HealthPlan Services, Inc.

Special Purpose Financial Statements
Years Ended December 31, 2021 and 2020

HealthPlan Services, Inc.
Contents
Years Ended December 31, 2021 and 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
HealthPlan Services, Inc.

Opinion

We have audited the accompanying special purpose financial statements of HealthPlan Services, Inc., which are comprised of the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the special purpose financial statements.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of HealthPlan Services, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements section of our report. We are required to be independent of HealthPlan Services, Inc. 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 opinion.

Basis of Accounting

We draw attention to Note 1 of the special purpose financial statements, which describes the basis of accounting. The special purpose financial statements are prepared on the basis of accounting discussed in Note 1, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Special Purpose Financial Statements

Management is responsible for the preparation and fair presentation of the special purpose financial statements in accordance with the basis of accounting described in Note 1; this includes determining that the basis of accounting described in Note 1 is an acceptable basis for presentation of the special purpose financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of special purpose financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Special Purpose Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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, intentional omissions, 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 special purpose financial statements.

In performing audits in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the special purpose 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 special purpose 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 HealthPlan Services, Inc.'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 special purpose financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HealthPlan Services, Inc.'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 audits.

Restriction on Distribution and Use

This report is intended solely for the information and use of the board of directors and management of HealthPlan Services, Inc., and for Wipro Limited, its ultimate holding company, for the purpose of meeting the requirements of Section 137 of the Companies Act, 2013, read with rules thereunder, and is not intended to be and should not be used by anyone other than these specified parties.

Williams Overman Pierce, LLP

Raleigh, North Carolina
May 31, 2022

HealthPlan Services, Inc.

Balance Sheets - Special Purpose
As of December 31, 2021 and 2020
(In thousands, except share and per share amounts)

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents		
Unrestricted cash	$ 11,129	$ 22,366
Restricted cash (See Note 1)	672	706
Accounts receivable, net of allowance for doubtful accounts of $1,256 and $1,266, respectively	16,735	7,254
Contract assets	8,213	7,067
Related party note receivable	6,500	-
Related party receivables, net	46,276	-
Prepaid expenses and other current assets	8,156	6,668
Total current assets	97,681	44,061
Property and equipment, net	11,484	18,383
Operating lease right of use assets, net	3,237	6,016
Other assets	22	8
	14,743	24,407
Total assets	$ 112,424	$ 68,468
Liabilities and Stockholder's Equity		
Current liabilities:		
Accounts payable	$ 2,572	$ 2,454
Premiums payable to carriers	2,059	1,970
Accrued liabilities	28,065	25,688
Current portion of operating lease obligations	2,464	3,660
Related party notes payable	-	5,074
Other liabilities	388	413
Contract liabilities	468	1,220
Related party payables, net	-	2,330
Total current liabilities	36,016	42,809
Long-term liabilities:		
Operating lease obligations, less current portion	801	3,082
Commitments and contingencies (Note 8)		
Stockholder's equity		
Common stock, $0.01 par value, 1,000 shares issued and outstanding	-	-
Additional paid-in capital	106,000	106,000
Accumulated deficit	(30,393)	(83,423)
	75,607	22,577
Total liabilities and stockholder's equity	$ 112,424	$ 68,468

See accompanying notes to special purpose financial statements.

HealthPlan Services, Inc.

Statements of Operations - Special Purpose
For the Years Ended December 31, 2021 and 2020
(In thousands)

	2021	2020
Operating revenues	$ 183,522	$ 143,297
Operating expenses:		
Personnel expenses	84,539	83,540
General and administrative	78,795	63,486
Depreciation and amortization	7,848	9,276
Sub-contracting expenses	21,173	9,930
Agent commissions	624	774
Other operating expenses	(3,987)	330
Total operating expenses	188,992	167,336
Loss from operations	(5,470)	(24,039)
Interest expense	22	575
Other income	(40)	(35)
Loss before (benefit from) provision for income taxes	(5,452)	(24,579)
(Benefit from) provision for income taxes	(58,482)	-
Net income (loss)	$ 53,030	$ (24,579)

See accompanying notes to special purpose financial statements.

HealthPlan Services, Inc.

