



**WELLPOINT CARE NETWORK, INC.
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

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WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wellpoint Care Network, Inc. and Subsidiary
Milwaukee, Wisconsin

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Wellpoint Care Network, Inc. (a nonprofit organization) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial positions of Wellpoint Care Network, Inc. and Subsidiary (Organization) as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of Management for the Consolidated Financial Statements (Continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2025, on our consideration of Wellpoint Care Network, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Wellpoint Care Network, Inc. and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Wellpoint Care Network, Inc. and Subsidiary's internal control over financial reporting and compliance.

Sikich CPA LLC

Brookfield, Wisconsin
June 11, 2025

CONSOLIDATED FINANCIAL STATEMENTS

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2024 and 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,730,586	\$ 3,604,821
Accounts receivable, net	1,075,179	1,749,907
Pledges receivable	33,333	33,334
Prepaid expenses	571,396	199,012
Total current assets	<u>3,410,494</u>	<u>5,587,074</u>
OTHER ASSETS		
Pledges receivable, long term, net	16,667	66,666
Investments	27,587,901	25,790,374
Property and equipment, net	<u>14,333,335</u>	<u>13,430,921</u>
Total other assets	<u>41,937,903</u>	<u>39,287,961</u>
TOTAL ASSETS	<u><u>\$ 45,348,397</u></u>	<u><u>\$ 44,875,035</u></u>

(This statement is continued on the following page.)

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)**

As of December 31, 2024 and 2023

	2024	2023
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 504,272	\$ 522,680
Current maturities of long-term debt	571,410	1,265,341
Line of credit	1,693,832	800,000
Accrued payroll and benefits	1,559,340	1,550,676
Accrued liability - SafeCare contract	31,699	392,421
Deferred revenue	7,700	11,950
Total current liabilities	<u>4,368,253</u>	<u>4,543,068</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities, net of unamortized bond issuance costs	<u>11,803,196</u>	<u>12,329,883</u>
Total liabilities	<u>16,171,449</u>	<u>16,872,951</u>
NET ASSETS		
Without donor restrictions	28,025,319	26,839,186
With donor restrictions	1,151,629	1,162,898
Total net assets	<u>29,176,948</u>	<u>28,002,084</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 45,348,397</u></u>	<u><u>\$ 44,875,035</u></u>

See accompanying notes to consolidated financial statements.

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions	\$ 430,025	\$ 26,700	\$ 456,725
REVENUE			
Program service fees	35,629,887	-	35,629,887
Rental income	35,300	-	35,300
Investment return, net	2,826,293	27,829	2,854,122
Miscellaneous	6,567	-	6,567
Total revenue	38,498,047	27,829	38,525,876
Net assets released from restrictions	65,798	(65,798)	-
Total support and revenue	38,993,870	(11,269)	38,982,601
EXPENSES			
Program services	30,880,228	-	30,880,228
Management and general	6,585,644	-	6,585,644
Fundraising	341,865	-	341,865
Total expenses	37,807,737	-	37,807,737
CHANGE IN NET ASSETS	1,186,133	(11,269)	1,174,864
NET ASSETS - BEGINNING OF YEAR	26,839,186	1,162,898	28,002,084
NET ASSETS - END OF YEAR	\$ 28,025,319	\$ 1,151,629	\$ 29,176,948

See accompanying notes to consolidated financial statements.

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT			
Contributions	\$ 248,872	\$ 870,110	\$ 1,118,982
REVENUE			
Program service fees	34,709,252	-	34,709,252
Rental income	184,345	-	184,345
Investment return, net	3,695,364	37,619	3,732,983
Miscellaneous	11,563	-	11,563
Total revenue	38,600,524	37,619	38,638,143
Net assets released from restrictions	351,393	(351,393)	-
Total support and revenue	39,200,789	556,336	39,757,125
EXPENSES			
Program services	29,579,395	-	29,579,395
Management and general	6,941,413	-	6,941,413
Fundraising	323,647	-	323,647
Total expenses	36,844,455	-	36,844,455
CHANGE IN NET ASSETS	2,356,334	556,336	2,912,670
NET ASSETS - BEGINNING OF YEAR	24,482,852	606,562	25,089,414
NET ASSETS - END OF YEAR	\$ 26,839,186	\$ 1,162,898	\$ 28,002,084

See accompanying notes to consolidated financial statements.

