,063,856 to \$4,085,201. Net benefits expense was 99.3% of total operating expenses, or \$4,057,054, and increased .63% from 2015.

Total operating revenues exceeded operating expenses by \$389,400 and net assets increased by \$393,112 to \$3,606,117 in 2016 from \$3,213,005 in 2015.

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

	2016	2015
Operating Revenues	\$ 4,474,601	\$ 4,542,020
Operating Expenses	4,085,201	4,063,856
Operating Income	389,400	478,164
Non-Operating Revenue	3,712	3,223
Change in Net Position	393,112	481,387
Net Position - Beginning	3,213,005	2,731,618
Net Position - Ending	3,606,117	3,213,005

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

BASIC FINANCIAL STATEMENTS

WELLNESS INSURANCE NETWORK

STATEMENT OF NET POSITION

AS OF JUNE 30, 2016

Assets	
Cash and Cash Equivalents	\$ 4,003,247
Accounts Receivable	20,242
Prepaid Expenses	<u>17,397</u>
Total Assets	\$ <u>4,040,886</u>
Liabilities	
Accounts Payable	\$ 310,477
Estimated Claims Incurred But Not Reported	<u>124,292</u>
Total Liabilities	\$ <u>434,769</u>
Net Position	
Restricted for Insurance	\$ <u>3,606,117</u>

See Accompanying Notes to Financial Statements.

WELLNESS INSURANCE NETWORK
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

Operating Revenues	
Member Assessments and Charges	\$ 4,462,010
Reinsurance Reimbursements	<u>12,591</u>
Total Operating Revenues	\$ <u>4,474,601</u>
Operating Expenses	
Benefits Expense	
Medical and Dental Claims	\$ 2,342,811
Life Insurance	68,972
Prescriptions	709,933
Professional Services	910,918
ACA Transitional Reinsurance Fee	<u>24,420</u>
Total Benefits Expense	\$ 4,057,054
Liability Insurance	16,606
Other Professional Services	11,258
Supplies and Postage	<u>283</u>
Total Operating Expenses	\$ <u>4,085,201</u>
Operating Income	\$ 389,400
Non-Operating Revenues	
Investment Income	<u>3,712</u>
Change in Net Position	\$ 393,112
Net Position - July 1, 2015	<u>3,213,005</u>
Net Position - June 30, 2016	\$ <u>3,606,117</u>

See Accompanying Notes to Financial Statements.

WELLNESS INSURANCE NETWORK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows From Operating Activities:	
Receipts From Members and Users	\$ 4,467,738
Payments For Services and Supplies	(978,916)
Benefits Paid	<u>(3,100,763)</u>
Net Cash Flows From Operating Activities	\$ <u>388,059</u>
Cash Flows From Investing Activities:	
Investment Income	\$ <u>3,712</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 391,771
Cash and Cash Equivalents - July 1, 2015	<u>3,611,476</u>
Cash and Cash Equivalents - June 30, 2016	\$ <u>4,003,247</u>
Reconciliation of Operating Income (Loss)	
To Net Cash Flows From Operating Activities:	
Operating Income (Loss)	\$ 393,112
Adjustments to Reconcile Operating Income	
(Loss) to Net Cash From Operating Activities	
Changes in Assets and Liabilities:	
Accounts Receivable	(6,863)
Prepaid Expenses	(15,431)
Accounts Payable	31,661
IBNR Payable	<u>(10,708)</u>
Net Cash Flows From Operating Activities	\$ <u>391,771</u>

See Accompanying Notes to Financial Statements.

WELLNESS INSURANCE NETWORK
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

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. Fund Accounting

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. Government-wide and Fund Financial Statements

Because WIN operates only a single fund, the financial statements for that fund function as both the Fund Financial Statements and the Government-Wide Financial Statements.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Net Position

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

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.

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.

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

	<u>2016</u>	<u>2015</u>
Estimated Claims Incurred But Not Reported - Beginning of Year	\$ 135,000	\$ 114,000
Medical and Dental Claims Incurred	2,353,519	2,388,369
Medical and Dental Claims Paid	<u>(2,364,227)</u>	<u>(2,367,369)</u>
Estimated Claims Incurred But Not Reported - End of Year	\$ <u>124,292</u>	\$ <u>135,000</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - SUBSEQUENT EVENTS

WIN's management has evaluated subsequent events through August 13, 2016, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

WELLNESS INSURANCE NETWORK
CLAIMS DEVELOPMENT INFORMATION

LAST TEN FISCAL YEARS

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues	\$ 4,474,601	\$ 4,542,020	\$ 5,077,440	\$ 5,606,565	\$ 5,616,399	\$ 4,928,627	\$ 4,411,509	\$ 5,200,268	\$ 5,057,716	\$ 4,609,900
Unallocated Expenses	---	---	---	---	---	---	---	---	---	---
Net Incurred Expenses	4,085,201	4,063,856	4,207,734	4,882,028	5,331,930	5,728,045	4,931,424	4,020,870	5,130,818	4,682,758
Paid Claims										
End of Policy Year	124,292	135,000	114,000	260,000	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.