Statements of Changes in Stockholder's Equity - Special Purpose
For the Years Ended December 31, 2021 and 2020
(In thousands, except share and per share amounts)

	Common Stock			Additional Paid in Capital		Accumulated Deficit		Total Stockholder's Equity
	Shares		Amount					
Balance as of January 1, 2020	1,000	$	-	$ 76,000	$	(58,844)	$	17,156
Capital contribution				30,000				30,000
Net loss						(24,579)		(24,579)
Balance as of December 31, 2020	1,000	$	-	$ 106,000	$	(83,423)	$	22,577
Net income						53,030		53,030
Balance as of December 31, 2021	1,000	$	-	$ 106,000	$	(30,393)	$	75,607

See accompanying notes to special purpose financial statements.

HealthPlan Services, Inc.

Statements of Cash Flows - Special Purpose
For the Years Ended December 31, 2021 and 2020
(In thousands)

	2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 53,030	$ (24,579)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,848	9,276
Loss on disposal of equipment	-	574
Allowance for doubtful accounts	(10)	(58)
Changes in assets and liabilities:		
Accounts receivable and contract assets	(10,617)	7,033
Related party receivables, net	(46,276)	-
Prepaid expenses, other current assets, and other assets	(901)	(1,061)
Operating lease right of use assets, net	2,034	3,021
Accounts payable	118	(154)
Premiums payable to carriers	89	(438)
Accrued liabilities and other liabilities	2,352	9,413
Accrued interest expense on related party note payable	(74)	74
Contract liabilities	(752)	552
Related party payables, net	(2,330)	(549)
Operating lease obligations	(3,477)	(3,554)
Net cash provided by (used in) operating activities	1,034	(450)
Cash flows from investing activities:		
Purchases of property and equipment	(805)	(1,481)
Net cash used in investing activities	(805)	(1,481)
Cash flows from financing activities:		
Loan to related party	(6,500)	-
Payments on related party notes payable	(5,000)	(17,116)
Capital contribution	-	30,000
Payments on loan payable	-	(220)
Net cash (used in) provided by financing activities	(11,500)	12,664
Net (decrease) increase in cash and cash equivalents	(11,271)	10,733
Cash and cash equivalents:		
Beginning of year	23,072	12,339
End of year	$ 11,801	$ 23,072
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 96	$ 501

See accompanying notes to special purpose financial statements.

Note 1. Description of Business and Organization and Summary of Significant Accounting Policies

HealthPlan Services, Inc. ("HPSI"), a Florida corporation, is the largest independent provider of sales, service, retention, and technology solutions to the insurance and managed care industry. Since 1970, HPSI has offered customized administration, distribution, and technology services to insurers of individual, small group, voluntary and association plans, as well as valuable solutions to thousands of brokers and agents. HPSI's proprietary, scalable technology provides innovative consumer-facing solutions that are turnkey self-service tools for insurance carriers and distribution partners. HPSI offers an ever-expanding array of services to a diverse and growing client base, and administers products that include medical (PPO, HMO, indemnity, consumer-driven), dental, vision, life, disability, cancer, critical illness, accident, long-term care, limited medical, as well as various other ancillary insurance. HPSI also provides services for the administration of the Affordable Care Act.

HPSI's operations are based in Tampa, Florida and Canfield and Westerville, Ohio. HPSI hereinafter, referred to as "the Company", "our", or "we". The Company's parent is Wipro IT Services, LLC (the "Parent").

The Company provides distribution, underwriting, administrative services (i.e. billing, claims and call centers), and technology solutions for insurance companies, health maintenance organizations, associations, individuals, small businesses, and larger employers. The Company functions solely as a service provider generating fee-based income and does not assume any underwriting risk. It operates as a single, integrated business entity by leveraging a shared information technology backbone, expertise in administration, management and facilities.

HPSI also provides sales support, administration, and claims adjudication services to the self-funded, ancillary, and commercial major medical markets.

Liquidity and management's plans: As shown in the accompanying special purpose financial statements, the Company had a net operating losses (before tax). Management plans to increase revenues through recovery of lost customers and expanding its market, and seeks to control costs. However, there can be no assurances that management's plans will be achieved. The Parent has demonstrated their ability to fund the operations through a capital contribution from time to time.