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,174,864	\$ 2,912,670
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization expense	870,466	775,286
Amortization of debt issuance costs to interest	8,333	4,863
Bad debt expense	3,061	60,000
Unrealized and realized gain on investments	(1,981,986)	(3,124,380)
Decrease (increase) in		
Accounts receivable	671,667	(78,793)
Pledges receivable	50,000	(100,000)
Prepaid expenses	(372,384)	107,297
Increase (decrease) in		
Accounts payable	(18,408)	(348,487)
Accrued payroll and benefits	8,664	282,696
Accrued liability - SafeCare contract	(360,722)	(511,158)
Deferred revenue	(4,250)	(9,325)
Net cash from operating activities	<u>49,305</u>	<u>(29,331)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	6,817,473	2,720,970
Purchase of investments	(6,633,014)	(2,075,108)
Purchase of property and equipment	(1,772,880)	(5,562,772)
Net cash from investing activities	<u>(1,588,421)</u>	<u>(4,916,910)</u>

(This statement is continued on the following page.)

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

For the Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	\$ 6,616,949	\$ 4,660,727
Payments on line of credit	(5,723,117)	(8,686,975)
Principal payments on long-term debt	(1,228,951)	(897,145)
Proceeds from long-term debt	-	12,500,000
Payment for bond issuance costs	-	(250,000)
Net cash from financing activities	(335,119)	7,326,607
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,874,235)	2,380,366
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,604,821	1,224,455
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,730,586	\$ 3,604,821
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	\$ 558,644	\$ 458,786

See accompanying notes to consolidated financial statements

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2024

	Program Services			Total Program Services	Supporting Activities		Total Supporting Activities	Fundraising	Total
	Child and Family Well-Being	Mental Health	Community Services		Agency	Foundation			
<u>EXPENSES</u>									
Salaries	\$ 13,480,116	\$ 3,793,367	\$ 830,477	\$ 18,103,960	\$ 2,514,206	\$ -	\$ 2,514,206	\$ 194,786	\$ 20,812,952
Employee benefits	2,811,309	774,359	190,177	3,775,845	514,158	-	514,158	38,278	4,328,281
Payroll taxes	998,082	287,080	64,394	1,349,556	183,486	-	183,486	14,611	1,547,653
Staff development	415,662	63,633	7,985	487,280	113,091	-	113,091	3,460	603,831
Contracted services	192,790	309,036	68,149	569,975	283,278	-	283,278	67,128	920,381
Direct client assistance	5,066,819	19,426	620,114	5,706,359	127,119	-	127,119	1,412	5,834,890
Space and equipment	74,175	17,314	9,696	101,185	1,518,510	-	1,518,510	-	1,619,695
Supplies and postage	283,714	124,376	66,640	474,730	533,914	-	533,914	17,491	1,026,135
Telephone	80,333	19,200	4,799	104,332	33,577	-	33,577	627	138,536
Insurance	133,770	26,944	11,073	171,787	74,203	-	74,203	772	246,762
Miscellaneous	15,701	2,471	17,047	35,219	689,257	845	690,102	3,300	728,621
Total functional expenses	23,552,471	5,437,206	1,890,551	30,880,228	6,584,799	845	6,585,644	341,865	37,807,737
Allocation of supporting activities	4,586,269	992,679	146,599	5,725,547	(5,774,317)	-	(5,774,317)	48,770	-
TOTAL EXPENSES	\$ 28,138,740	\$ 6,429,885	\$ 2,037,150	\$ 36,605,775	\$ 810,482	\$ 845	\$ 811,327	\$ 390,635	\$ 37,807,737

See accompanying notes to consolidated financial statements.

