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**WELLNESS INSURANCE NETWORK**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2017**

**eder, casella & co.**

WELLNESS INSURANCE NETWORK

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JUNE 30, 2017

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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, 2017, and the related notes to the financial statements, which collectively comprise the Entity'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 entity'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 entity'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, 2017, and the respective changes in financial position and 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 and Claims Development Information on pages 3 through 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.

*Eder, Casella & Co.*

EDER, CASELLA & CO.  
Certified Public Accountants

McHenry, Illinois  
September 14, 2017

REQUIRED SUPPLEMENTARY INFORMATION

WELLNESS INSURANCE NETWORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

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, 2017. 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, 2017 by \$3,072,036 (net position). The entire amount is restricted at June 30, 2017, which must be used for insurance and related employee benefits.

WIN's total net position decreased by \$534,081.

**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. The notes to the financial statements can be found on pages 8 through 10 of this report.

## 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, 2017.

#### Wellness Insurance Network's Net Position at Year-End

	Business Type Activities	
	FY 2017	FY 2016
Assets		
Current and Other Assets	\$ 3,571,800	\$ 4,040,886
Total Assets	<u>\$ 3,571,800</u>	<u>\$ 4,040,886</u>
Liabilities		
Other Liabilities	\$ 499,764	\$ 434,769
Total Liabilities	<u>\$ 499,764</u>	<u>\$ 434,769</u>
Net Position		
Restricted	\$ 3,072,036	\$ 3,606,117
Total Net Position	<u>\$ 3,072,036</u>	<u>\$ 3,606,117</u>

Business-Type activities decreased WIN's net assets by \$534,081. Key elements of this decrease are as follows:

#### Wellness Insurance Network's Change in Net Position

	Business-Type Activities	
	FY 2017	FY 2016
Revenues		
Program Revenues		
Operating Revenue	<u>\$ 4,882,557</u>	<u>\$ 4,474,601</u>
Expenses		
Operating Expenses	<u>\$ 4,921,815</u>	<u>\$ 4,085,201</u>
Operating Income/(Loss)	\$ (39,258)	\$ 389,400
Non-Operating Revenue/Expenses	<u>5,177</u>	<u>3,712</u>
Increase/(Decrease) in Net Position	\$ (34,081)	\$ 393,112
Net Position - Beginning	<u>3,606,117</u>	<u>3,213,005</u>
Net Position - Ending	<u>\$ 3,572,036</u>	<u>\$ 3,606,117</u>

Operating Revenue increased mainly due to an increase in Reinsurance Reimbursement claims. They had a few larger claims that were over the stop loss threshold.

Operating Expenses increased mainly due to an increase in overall activity. There were lots of claims that were prescription driven and a few larger claims that were over the stop loss threshold.

### 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  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

**Assets**

Cash and Cash Equivalents	\$ 3,521,779
Accounts Receivable	32,507
Prepaid Expense	17,514
Total Assets	<u>\$ 3,571,800</u>

**Liabilities**

Accounts Payable	\$ 372,982
Claims Payable	126,782
Total Liabilities	<u>\$ 499,764</u>

**Net Position**

Restricted - Insurance	<u>\$ 3,072,036</u>
Total Net Position	<u><u>\$ 3,072,036</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, 2017

<b>Operating Revenues</b>	
Member Assessment Charges	\$ 4,435,890
Reinsurance Reimbursements	446,667
Total Operating Revenues	<u>\$ 4,882,557</u>
<b>Operating Expenses</b>	
Benefits Expenses	
Medical and Dental Claims	\$ 2,896,133
Life Insurance	66,183
Prescriptions	969,274
Professional Services	948,180
ACA transitional Reinsurance Fee	15,552
Total Benefits Expense	<u>\$ 4,895,322</u>
Liability Insurance	17,397
Other Professional Services	9,010
Supplies and Postage	86
Total Operating Expenses	<u>\$ 4,921,815</u>
Operating Income/(Loss)	<u>\$ (39,258)</u>
<b>Non-Operating Revenue/(Loss)</b>	
Investment Income	\$ 5,177
Dividends Distribution	(500,000)
Non Operating Income/(Loss)	<u>(494,823)</u>
Change in Net Position	\$ (534,081)
Net Position - July 1, 2016	<u>3,606,117</u>
Net Position - June 30, 2017	<u><u>\$ 3,072,036</u></u>

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

WELLNESS INSURANCE NETWORK  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR END JUNE 30, 2017

<b>Cash Flows From Operating Activities:</b>	
Receipts from Members and Users	\$ 4,872,665
Payments for Services and Supplies	(9,096)
Benefits Paid	<u>(4,850,214)</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 13,355</u>
 <b>Cash Flows From Non-Capital Financing Activities</b>	
Dividend Payments to Members	<u>\$ (500,000)</u>
Net Cash Provided/(Used) by Non-Capital Financing Activities	<u>\$ (500,000)</u>
 <b>Cash Flows From Investing Activities:</b>	
Interest on Cash and Cash Equivalents	<u>\$ 5,177</u>
Net Cash Provided/(Used) by Investing Activities	<u>\$ 5,177</u>
 Net Increase/(Decrease) in Cash and Cash Equivalents	 \$ (481,468)
Cash and Cash Equivalents Balance - July 1, 2016	<u>4,003,247</u>
Cash and Cash Equivalents Balance - June 30, 2017	<u><u>\$ 3,521,779</u></u>
 <b>Reconciliation of Operating Income/(Loss) to Net Cash Provided/(Used) by Operating Activities</b>	
Operating Income/(Loss)	\$ (39,258)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in Assets and Liabilities:	
Accounts Receivable	(12,265)
Prepaid Expenses	(117)
Accounts Payable	62,505
Claims Payable	<u>2,490</u>
Net Cash Provided/(Used) by Operating Activities	<u><u>\$ 13,355</u></u>

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

WELLNESS INSURANCE NETWORK

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

**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.

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.

## 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 the Organization, 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.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

	<u>2017</u>	<u>2016</u>
Estimated claims incurred but not reported - Beginning of Year	\$ 124,292	\$ 135,000
Medical and Dental claims incurred	2,896,133	2,353,519
Medical and Dental claims paid	<u>(2,893,643)</u>	<u>(2,364,227)</u>
Estimated claims incurred by not reported - End of Year	<u>\$ 126,782</u>	<u>\$ 124,292</u>

**NOTE 4 - SUBSEQUENT EVENTS**

WIN's management has evaluated subsequent events through September 14, 2017, 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  
 JUNE 30, 2017

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Revenues	\$ 4,882,557	\$ 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
Net Incurred Expenses	4,921,815	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
Paid Claims End of Policy Year	126,782	124,292	135,000	114,000	260,000	290,000	290,260	246,021	172,185	183,879

See Independent Auditor's Report