A summary of the Company's significant accounting policies are as follows:

Basis of accounting: The special purpose financial statements of the Company have been prepared using a basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP") as the accompanying special purpose financial statements do not include the results of our wholly-owned subsidiary, HealthPlan Services Insurance Agency, LLC. The financial position, results of operations, and cash flows of HealthPlan Services Insurance Agency, LLC have not been consolidated with the Company as required by Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810, *Consolidation*. Additionally, the Company is not accounting for its investment in subsidiaries in accordance with FASB ASC 323, *Investments – Equity Method and Joint Ventures*. Instead, the Company has elected to account for its investment in subsidiaries at cost, less any impairments, which approximates fair value at December 31, 2021 and 2020. The special purpose financial statements are prepared on the accrual basis and include only the results of the Company as of and for the years ended December 31, 2021 and 2020. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. The special purpose financial statements have been prepared for the purpose of meeting the requirements of Section 137 of the Companies Act, 2013, read with rules thereunder, by Wipro Limited, the Company's ultimate holding company.

These special purpose financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business. These special purpose financial statements have been presented in U.S. Dollars, in thousands, which is the functional and reporting currency of the Company.

Reclassifications: Certain amounts in the 2020 consolidated financial statements have been reclassified to conform with the 2021 presentation with no effect on previously reported consolidated net loss.

Use of estimates: The preparation of these special purpose financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company reviews its estimates, including but not limited to, recoverability of long-lived assets, on a regular basis, and makes adjustments based on historical experiences and existing and expected future conditions. These evaluations are performed, and adjustments are made as information is available. Management believes that these estimates are reasonable; however, actual results could differ from these estimates.

Revenue recognition: The Company's operating revenues consist of per member per month fees, which are based on services provided to the carrier's monthly serviceable members, fees charged for other administrative services, and fees based upon premiums collected on behalf of or collected by the insurance carriers.

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. To recognize revenues, the Company applies the following five step approach: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenues when a performance obligation is satisfied. At contract inception, the Company assesses its promise to transfer products or services to a customer to identify separate performance obligations. The Company applies judgment to determine whether each product or services promised to a customer are capable of being distinct, and are distinct in the context of the contract, if not, the promised product or services are combined and accounted for as a single performance obligation. The Company allocates the arrangement consideration to separately identifiable performance obligations based on their relative stand-alone selling price or the residual method. Stand-alone selling prices are determined based on sale prices for the components when it is regularly sold separately. In cases where the Company is unable to determine the stand-alone selling price, the Company uses third-party prices for similar deliverables or the Company uses expected cost-plus margin approach in estimating the stand-alone selling price.

For performance obligations where control is transferred over time, revenues are recognized by measuring progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment and is based on the nature of the promised products or services to be provided.

Revenues are recognized ratably over contractual periods or as claims processing and administrative services are performed. Minimum fixed and determinable revenue provided in contracts is also recognized on a straight-line basis, limited to amounts billable according to contractual terms. Revenues from customers with certain contingent rights and revenues based on a percentage of collected cash are not recognized until the corresponding cash is collected. For some of these carriers, whereby the Company has the authority to withhold the amounts related to agent commissions, such collections are directly recognized as revenue. Revenue collected in advance is recorded as a contract liability (deferred revenue) until the related services are performed.

Any change in scope or price is considered as a contract modification. The Company accounts for modifications to existing contracts by assessing whether the services added are distinct and whether the pricing is at the stand-alone selling price. Services added that are not distinct are accounted for on a cumulative catch up basis, while those that are distinct are accounted for prospectively, either as a separate contract if the additional services are priced at the stand-alone selling price, or as a termination of the existing contract and creation of a new contract if not priced at the stand-alone selling price.

The Company accounts for variable considerations such as volume discounts, rebates, and pricing incentives to customers as a reduction of revenue on a systematic and rational basis over the period of the contract. The Company estimates an amount of such variable consideration using expected value method or the single most likely amount in a range of possible consideration depending on which method better predicts the amount of consideration to which the Company may be entitled.

Revenues are shown net of allowances/returns, sales tax, value added tax, goods and services tax, and applicable discounts and allowances.