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended December 31, 2023

	Program Services			Total Program Services	Supporting Activities		Total Supporting Activities	Fundraising	Total
	Child and Family Well-Being	Mental Health	Community Services		Agency	Foundation			
<u>EXPENSES</u>									
Salaries	\$ 13,555,946	\$ 3,198,894	\$ 1,171,653	\$ 17,926,493	\$ 2,530,324	\$ -	\$ 2,530,324	\$ 185,025	\$ 20,641,842
Employee benefits	2,471,373	638,244	238,440	3,348,057	499,948	-	499,948	24,715	3,872,720
Payroll taxes	999,734	231,279	88,793	1,319,806	180,470	-	180,470	13,676	1,513,952
Staff development	504,390	80,230	19,587	604,207	227,136	-	227,136	7,289	838,632
Contracted services	232,453	262,893	55,903	551,249	453,734	-	453,734	51,961	1,056,944
Direct client assistance	4,212,309	20,649	595,087	4,828,045	100,014	-	100,014	2,998	4,931,057
Space and equipment	213,904	16,878	10,449	241,231	1,579,663	-	1,579,663	-	1,820,894
Supplies and postage	236,547	96,326	127,291	460,164	602,536	-	602,536	24,499	1,087,199
Telephone	81,907	19,394	13,853	115,154	23,747	-	23,747	686	139,587
Insurance	92,258	22,403	12,447	127,108	57,220	-	57,220	744	185,072
Miscellaneous	39,684	2,843	15,354	57,881	653,480	33,141	686,621	12,054	756,556
Total functional expenses	22,640,505	4,590,033	2,348,857	29,579,395	6,908,272	33,141	6,941,413	323,647	36,844,455
Allocation of supporting activities	4,579,751	841,185	483,916	5,904,852	(5,954,912)	-	(5,954,912)	50,060	-
TOTAL EXPENSES	\$ 27,220,256	\$ 5,431,218	\$ 2,832,773	\$ 35,484,247	\$ 953,360	\$ 33,141	\$ 986,501	\$ 373,707	\$ 36,844,455

See accompanying notes to consolidated financial statements.

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2024 and 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS

Nature of Activities

Wellpoint Care Network, Inc. (the Agency) and Subsidiary, is a not-for-profit corporation organized under the laws of the State of Wisconsin. Wellpoint Care Network, Inc. and Subsidiary's mission is to facilitate equity, learning, healing and wellness by restoring the connections that help children and families thrive. Wellpoint Care Network, Inc. has many programs that contribute to its mission, including:

Child and Family Well-Being includes Wellpoint Care Network's Child Welfare Case Management and Treatment Foster Care programs. The Child Welfare Case Management program provides services to about 900 families, including nearly 1,300 children (unaudited). Its employees work diligently to provide families and children with services that ensure safety, permanence, and well-being.

The Treatment Foster Care program provides out-of-home care to children who have been exposed to significant trauma, such as abuse and neglect and need substantial support to address their needs.

Mental health programs at Wellpoint Care Network, Inc. include Comprehensive Community Services and the Outpatient Clinic. Community services programs include Care Coordination (REACH and WRAP), Supervised Independent Living and Youth Transitioning to Adulthood. Comprehensive Community Services provides therapeutic and mental health consultation services to children and families throughout southeast Wisconsin. The Outpatient Clinic provides individual, family and group outpatient mental health services, including talk and occupational therapy, Theraplay, Art Therapy and a range of other interventions. Wellpoint Care Network, Inc. provides care coordination in partnership with Wraparound Milwaukee. Wraparound is designed to provide comprehensive, individualized and cost-effective care to children with complex mental health and emotional needs. Supervised Independent Living and Youth Transitioning to Adulthood provides supportive services to youth preparing to or who have exited out of foster care in Milwaukee County. The focus for these young adults is education, employment, housing, health, caring connections, and life-skills development.

Wellpoint Care Foundation, Inc. (the Foundation) is a not-for-profit corporation organized under the laws of the State of Wisconsin for the purpose of providing support to the Agency.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Agency and the Foundation, collectively referred to as the "Organization." The Foundation is consolidated with the Agency since the Agency has both an economic interest in and control of the Foundation. All significant inter-organizational transactions have been eliminated.

Method of Accounting

Assets, liabilities, revenues and expenses are recognized on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions:

Undesignated: Net assets that are not subject to donor-imposed stipulations.

Board designated: Net assets subject to stipulations imposed by the Board and determined to be unavailable for general use.

Net Assets With Donor Restrictions:

Net assets subject to donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the Organization pursuant to those restrictions or are required to be maintained in perpetuity by the Organization. Generally, the donors of the assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Cash and Cash Equivalents

The Organization considers all short-term investments in interest-bearing bank accounts and other instruments having an original maturity of three months or less, excluding amounts held as investments in the Organization's investment portfolio, to be equivalent to cash.

The Organization maintains its cash and cash equivalents at three financial institutions which, at times, may exceed federally insured limits. At December 31, 2024 and 2023, the bank balances of the deposits exceeded FDIC limits by approximately \$1,282,000 and \$2,924,000, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are amounts due under cost reimbursable contracts or fee for service contracts with primarily county, state and federal government agencies. Accounts receivable are stated at the amount management expects to collect on the outstanding balances. Invoicing and payment terms are provided in the contracts. Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

Allowance for Credit Losses on Accounts Receivables

The Organization recognizes an allowance for expected credit losses at each consolidated statement of financial position date. The allowance is an estimate based on the analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and its reasonable and supportable expectation of future conditions. Receivables with similar risk characteristics are pooled for estimation of expected credit losses. Receivables are evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible. At each reporting date, the Organization updates its estimate of expected credit losses to reflect any changes in credit risk since the receivable was initially recorded.

