

# **WIPRO INSURANCE SOLUTIONS, LLC**

## FINANCIAL STATEMENTS

Years Ended March 31, 2022 and 2021



Williams Overman Pierce, LLP  
— CPAs • Advisors —

**WIPRO INSURANCE SOLUTIONS, LLC**  
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## INDEPENDENT AUDITORS' REPORT

To the Member of  
Wipro Insurance Solutions, LLC

### Opinion

We have audited the accompanying financial statements of Wipro Insurance Solutions, LLC, which are comprised of the balance sheets as of March 31, 2022 and 2021, and the related statements of operations and member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wipro Insurance Solutions, LLC as of March 31, 2022 and 2021, and the results of its operations 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wipro Insurance Solutions, LLC 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.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 Wipro Insurance Solutions, LLC'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wipro Insurance Solutions, LLC'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.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules on page 13 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Williams Overman Pierce, LLP*

Raleigh, North Carolina  
June 15, 2022

**WIPRO INSURANCE SOLUTIONS, LLC**  
**BALANCE SHEETS**  
**MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 1,789,547	\$ 2,124,507
Accounts receivable	-	124,571
Contract assets	-	178,931
Prepaid expenses and other current assets	<u>503,816</u>	<u>315,303</u>
	2,293,363	2,743,312
Deferred tax assets	<u>28,712</u>	<u>28,712</u>
Total assets	<u>\$ 2,322,075</u>	<u>\$ 2,772,024</u>
<u>Liabilities and Member's Equity</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 287,096	\$ 276,085
Due to affiliates	38,162	226,914
Employee benefit payable	35,600	29,645
Income tax payable	256,819	2,710
Other current liabilities	<u>1,000</u>	<u>-</u>
	<u>618,677</u>	<u>535,354</u>
Commitments and contingencies (Note 5)		
Member's equity	<u>1,703,398</u>	<u>2,236,670</u>
Total liabilities and member's equity	<u>\$ 2,322,075</u>	<u>\$ 2,772,024</u>

See accompanying notes to financial statements.

**WIPRO INSURANCE SOLUTIONS, LLC**  
**STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Revenues:		
Service revenue	\$ 387,614	\$ 1,459,531
Reimbursements	<u>-</u>	<u>1,219</u>
Total revenues	387,614	1,460,750
Cost of revenues	<u>361,128</u>	<u>1,383,328</u>
Gross profit	26,486	77,422
Selling, general and administrative expenses	<u>306,321</u>	<u>261,836</u>
Loss from operations	(279,835)	(184,414)
Other income (expense):		
Interest income	1,056	1,195
Other expense	<u>(6,105)</u>	<u>(16,830)</u>
	<u>(5,049)</u>	<u>(15,635)</u>
Loss before (provision for) benefit from income taxes	(284,884)	(200,049)
(Provision for) benefit from income taxes, net	<u>(248,388)</u>	<u>104,084</u>
Net loss	(533,272)	(95,965)
Member's equity - beginning of year	<u>2,236,670</u>	<u>2,332,635</u>
Member's equity - end of year	<u>\$ 1,703,398</u>	<u>\$ 2,236,670</u>

See accompanying notes to financial statements.

**WIPRO INSURANCE SOLUTIONS, LLC**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net loss	\$ (533,272)	\$ (95,965)
Adjustments to reconcile net loss to net cash used in operating activities:		
(Increase) decrease in:		
Accounts receivable	124,571	(17,992)
Contract assets	178,931	17,696
Prepaid expenses and other current assets	(188,513)	(97,582)
Increase (decrease) in:		
Accounts payable and accrued expenses	11,011	99,835
Due to affiliates	(188,752)	84,286
Employee benefit payable	5,955	29,645
Income tax payable	254,109	(102,374)
Other current liabilities	<u>1,000</u>	<u>-</u>
Net cash used in operating activities	<u>(334,960)</u>	<u>(82,451)</u>
Net decrease in cash and cash equivalents	(334,960)	(82,451)
Cash and cash equivalents:		
Beginning of year	<u>2,124,507</u>	<u>2,206,958</u>
End of year	<u>\$ 1,789,547</u>	<u>\$ 2,124,507</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 1,710</u>

See accompanying notes to financial statements.

## **WIPRO INSURANCE SOLUTIONS, LLC NOTES TO FINANCIAL STATEMENTS**

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### **NOTE 1 – DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **DESCRIPTION OF BUSINESS**

Wipro Insurance Solutions, LLC (the “Company”), organized in the state of Delaware, is a wholly owned subsidiary of Wipro, LLC. The Company’s ultimate holding company is Wipro Limited, a company traded on the New York Stock Exchange.

The Company was formed to provide end-to-end administrative functions and services related to life and annuity, property and casualty, and healthcare insurance. The Company is a service provider to various insurers, brokers, carriers and providers of insurance across the United States and holds 41 third-party administrative licenses. The Company also provides consumer lending account support services for its customers in the United States in 47 states, the District of Columbia, and Puerto Rico.

#### **LIQUIDITY AND MANAGEMENT’S PLANS**

As shown in the accompanying financial statements, the Company had a net loss and negative cash flows from operations. 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 Ultimate Holding Company has committed to provide working capital necessary for funding the operations of the Company through one year from the date of this report, as needed.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

##### **a. Basis of Accounting**

The financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

These 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 financial statements have been presented in U.S. Dollars, which is the functional and reporting currency of the Company.