Incremental costs that relate directly to a contract and incurred in securing a contract with a customer are recognized as an asset when the Company expects to recover these costs and amortized over the contract term.

The Company recognizes contract fulfilment costs as an asset if those costs specifically relate to a contract or to an anticipated contract, the costs generate or enhance resources that will be used in satisfying performance obligations in the future; and the costs are expected to be recovered. The asset recognized is amortized on a systematic basis consistent with the transfer of goods or services to the customer to which the asset relates.

The Company assesses the timing of the transfer of goods or services to the customer as compared to the timing of payments to determine whether a significant financing component exists. As a practical expedient, the Company does not assess the existence of a significant financing component when the difference between payment and transfer of deliverables is a year or less. If the difference in timing arises for reasons other than the provision of financing to either the customer or us, no financing component is deemed to exist.

The Company may enter into arrangements with third party suppliers to resell products or services. In such cases, we evaluate whether we are the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). In doing so, we first evaluate whether we control the good or service before it is transferred to the customer. If we control the good or service before it is transferred to the customer, we are the principal; if not, we are the agent.

A. Contract Asset and Liabilities

The timing of revenue recognition may differ from the timing of invoicing to customers. The Company classifies its right to consideration in exchange for deliverables as either an accounts receivable or an unbilled receivable (contract asset).

Contract assets: Contract assets include unbilled amounts from projects when revenues recognized exceed the amounts invoiced to customers related to time and materials contracts or volume-based contracts. Such amounts are recoverable from customers based upon various measures of performance, including achievement of certain milestones, completion of specified units, or completion of a contract. Contract assets do not include capitalized costs to obtain and fulfill a contract.

During the year ended December 31, 2021, $1,028 of unbilled revenue as of January 1, 2021, pertaining to fixed-price contracts, has been reclassified to trade receivables on completion of certain milestones. During the year ended December 31, 2020, $1,017 of unbilled revenue as of January 1, 2020, pertaining to fixed-price contracts, has been reclassified to trade receivables on completion of certain milestones.

Contract liabilities: Contract liabilities arise when amounts invoiced to customers exceed revenues recognized under the cost-to-cost measure of progress. Contract liabilities can also include provision for losses on uncompleted contracts or advanced payments from customers on certain contracts.

During the year ended December 31, 2021, the Company recognized revenue of $681 arising from opening unearned revenue as of January 1, 2021. During the year ended December 31, 2020, the Company recognized revenue of $460 arising from opening unearned revenue as of January 1, 2020.

Contract assets and liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period.

(In Thousands)

B. Remaining Performance Obligations

Revenue allocated to remaining performance obligations represent contracted revenue that has not yet been recognized, which includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods. Applying the practical expedient, the Company has not disclosed its right to consideration from customers in an amount that corresponds directly with the value to the customer of the Company's performance completed to date. These include contracts invoiced on a time and material basis or those that are volume-based.

C. Disaggregation of Revenues

The table below presents disaggregated revenues from contracts with customers by contract-type. The Company believes that the below disaggregation best depicts the nature, amount, timing, and uncertainty of revenue and cash flows from economic factors for the years ended December 31:

Revenue by nature of contract	2021	2020
Time and materials	$ 181,914	$ 140,167
Fixed-price and volume based	1,608	3,130
	$ 183,522	**$ 143,297**

Cash and cash equivalents: Cash and cash equivalents are defined as highly liquid investments that have maturities of three months or less when purchased. Cash and cash equivalents of the Company include bank accounts for two insurance carriers, who are clients of the Company, amounting to approximately $672 and $706 as of December 31, 2021 and 2020, respectively, used to hold deposits for the carriers' premiums. The Company may only transfer this cash out of the accounts according to the terms between the Company and each of the carriers as stated within the contract. These amounts are classified as restricted cash on the accompanying balance sheets – special purpose.

As of December 31, 2021 and 2020, the Company had cash balances of approximately $11,550 and $22,822, respectively, in excess of limits insured by the Federal Deposit Insurance Corporation. This potentially subjects the Company to market and credit risk. Management periodically assesses the quality of the financial institutions and believes that the risk related to these deposits is minimal.