After all attempts to collect have failed, the receivable is written off against the allowance. If recoveries are made from accounts previously written off, they will be recognized as an offset to credit loss expense in the year of recovery. There were write-offs of \$3,061 and \$60,000 in 2024 and 2023, respectively. Accounts receivable are due from government sources therefore zero credit losses are expected for the year ended December 31, 2024 and 2023. However, actual write-offs may occur in excess of the allowance.

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Pledges Receivable

Pledges receivable are unconditional promises and are carried at the net present value of original pledge amounts less an estimate made for uncollectible pledges based on a review of all outstanding amounts on a periodic basis. The present value discounts on those amounts are computed using risk adjusted rates applicable to the years in which the pledges were received. Management determines the allowance for uncollectible pledges receivable by regularly evaluating individual pledges and considering a donor’s financial condition and current economic conditions. Management has determined an allowance for doubtful accounts is not necessary as of December 31, 2024 or 2023, however actual write-offs may occur.

Investments and Investment Income

Investments are measured at fair value in the consolidated statements of financial position.

Investment income (including realized, unrealized gains and losses, interest, and dividends) is reported as revenue without donor restrictions unless the income is restricted by the donor. Realized gains or losses are determined by specific identification.

Direct internal and external investment fees are netted against investment return on the consolidated statements of activities. Donor restricted investment income whose restrictions are met within the same year as received are reported as investment return without donor restrictions in the accompanying consolidated financial statements.

Concentrations of Credit Risk

The Organization receives a significant amount of its revenue from federal, state and local governments for services provided. Should these grants decline in the future, the Organization’s program services may be negatively impacted. Concentrations of program service fees derived from purchasers were as follows for the years ended December 31:

	2024		2023	
	Program Service Fees	Accounts Receivable	Program Service Fees	Accounts Receivable
Wisconsin Department of Children and Families	79 %	42 %	76 %	53 %
TOTAL	79 %	42 %	76 %	53 %

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Property and Equipment

Property and equipment are recorded at cost or fair value if contributed. All property and equipment expenditures greater than \$5,000 for the Organization are capitalized. Depreciation is computed on a straight-line basis over the estimated useful lives. Depreciation expense is charged directly to the program which authorized the purchase of and utilizes the related asset.

Estimated lives and balances of property and equipment consisted of the following as of December 31:

	<u>Years</u>	<u>2024</u>	<u>2023</u>
Land	N/A	\$ 343,470	\$ 343,470
Buildings and improvements	5-35	18,244,055	17,594,682
Furniture and equipment	3-15	2,483,674	4,926,272
Technology	5-10	699,715	592,947
Work-in-Progress	N/A	253,009	729,620
		<hr/>	<hr/>
Total property and equipment		22,023,923	24,186,991
Less: Accumulated depreciation		(7,690,588)	(10,756,070)
		<hr/>	<hr/>
PROPERTY AND EQUIPMENT, NET		\$ 14,333,335	\$ 13,430,921
		<hr/> <hr/>	<hr/> <hr/>

Depreciation and amortization expense during 2024 and 2023 totaled \$870,466 and \$775,286, respectively.

Revenue Recognition

Program Service Fees

A portion of the Organization's revenue is derived from federal, state and local contracts. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party. The contracts also allow for reimbursement of direct costs associated with providing the services. Revenue is recognized as earned from third parties when the service has been performed and is reported at the estimated realizable amounts. Contracts with these third parties are generally renewed on an annual basis. Amounts received are recognized as revenue according to their respective contracts. Generally, third party payors pay for the services provided within 30-60 days. There were no advance payments received as of December 31, 2024 and 2023. Total conditional program service fees are approximately \$4,000,000. At December 31, 2024 and 2023 conditional program service fees to be recognized were approximately \$1,000,000 and \$2,000,000, respectively. Below outlines the different methods of revenue recognition:

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Revenue Recognition (Continued)

Program Service Fees (Continued)

Child Welfare Case Management and Community Services contracts are expense reimbursement contracts and are billed on a monthly basis.

Consultation and training services are provided to customers for a fee. For these services, revenue is earned at a point in time once the training and consultation services (performance obligation) have been performed. Customers are billed monthly after the services have been performed with terms of net 30 days.

