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WELLNESS INSURANCE NETWORK
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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 accompanying financial statements of the Wellness Insurance Network (WIN) as of and for the year ended June 30, 2013, 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, 2013, 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.

A handwritten signature in black ink that reads "Milburn Cain & Co." in a cursive script.

MILBURN CAIN & CO.
Certified Public Accountants

Gurnee, Illinois
August 19, 2013

REQUIRED SUPPLEMENTAL INFORMATION

WELLNESS INSURANCE NETWORK
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

Management of the Wellness Insurance Network (WIN) offers this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2013. 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 27 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.
- Flexible Spending Account -- This account is used to fund all the costs associated with the flexible spending program under the Section 125 Plan.

Financial Position

Total assets increased \$1,076,962 from \$1,419,974 in 2012 to \$2,496,936 in 2013. Cash and cash equivalents increased from \$1,181,753 in 2012 to \$2,453,113 in 2013. Net position increased from \$1,129,974 in 2012 to \$1,859,222 in 2013.

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

	2013	2012
Total Assets	\$ 2,496,936	\$ 1,419,974
Total Liabilities	637,714	290,000
Net Position	\$ 1,859,222	\$ 1,129,974

Results of Operations

Operating revenues, consisting of member contributions and reinsurance reimbursements, decreased 0.2% from \$5,616,399 in 2012 to \$5,606,565 in 2013. Total operating expenses decreased from \$5,331,930 to \$4,882,008. Net claims expense was 98.5% of total operating expenses, or \$4,808,952, and decreased 7.9% from 2012.

Total operating revenues exceeded operating expenses by \$724,537 and net assets increased by \$729,248 to \$1,859,222 in 2013 from \$1,129,974 in 2012.

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

	2013	2012
Operating Revenues	\$ 5,606,565	\$ 5,616,399
Operating Expenses	4,882,028	5,331,930
Operating Income	724,537	284,469
Non-Operating Revenue	4,711	4,239
Change in Net Position	729,248	288,708
Net Position - Beginning	1,129,974	841,266
Net Position - Ending	1,859,222	1,129,974

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.

BASIC FINANCIAL STATEMENTS

WELLNESS INSURANCE NETWORK

STATEMENT OF NET POSITION

AS OF JUNE 30, 2013

Assets	
Cash and Cash Equivalents	\$ 2,453,113
Accounts Receivable	34,872
Prepaid Expenses	<u>8,951</u>
Total Assets	\$ <u>2,496,936</u>
Liabilities	
Accounts Payable	\$ 371,548
Claims Payable	260,000
Section 125 Benefits Payable	<u>6,166</u>
Total Liabilities	\$ <u>637,714</u>
Net Position	
Restricted for Insurance	\$ <u>1,859,222</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, 2013

Operating Revenues	
Charges for Services	\$ 4,918,447
Reinsurance Reimbursements	<u>688,118</u>
Total Operating Revenues	\$ <u>5,606,565</u>
 Operating Expenses	
Medical and Dental Claims	\$ 3,197,928
Life Insurance	79,840
Section 125 Payments	85,148
Prescriptions	511,680
Liability Insurance	2,743
Professional Services	910,003
Management Fee	64,920
Wellness Program	24,353
Supplies and Postage	17
Other Expenses	<u>5,396</u>
Total Operating Expenses	\$ <u>4,882,028</u>
 Operating Income	 \$ 724,537
 Non-Operating Revenues	
Investment Income	<u>4,711</u>
 Change in Net Position	 \$ 729,248
 Net Position - July 1, 2012	 <u>1,129,974</u>
 Net Position - June 30, 2013	 \$ <u>1,859,222</u>

See accompanying Notes to Financial Statements.

WELLNESS INSURANCE NETWORK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Cash Flows From Operating Activities:	
Receipts From Members and Users	\$ 5,684,601
Payments to Suppliers	(891,070)
Claims Paid	<u>(3,526,882)</u>
Net Cash Flows From Operating Activities	\$ <u>1,266,649</u>
 Cash Flows From Investing Activities:	
Investment Income	\$ <u>4,711</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,271,360
Cash and Cash Equivalents - July 1, 2012	<u>1,181,753</u>
Cash and Cash Equivalents - June 30, 2013	\$ <u>2,453,113</u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ 729,248
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities	
Changes in Assets and Liabilities:	
Accounts Receivable	78,037
Prepaid Expenses	116,361
Accounts Payable	371,548
Claims Payable	(30,000)
Section 125 Benefits Payable	<u>6,166</u>
Net Cash Flows From Operating Activities	\$ <u>1,271,360</u>

See accompanying Notes to Financial Statements.

WELLNESS INSURANCE NETWORK
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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 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.

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 position and the statement of revenues, expenses and changes in net position) 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.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Net Position

On the statement of net position, restricted net assets are legally restricted by outside parties for a specific purpose. None of the restricted net position 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.

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.

	<u>2013</u>	<u>2012</u>
Claims Payable - Beginning of Year	\$ 290,000	\$ 290,260
Claims Incurred	3,197,928	3,692,911
Claims Paid	<u>(3,227,928)</u>	<u>(3,693,171)</u>
Claims Payable - End of Year	\$ <u>260,000</u>	\$ <u>290,000</u>

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE 4 - SECTION 125 PLAN

On January 1, 2013, WIN changed the policy regarding the administration of the Section 125 Plan. Beginning in January, WIN started tracking the Plan balances of member libraries. At the end of the Plan year, unused balances will be refunded to members and Plan shortages will be billed to members. Previously, excesses were retained by WIN and shortages were absorbed by WIN.

Because of the changes in policy, WIN changed its method of accounting for the Plan. As of January 1, 2013, WIN is reporting the unpaid balance in the Section 125 Plan as a liability of the Organization. Through December 31, 2012, the Organization reported the Plan as operating revenues and operating expenses.

REQUIRED SUPPLEMENTARY INFORMATION

WELLNESS INSURANCE NETWORK
CLAIMS DEVELOPMENT INFORMATION
LAST TEN FISCAL YEARS

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues	\$ 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	4,882,028	5,331,930	5,728,045	4,931,424	4,020,870	5,130,818	4,682,758	---	---	---
Paid Claims										
End of Policy Year	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.