Cash and cash equivalents are stated at cost, which approximates fair value, based on quoted market prices as of December 31, 2021 and 2020.

Accounts receivable: Accounts receivable are uncollateralized customer obligations that are recorded when the Company performs its services. The Company determines its allowance for doubtful accounts considering a number of factors, including the overall aging of the receivables, previous history with the customer, contractual terms of the Company's contracts, and the customer's current ability to pay its obligation to the Company. Upon completion of all collection efforts, remaining uncollectible accounts are written off. As of December 31, 2021 and 2020, the Company had an allowance for doubtful accounts of approximately $1,256 and $1,266, respectively.

As of December 31, 2021 and 2020, there was approximately $8,213 and $7,067, respectively, in accounts receivable for services provided to customers but not yet billed.

Prepaid expenses and other current assets: Prepaid expenses and other current assets consist primarily of prepayments related to insurance, postage, and repair and maintenance contracts.

(In Thousands)

Property and equipment: Property and equipment is stated at cost. Costs of the assets acquired in prior business combinations have been recorded at their respective fair values at the date of acquisition. Expenditures for maintenance and repairs and research and development costs are expensed as incurred. Major improvements that increase the estimated useful life of an asset are capitalized.

Depreciation is computed using the straight-line method over the following estimated useful lives of the related assets:

	Years
Furniture and fixtures	3-10
Computer equipment and software	3-7
Developed software – internal use	2-7
Leasehold improvements	The lesser of the lease term or life of the asset

In accordance with FASB ASC Topic 350, *Intangibles-Goodwill and Other*, certain external direct costs of materials and services, internal payroll and payroll related costs, contracted programming costs, and other qualifying costs incurred in connection with developing or obtaining internal use software are capitalized. No such amounts were capitalized during the years ended December 31, 2021 and 2020.

Intangibles and impairment of long-lived assets (except goodwill): The Company's long-lived assets (asset groups) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset (asset group) may not be recoverable. Recoverability of long-lived assets (asset groups) to be held and used is measured by a comparison of the carrying amount of a long-lived asset (asset group) to future net cash flows (undiscounted and without interest charges) expected to be generated by the long-lived asset (asset group) to determine if an impairment exists. If such long-lived assets (asset groups) are considered to be impaired, the impairment recognized is measured as the amount by which the carrying amount of the long-lived assets (asset groups) exceed their fair value, which is estimated by calculating the discounted future net cash flows associated with the asset (asset group). Long-lived assets (asset groups) to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Other intangible assets: Finite-lived intangible assets resulting from previous business combinations were recognized at fair value at the date of acquisition. Other intangible assets consist of customer lists and are amortized over 10 years using the straight-line method.

Goodwill: Goodwill results from the excess of the consideration transferred for an acquisition over the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed in previous business combinations. The Company amortizes its goodwill over 10 years using the straight-line method. The Company tests its recorded goodwill for impairment upon a triggering event at the entity level. Factors that could trigger an impairment test include, but are not limited to, under performance relative to historical or projected future operating results, significant changes in the Company's overall business, significant negative industry or economic trends.

Premiums payable to carriers: The Company collects insurance premiums on behalf of certain insurance carrier customers and managed care customers. The amount of premiums collected in excess of the Company's compensation for the services it provides are recorded as premiums payable and are paid to the customers according to contractual terms. As of December 31, 2021 and 2020, two customers represented $2,058 and $1,957, or 99% and 99%, respectively, of the total premiums payable outstanding.

Commissions payable: Agent commissions are recognized as expenses in the same period that corresponding revenues are recognized. These commissions are paid to the agents in the month after the related premiums are collected. Commissions payable are included in accrued liabilities on the accompanying balance sheets – special purpose.

Leases: The Company has both operating and financing leases for office space and IT equipment. We determine if a contract is, or contains, a lease at inception. A contract is, or contains, a lease if the contract conveys the right to control the use of identified property or equipment (an identified asset) for a period of time in exchange for consideration.

We have the right to control the use of the identified asset when we have both of the following: the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. In making this determination, we consider all relevant facts and circumstances. Operating lease right of use ("ROU") assets are included in non-current assets and operating lease obligations are included in current and non-current liabilities on the accompanying balance sheets – special purpose. Finance lease ROU assets are included in non-current assets and financing lease obligations are included in current liabilities on the accompanying balance sheets – special purpose.