Clinic Revenue and Contractual Adjustments

Clinic revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients and third-party payors (including health insurers and government payors) and includes a variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills the patient and third-party payors several days after the services are performed. Revenue is recognized as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided and revenue is recognized over time based on actual charges incurred in relation to total expected (or actual) charges.

Deferred Revenue

Program service fees received from Wisconsin state agencies are subject to a 5% cap on revenue received over allowable expenses incurred. Deferred revenue and accrued liability – SafeCare contract (contract liability) represents the excess support over program expenses for which the purchasers of the services have not yet invoiced or notified the Organization. Balances of contract liabilities were as follows as of December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contract liabilities - deferred revenue and accrued liability - SafeCare contract	\$ 39,399	\$ 404,371	\$ 924,854

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Revenue Recognition (Continued)

Deferred Revenue (Continued)

The timing of revenue recognition, billings and cash collections results in billed accounts receivable in the consolidated statements of financial position. Generally, billing occurs subsequent to the services being provided resulting in contract assets referred to as accounts receivable. Balances of contract assets were as follows as of December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contract assets - accounts receivable	\$ 1,075,179	\$ 1,749,907	\$ 1,713,114

Significant Judgments

There are no significant judgements involved in the recognition of revenue due to the passage of time except for variable consideration for contract adjustments which are settled on an annual basis.

Disaggregation of Revenue from Contracts with Customers

	<u>2024</u>	<u>2023</u>
Program service fees - over time	\$ 3,711,010	\$ 3,373,889
Program service fees - point in time	3,150,785	3,187,884
Program service fees - expense reimbursement	28,768,092	28,147,479
TOTAL REVENUE FROM CONTRACTS WITH CUSTOMERS	<u><u>\$ 35,629,887</u></u>	<u><u>\$ 34,709,252</u></u>

Various economic factors could affect the recognition of revenues and cash flows, including the demand for services, ability to provide services, availability of labor, and prompt payment from funding agencies.

Rental Income

The Organization has a multi-year rental agreement with a third party. Revenue is recognized straight line over the term of the lease.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Revenue Recognition (Continued)

Contributions

Unconditional promises to give of cash and other assets to the Organization are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is deemed unconditional. The gifts are reported as either support with donor restrictions if they are received with donor stipulations that limit the time or use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

Donated services are recognized as revenue if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed services that do not meet the above criteria are not recognized as revenues and expenses and are not reported in the accompanying consolidated financial statements.

Retirement Plan

Substantially all employees of the Organization are eligible to participate in a 403(b) retirement plan. The Organization makes a 50% matching contribution to the plan up to a percentage of each participant's compensation, based upon years of service. The Organization also makes a non-elective annual contribution to the plan for eligible participants. Total contributions to the retirement plan during 2024 and 2023 were approximately \$1,052,000 and \$967,000, respectively.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expenses. Costs are charged on a direct functional basis whenever practical. When direct charges cannot be determined, the costs are allocated on the basis of the estimated proportional use of the service provided or resource consumed. Payroll and related expenses are allocated to the programs based on estimated time spent in each program. Expenses specifically identifiable with a program are charged to that program. Indirect administration expenses including space and equipment, supplies and postage, telephone, and insurance are charged to the programs according to a cost allocation plan based on a percentage of total expenses or number of employees within the program.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND OTHER MATTERS (Continued)

Income Tax Status

The Agency and Foundation are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Code as other than a private foundation. The Organization files various federal or state non-profit tax returns. The Organization is no longer subject to U.S. Federal or State examinations by tax authorities prior to 2021.

Leases

The Organization leases real estate and equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the consolidated statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, Wellpoint uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Organization elected to apply the short-term lease exemption to the real estate and equipment leases. There are only a small number of leases within this class of underlying assets that qualify for the exemption. The short-term lease cost recognized and disclosed for those leases in 2024 and 2023 was \$25,008 and \$138,855, respectively. The remaining lease payments due in 2025 are \$10,575.

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,730,586	\$ 3,604,821
Accounts receivable	1,075,179	1,749,907
Pledges receivable	50,000	100,000
Investments	27,587,901	25,790,374
	<u>30,443,666</u>	<u>31,245,102</u>
Less: Donor imposed restrictions		
Time and purpose restrictions	884,763	896,032
Endowments	266,866	266,866
Less: Board designated endowment	27,241,699	25,451,174
	<u>27,241,699</u>	<u>25,451,174</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 2,050,338</u>	<u>\$ 4,631,030</u>

The Organization maintains financial assets, consisting of cash and short-term investments, on hand to meet its normal operating expenses based on its annual budget. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary.