Our ROU asset is recognized as the lease obligation including any initial indirect costs and any prepaid lease payments, less any lease incentives. Our lease obligations are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. Our lease payments consist of amounts relating to the use of the underlying asset during the lease term, specifically fixed payments, payments to be made in optional periods when we are reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease and the amounts probable of being owed by us under residual guarantees. Our variable lease payments are excluded in measuring ROU assets and lease obligations because they do not depend on an index or a rate and are not in substance fixed payments. We exclude lease incentives and initial direct costs incurred from our lease payments. Our leases typically do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments.

For operating leases, after lease commencement, we measure our lease obligation for each period at the present value of any remaining lease payments, discounted by using the rate determined at lease commencement. We recognize a single operating lease expense calculated on a straight-line basis over the remaining lease term. The depreciation of the ROU asset increases each year as a result of the declining lease obligation balance.

For finance leases, after lease commencement, we measure our lease obligation by using the effective interest rate method. In each period, the lease obligation will be increased to reflect the interest that is accrued on the related lease obligation by using the appropriate discount rate, offset by a decrease in the lease obligation resulting from the periodic lease payments. We recognize the ROU asset at cost, reduced by any accumulated depreciation. The ROU asset is depreciated on a straight-line basis. Together, the interest expense and depreciation expense result in a front-loaded expense profile. Interest expense and depreciation expense are presented separately on our accompanying statements of operations – special purpose.

In our accompanying statements of operations – special purpose, we recognize lease expense within general and administrative expense. For leases classified as financing, the interest on lease obligations is classified within interest expense.

Income taxes: The company uses asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary difference between the financial statement carrying amounts of existing asset and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax asset and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of change in tax rate on deferred tax asset and liabilities is recognized in income in the period the change is enacted.

The Company files consolidated income tax returns with its parent company in the U.S. federal jurisdiction and various states, whenever applicable, and records its share of the consolidated federal tax liability on a separate return basis. The Company regularly reviews the likelihood of additional tax assessments and adjusts its reserve as additional information or events require. The Company believes that its tax positions comply with applicable tax law and the Company has adequately provided for applicable tax matters as of December 31, 2021.

(In Thousands)

Note 2. Concentration of Customers

The Company is party to a variety of contracts with insurance companies, managed care organizations, and other health care provider customers located throughout the U.S. to provide third-party marketing, administration, claims and data management services, and other value-added services.

Major customers are those that account for 10% or more of the Company's total revenue for the years ended December 31, 2021 and 2020, or have net receivable balances as of December 31, 2021 and 2020, in excess of 10% of total accounts receivable, net of the allowance for doubtful accounts.

As of December 31, 2021, four customers represented 97% of accounts receivable, and for the year ended December 31, 2021, the same four customers represented 77% of total revenue as follows:

	Receivables	Revenue
Customer A	$ 5,807	$ 46,589
Customer B	$ 0	$ 39,500
Customer C	$ 5,943	$ 29,039
Customer D	$ 4,446	$ 25,755

As of December 31, 2020, three customers represented 88% of accounts receivable, and for the year ended December 31, 2020, the same three customers represented 71% of total revenue as follows:

	Receivables	Revenue
Customer A	$ 3,301	$ 45,572
Customer B	$ 2,166	$ 31,824
Customer C	$ 917	$ 23,747

Note 3. Property and Equipment

Property and equipment consisted of the following as of December 31:

	2021	2020
Furniture and fixtures	$ 1,477	$ 1,468
Computer equipment and software	87,476	86,680
Developed software - internal use	85,600	85,600
Leasehold improvements	2,767	2,767
	177,320	176,515
Less: accumulated depreciation and amortization	(157,541)	(149,837)
Less: accumulated impairment	(8,295)	(8,295)
	$ 11,484	**$ 18,383**

Note 4. Leases

For operating leases, the ROU assets and lease liabilities are presented in our accompanying balance sheets – special purpose as follows as of December 31:

Financial Statement Line Item	Balance Sheet Classification	2021	2020
Operating lease right of use assets	Other noncurrent assets	$ 3,237	$ 6,016
Operating lease obligations - current	Other current liabilities	$ 2,464	$ 3,660
Operating lease obligations - noncurrent	Other noncurrent liabilities	$ 801	$ 3,082

(In Thousands)

Other supplemental information related to operating leases includes the following as of and for the years ended December 31:

	2021	2020
Weighted-Average Remaining Contractual Lease Term (Years)	1.5	1.8
Weighted-Average Discount Rate	4.24%	4.55%
Cash paid for amounts included in measuring operating lease liabilities:		
Operating cash outflows from operating leases	$ 4,226	$ 4,271
Operating lease assets obtained in exchange for lease obligations	$ 3,619	$ 3,737

As of and for the years ended December 31, 2021 and 2020, the balance and activity of finance leases was not significant.

Operating lease costs included in general and administrative expenses in the accompanying statements of operations – special purpose during the years ended December 31, 2021 and 2020 totaled $3,619 and $3,737, respectively.

As of December 31, 2021 and 2020, future minimum rental commitments required under the terms of the existing operating leases are as follows:

	2021	2020
0-1 year	$ 2,531	$ 3,899
1-2 year	419	2,714
2-3 year	308	264
3-4 year	98	182
4-5 year	12	-
Future minimum lease payments	3,368	7,059
Less: amounts representing interest	(103)	(317)
Present value of minimum lease payments	3,265	6,742
Less: Current portion	(2,464)	(3,660)
Long-term portion	**$ 801**	**$ 3,082**

Note 5. Credit Facilities

The Company's related party notes payable consisted of the following as of December 31:

	2021	2020
Unsecured related party notes payable to Wipro, including accrued interest ranging from 2.9% to 4.09%, due on demand (Note 7)	$ 0	$ 5,074
	$ 0	**$ 5,074**

Overdraft Protection: The Company has access to an unsecured short-term account overdraft facility ("Overdraft Account") that is maintained by Citibank. The Overdraft Account is shared by the Company and other U.S. Wipro subsidiaries with a maximum total availability of $10,000. The Overdraft Account has no interest charges. Draws on the account are repaid in approximately 14 calendar days. As of December 31, 2021 and 2020, there were no outstanding balances on the Overdraft Account.

Note 6. Employee Benefit Plans

Defined contribution plan: The Company has a defined contribution employee benefit plan established pursuant to Section 401(k) of the Internal Revenue Code covering substantially all employees. A total of 434 and 560 employees participated in the plan at December 31, 2021 and 2020, respectively. The Company matches all of the employee contributions in the plan limited to 3% of the employee's salary plus an additional 50% match on the next 2% of the employee's salary. Under the provisions of the plan, participants' rights to employer contributions vest 100% on the date the employee completes one year of service with the Company and meets a plan entry date for matching purposes of January 1 or July 1 that coincides with, or next follows, the anniversary date.

The Company's matching expense in connection with this plan for the years ended December 31, 2021 and 2020 was approximately $1,052 and $1,048, respectively, and is included in personnel expenses in the accompanying statements of operations – special purpose.

Note 7. Related Party Transactions

During the years ended December 31, 2021 and 2020, Wipro Group companies paid $28,660 and $26,966, respectively, in net revenue to the Company and the Company paid $18,102 and $10,488, respectively, to Wipro Group companies for various services. The transactions for services provided by Wipro Group companies are included in sub-contracting expenses and interest expense in the accompanying statements of operations – special purpose. Additionally, certain expenses incurred by our wholly-owned subsidiary are recorded by the Company as a pass through expense as the costs are reimbursed by our wholly-owned subsidiary. During the year ended December 31, 2021, our wholly-owned subsidiary reimbursed us for personnel expenses of $864, general and administrative expenses of $299, and agent commissions of $1,201. During the year ended December 31, 2020, our wholly-owned subsidiary reimbursed us for personnel expenses of $1,300, general and administrative expenses of $257, and agent commissions of $1,407.