3. PLEDGES RECEIVABLE

Net pledges receivable consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 16,667	\$ 33,334
One to five years	33,333	66,666
	<u>50,000</u>	<u>100,000</u>
Less: Present value discount	-	-
PLEDGES RECEIVABLE, NET	<u>\$ 50,000</u>	<u>\$ 100,000</u>

4. FAIR VALUE MEASUREMENTS

GAAP establishes a framework for measuring fair value. That framework uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. GAAP requires the Organization to maximize the use of observable inputs when measuring fair value. The hierarchy describes three levels of inputs, which are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Significant unobservable inputs.

In many cases, a valuation technique used to measure fair value includes inputs from more than one level of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy. The categorization of an investment within the hierarchy reflects the relative ability to observe the fair value measure and does not necessarily correspond to the perceived risk of that investment.

If an investment that is measured using Net Asset Value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Otherwise, investments measured using NAV's are not included in Level 1, 2 or 3, but are separately reported.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the years ended December 31, 2024 and 2023.

Following is a description of the valuation techniques used for assets measured at fair value on a recurring basis. There have been no changes to the techniques used during the years ended December 31, 2024 and 2023.

Mutual funds and money market funds: Valued at the NAV of shares on the last trading day of the fiscal year.

Common stock: Valued at the closing quoted price in an active market.

Bonds and U.S. Government securities: Bonds and notes in which the Organization invests are usually "off the run" on the measurement date. Thus, they are valued by a pricing service using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data. Bonds and notes that are "on the run" are measured at quoted prices in active markets for the same security.

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS (Continued)

Real estate and private equity funds: Valued at NAV, as reported by fund managers as a practical expedient for a fair value measurement. These funds do not trade in active markets.

Recurring Measurements

Assets measured at fair value on a recurring basis as of December 31, are as follows:

	2024			
	Level 1	Level 2	Level 3	Total
ASSETS				
Bonds	\$ -	\$ 4,029,134	\$ -	\$ 4,029,134
Common stock	18,525,553	-	-	18,525,553
Mutual funds and money market funds	2,240,998	-	-	2,240,998
TOTAL ASSETS AT FAIR VALUE	\$ 20,766,551	\$ 4,029,134	\$ -	24,795,685
Real estate funds**				2,364,716
Private equity**				427,500
TOTAL INVESTMENTS				\$ 27,587,901
	2023			
	Level 1	Level 2	Level 3	Total
ASSETS				
Bonds	\$ -	\$ 3,378,423	\$ -	\$ 3,378,423
Common stock	17,694,163	-	-	17,694,163
Mutual funds and money market funds	2,080,002	-	-	2,080,002
TOTAL ASSETS AT FAIR VALUE	\$ 19,774,165	\$ 3,378,423	\$ -	23,152,588
Real estate funds**				2,297,836
Private equity**				339,950
TOTAL INVESTMENTS				\$ 25,790,374

**Reported at NAV

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. FAIR VALUE MEASUREMENTS (Continued)

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could be material in relation to amounts reported in the consolidated statements of financial position.

Investments Measured at NAV

The following table presents the category, fair value, redemption frequency, and redemption notice period for investments, the fair values of which are estimated using net asset value per share as of December 31, 2024 and 2023.

	June 30, 2024	June 30, 2023	June 30, 2024	June 30, 2023	Redemption	Redemption
	Fair Value	Fair Value	Unfunded	Unfunded	Frequency	Notice
			Commitments	Commitments		Period
ASSETS						
Real estate funds	\$ 2,364,716	\$ 2,297,836	\$ -	\$ -	None	Quarterly
Private equity	427,500	339,950	618,762	618,762	Not allowed	n/a

Real Estate Funds

This category includes real estate funds that invest domestically and are diversified across sectors. Distributions from each fund will be received as the underlying investments in the funds are liquidated or based on rents.

Private Equity

A limited partnership control by a private equity firm that acts as the general partner and receives specific dollar commitments from Qualified Institutional Investors and individual Accredited Investors. These passive limited partners fund pro rata portions of their commitments when the general partner has identified an appropriate opportunity. Investments typically consist of real estate.

5. LETTER OF CREDIT

As security for possible unemployment claims, the Organization has a letter of credit for \$296,882 that expires in December 2026. No amounts were outstanding at December 31, 2024 and 2023.

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. LINE OF CREDIT

The Organization entered into a line of credit with Johnson Bank on April 17, 2023. The maximum available borrowings on the line of credit were \$1,300,000 as of December 31, 2023. During 2024, maximum available borrowings increased to \$2,000,000. Borrowings under this line of credit bear interest at the Secured Overnight Financing Rate (SOFR) plus 1.5% (7.45% and 6.842% as of December 31, 2024 and 2023, respectively) and are secured by the Organization's business assets. The outstanding line of credit borrowing as of December 31, 2024 and 2023 was \$1,693,832 and \$800,000, respectively. The line of credit agreement expires April 17, 2025. Subsequent to year end the line of credit was extended to April 17, 2026.

7. LONG-TERM DEBT

Long-term debt for the Organization consist of the following as of December 31:

	<u>2024</u>	<u>2023</u>
Paycheck Protection Program loan through the Small Business Administration (SBA) in the original amount of \$4,375,870 dated April 20, 2020. During 2020, the Organization received forgiveness of \$1,303,346 resulting in a remaining note payable of \$3,072,524. Terms of the note require monthly principal and interest payments of \$75,611, including interest at 1.00% through April 2025. The loan is unsecured.	\$ 336,410	\$ 1,340,361
WHEFA Revenue Bond through issued by Johnson Financial Group in the original amount of \$12,500,000 dated April 4, 2023. The bond calls for an initial interest rate of 3.96% which may be adjusted in full on year ten, June 1, 2033. The first interest payment was due December 1, 2023 and is due every six months thereafter. Annual principal payments are required in accordance with the bond indenture with a final maturity date of December 1, 2053. The bond is secured by certain investment accounts held by the Foundation.	12,275,000	12,500,000
Total notes payable	12,611,410	13,840,361
Less: Unamortized bond issuance costs	236,804	245,137
Less: Current maturities	571,410	1,265,341
AMOUNT DUE AFTER ONE YEAR	<u>\$ 11,803,196</u>	<u>\$ 12,329,883</u>

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT (Continued)

The Wisconsin Health and Educational Facilities Authority (WHEFA) Revenue Bonds, Series 2023 issued to finance the construction, renovation, remodeling and equipping of the Organization’s Capitol campus and to refinance an interim taxable loan used to finance certain costs of the project.

Management believes that the Organization is in compliance with all covenants of the Bond Agreement as of December 31, 2024.

The following is a maturity schedule of notes payable:

2025	\$ 571,410
2026	245,000
2027	250,000
2028	260,000
2029	275,000
Thereafter	<u>11,010,000</u>
TOTAL	<u>\$ 12,611,410</u>

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consisted of the following items at December 31:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 783,620	\$ 1,388,012
Board designated endowment	<u>27,241,699</u>	<u>25,451,174</u>
TOTAL	<u>\$ 28,025,319</u>	<u>\$ 26,839,186</u>

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following items at December 31:

	2024	2023
Restricted as to time and purpose:		
Training	\$ 282,234	\$ 282,234
Investment earnings on endowment fund	79,336	72,334
Capital campaign	521,732	510,298
Youth Transitioning to Adulthood	1,461	6,166
Miscellaneous	-	25,000
Total restricted as to time and purpose	884,763	896,032
Restricted in perpetuity	266,866	266,866
TOTAL	\$ 1,151,629	\$ 1,162,898

10. ENDOWMENTS

The Foundation has received several gifts or endowments in which the donors have stipulated that these funds be invested and maintained in perpetuity to generate annual income to support certain activities of the Foundation. The Board of Directors has also designated funds to function as an endowment. These funds are maintained by the Foundation in various investments and the Foundation is responsible for investment decisions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law Governing Endowments

The Board of Directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted by the Wisconsin state legislature, as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of a donor's subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument, if any, at the time the accumulation is added to the fund.

The earnings on the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. ENDOWMENTS (Continued)

Interpretation of Relevant Law Governing Endowments (Continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (a) the duration and preservation of the various funds, (b) the purposes of the donor-restricted endowment funds, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the Organizations, and (g) the Foundation's investment policies.

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to preserve the purchasing power of the endowment assets. Under the Foundation's investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner to protect principal, grow the aggregate portfolio value in excess of the rate of inflation and achieve an effective annual rate of return that is equal to or greater than the designated benchmarks for the various types of investment vehicles, and to ensure that any risk assumed is commensurate with the given investment vehicle and the Foundation's objectives.