As of December 31, 2021, the Company had a net related party receivable balance of $46,276 from Wipro Group companies. Additionally, during the year ended December 31, 2021, the Company entered into a loan agreement with a related party for $6,500. Interest on the loan as of the effective date is at a rate equal to the 12-month U.S. Dollar LIBOR rate plus 85 basis points. The loan matures in August 2022. As of December 31, 2021, the balance of the related party loan receivable is $6,500.

As of December 31, 2020, the Company had a net related party payable balance of $2,330 to Wipro Group companies. Additionally, the Company had $5,074 in related party notes payable due to Wipro Group companies as of December 31, 2020. This related party notes payable was fully repaid during the year ended December 31, 2021. These related party payables represent notes and accrued interest (see Note 5), charges for software subscriptions, employee benefits, and information technology and data center resources. Amounts payable under these arrangements are uncollateralized and are due on demand.

Note 8. Commitments and Contingencies

Regulatory compliance: The Company's activities are highly regulated by state and federal regulatory agencies under requirements that are subject to broad interpretations. The Company cannot predict the position that may be taken by these third parties that could require changes to the manner in which the Company operates.

The Employee Retirement Income Security Act of 1974, as amended ("ERISA") is an evolving area of law and is subject to ongoing regulatory and judicial interpretations. ERISA governs the relationships between certain health benefit plans and the fiduciaries of those plans. In general, ERISA is designed to protect the ultimate beneficiaries of the plans from wrongdoing by the fiduciaries. ERISA provides that a person is a fiduciary of a plan to the extent that such person has discretionary authority in the administration of the plan or with respect to the plan's assets.

(In Thousands)

Each employer is a fiduciary of the plan it sponsors, but there also can be other fiduciaries of a plan. ERISA imposes various express obligations on fiduciaries. For example, a fiduciary must prevent its plan from engaging in certain prohibited transactions with parties in interest or from acting under an impermissible conflict of interest with a plan. Generally, a party in interest with respect to a plan includes a fiduciary of the plan and persons that provide services to the plan.

State regulation: The Company is subject to regulation under health care, insurance, and other laws of all 50 states, the District of Columbia, and Puerto Rico. Many states require the Company or its employees to receive regulatory approval or licensure to provide claims administration services. State regulators have relatively broad discretion to interpret these laws when granting, renewing or revoking licenses or approvals. Regulators could construe some of these laws to prohibit or restrict practices that have been significant factors in the Company's operating procedures for many years.

Litigation: The Company is subject to pending and threatened litigation that arises in the ordinary course of business. Although the outcome of this litigation cannot be predicted with certainty, management believes that ultimate disposition of such matters will not have a material effect on the Company's special purpose financial statements. As of December 31, 2021 and 2020, the Company was carrying a provision of $7,000 related to an ongoing litigation dispute with a former customer. This represents management's best estimate of the possible loss associated with this matter. The provision is included in accrued liabilities in the accompanying balance sheets – special purpose.

Note 9. Income Taxes

The Company files a consolidated federal tax return with other Wipro group companies in the U.S. and records its share of the consolidated federal tax expense (benefit) on a separate return basis. The Company's income tax benefit for the year ended December 31, 2021, consisted of the following:

Current income tax benefit	$	(54,331)
Deferred income tax benefit		(4,151)
	$	**(58,482)**

In prior years, the Company did not record an income tax provision (benefit) due to uncertainty at the consolidated level of whether the Company's operating losses could be utilized by the group on its consolidated federal tax return. Management believes that the losses can be utilized and therefore the tax recorded more accurately reflects the Company's share of income taxes resulting in an increase to net income of $54,714 during the year ended December 31, 2021.

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Differences are primarily attributable to depreciation and amortization, contract liabilities, and accrued liabilities.

Note 10. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In assessing the recoverability of receivables, the Company has considered internal and external information up to the date the special purpose financial statements were available to be issued, including credit reports and economic factors. Based on the current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets.

Based on the Company's assessment, management believes the Company's special purpose financial statements will not be materially impacted by COVID-19. However, the impact of COVID-19 remains uncertain and may be different from what the Company has estimated as of May 31, 2022. The Company will continue to closely monitor any material changes to future economic conditions.

Note 11. Subsequent Events

Management has evaluated subsequent events through May 31, 2022, which is the date through which the special purpose financial statements were available to be issued. No significant subsequent events have been identified by management.