To achieve its investment goals, the Foundation targets an asset allocation that will achieve a balanced return of current income and long-term growth of principal while exercising risk control. The Foundation's asset allocations include a blend of equity and debt securities and cash equivalents.

Interest, dividends and net appreciation (depreciation) in fair value of endowment funds on donor restricted endowment funds are classified as net assets with donor restrictions if the earnings are restricted by the donor for a specific purpose. Interest and dividends on donor restricted endowment funds are appropriated for distribution at the discretion of the Board of Directors. The Board of Directors does not allow spending from underwater endowment funds.

The endowment net asset composition by type of fund as of December 31, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 346,202	\$ 346,202
Board designated endowment funds	27,241,699	-	27,241,699
TOTAL	\$ 27,241,699	\$ 346,202	\$ 27,587,901

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. ENDOWMENTS (Continued)

The endowment net asset composition by type of fund as of December 31, 2023 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds	\$ -	\$ 339,200	\$ 339,200
Board designated endowment funds	25,451,174	-	25,451,174
TOTAL	\$ 25,451,174	\$ 339,200	\$ 25,790,374

Change in endowments for the year ending December 31, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 25,451,174	\$ 339,200	\$ 25,790,374
Investment return, net	2,826,293	27,829	2,854,122
Appropriation of endowment assets for expenditure	(1,035,768)	(20,827)	(1,056,595)
ENDOWMENT NET ASSETS, END OF YEAR	\$ 27,241,699	\$ 346,202	\$ 27,587,901

Change in endowments for the year ending December 31, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 23,010,275	\$ 301,581	\$ 23,311,856
Investment return, net	3,597,976	37,619	3,635,595
Appropriation of endowment assets for expenditure	(1,157,077)	-	(1,157,077)
ENDOWMENT NET ASSETS, END OF YEAR	\$ 25,451,174	\$ 339,200	\$ 25,790,374

WELLPOINT CARE NETWORK, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. ENDOWMENTS (Continued)

From time to time, certain donor-restricted endowment funds may have less than the amount required to be maintained by donor or by law (underwater endowments). At December 31, 2024 and 2023, funds with an original principal amount of \$266,866 did not have any deficiencies.

11. COMMITMENTS AND CONTINGENCIES

The Organization has entered into certain contractual relationships which provide, in part, for the potential refunding of excess support over program expenses by the Organization. The Organization has estimated and recorded a liability in the consolidated financial statements for any adjustments and excess reserves. Due to the complexities of the reserve calculations there is a reasonable possibility that recorded estimates will change in the near term. Amounts are adjusted in future periods as adjustments become known or as years are no longer subject to reviews and investigations.

As of December 31, 2024 and 2023, the Organization has recorded an accrued liability related to the contractual relationships of \$168,199 and \$153,454, respectively.

12. LEASES

The Agency leases property to unrelated third-party organizations which are treated as operating leases. The leases can only be terminated at the conclusion of the lease term and do not include any variable lease payments or non-lease components. The Organization is carrying the leased property at a historical cost of \$18,286,990 and accumulated depreciation of \$6,416,149. Total rental income recognized for the years ended December 31, 2024 and 2023 was \$35,300 and \$184,345, respectively. The following is a schedule of estimated future minimum rental income for the year ending December 31:

2025	\$	31,368
2026		32,305
2027		27,147
TOTAL	\$	<u>90,820</u>

13. RELATED-PARTY TRANSACTIONS

Members of the Board serve in management roles of corporations that provide services to the Organization, causing these corporations to be related parties. During 2024 and 2023, the Organization paid approximately \$44,000 and \$26,000, respectively, for services from businesses managed in part by members on the Board. As of December 31, 2024 and 2023, there were no amounts outstanding which were owed by the Organization to the related parties.

13. RELATED-PARTY TRANSACTIONS (Continued)

The Organization receives contributions from members of the Board. During 2024 and 2023, the Organization received approximately \$31,000 and \$132,500, respectively, from members of the Board.

14. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after year end but before consolidated financial statements are issued or are available to be issued. These events and transactions either provide additional evidence about conditions that existed at year end, including estimates inherent in the process of preparing consolidated financial statements (that is, recognized subsequent events), or provide evidence about conditions that did not exist at year end but arose after that date (that is, non-recognized subsequent events).

The Organization has evaluated subsequent events through June 11, 2025, the date on which the consolidated financial statements were available to be issued and noted no nonrecognized subsequent events through that date, except as disclosed in Note 6.