## **WIPRO INSURANCE SOLUTIONS, LLC**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **b. Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires 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. Management believes that these estimates are reasonable. Actual results could differ from those estimates.

#### **c. Revenue Recognition**

The Company derives revenue primarily from administrative services rendered to life and annuity, property and casualty, and healthcare 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 judgement to determine whether each product or service promised to a customer is capable of being distinct, and are distinct in the context of the contract, if not, the promised product or services are combined and accounted 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 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.

## **WIPRO INSURANCE SOLUTIONS, LLC**

### **NOTES TO FINANCIAL STATEMENTS**

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Revenues are recognized ratably over contractual periods or as software maintenance and support 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. 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 are 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.

## WIPRO INSURANCE SOLUTIONS, LLC

### NOTES TO FINANCIAL STATEMENTS

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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 finance to either the customer or the Company, 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, the Company evaluates whether the Company is the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis). In doing so, the Company first evaluates whether the Company controls the good or service before it is transferred to the customer. If the Company controls the good or service before it is transferred to the customer, the Company is the principal; if not, the Company is the agent.

#### ***Contract Asset and Contract 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.

**Contract liabilities:** Contract liabilities from contracts 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.

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

#### ***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.

## WIPRO INSURANCE SOLUTIONS, LLC NOTES TO FINANCIAL STATEMENTS

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### ***Disaggregation of Revenues***

The table below presents disaggregated revenues from contracts with customers by contract-type for the years ended March 31, 2022 and 2021. The Company believes that the below disaggregation best depicts the nature, amount, timing, and uncertainty of revenue and cash flows from economic factors.

<u>Revenue by nature of contract</u>	<u>2022</u>	<u>2021</u>
Time and materials	<u>\$ 387,614</u>	<u>\$ 1,460,750</u>

### **d. Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original maturity date of three months or less at the time of purchase to be cash equivalents.

The Company maintains cash balances with various major financial institutions located in the United States. Accounts at these institutions are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. The Company's management does not believe cash is exposed to significant credit risk. The Company periodically evaluates the relative credit standings of the financial institutions with which they do business.

Cash and cash equivalents are stated at cost, which approximates fair value, based on quoted market prices as of March 31, 2022 and 2021.

### **e. Accounts Receivable, Allowance for Doubtful Accounts, and Contract Assets**

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. Management believes that as of March 31, 2022 and 2021, all outstanding accounts receivable balances are collectible and as such, no allowance for doubtful accounts was recorded.

As of March 31, 2022 and 2021, there was \$0 and \$178,931, respectively, for services provided to customers but not yet billed, which are included in contract assets on the accompanying balance sheets.

### **f. Fair Value of Financial Instruments**

The carrying amount of financial instruments, which include cash and cash equivalents, accounts receivable, accounts payables and accrued expenses, approximate their fair value at March 31, 2022 and 2021.

**WIPRO INSURANCE SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**g. Income Taxes**

The Company uses the 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 differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets 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 assets and liabilities is recognized in operations 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 parent-company-down approach. 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 March 31, 2022.

**NOTE 2 – CONCENTRATION OF CUSTOMERS**

Major customers are those that account for 10% or more of the Company's total revenue, or have net receivable balances in excess of 10% of total accounts receivable.

For the year ended March 31, 2022, one customer represented 100% of total revenue as follows:

<u>Customer</u>	<u>Receivables</u>	<u>Revenue</u>
Customer A	\$ -	\$ 387,614

As of March 31, 2021, one customer represented 100% of accounts receivable, and for the year ended March 31, 2021, the same customer represented 99% of total revenue as follows:

<u>Customer</u>	<u>Receivables</u>	<u>Revenue</u>
Customer A	\$ 124,571	\$ 1,448,098

**NOTE 3 – RELATED PARTY TRANSACTIONS**

Throughout the year, the Company has outsourced certain services to other Wipro companies. In addition, some employee benefits and insurance is either paid for by Wipro or included in Wipro's policies and charged back to the Company. As of March 31, 2022, and 2021, the Company had intercompany payables to other Wipro companies of \$38,162 and \$226,914, respectively.

**WIPRO INSURANCE SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 4 – INCOME TAXES**

The Company files its federal tax return as a member of a consolidated group and records its share of the consolidated federal tax liability on a separate return basis. The Company's income tax benefit for the years ended March 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Current income tax provision (benefit)	\$ 248,388	\$ (104,084)
Deferred income tax provision (benefit)	<u>-</u>	<u>-</u>
	<u>\$ 248,388</u>	<u>\$ (104,084)</u>

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 accrued liabilities for the year ended March 31, 2022.

**NOTE 5 – CONTINGENCIES**

***Legal Matters***

From time to time, the Company may be involved in various litigation matters in the ordinary course of business. The Company is unaware of any litigation, pending or threatened, against them.

**NOTE 6 – 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.

Based on the Company's assessment, management believes the Company's financial statements will not be materially impacted by COVID-19 during fiscal year 2023. However, the impact of COVID-19 remains uncertain and may be different from what the Company has estimated as of the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions.

**NOTE 7 – SUBSEQUENT EVENTS**

Management of the Company has evaluated subsequent events through June 15, 2022, the date the financial statements were available to be issued. No significant subsequent events have been identified by management.

## **SUPPLEMENTARY INFORMATION**

**WIPRO INSURANCE SOLUTIONS, LLC**  
**SCHEDULES OF EXPENSES**  
**FOR THE YEARS ENDED MARCH 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
Cost of revenues:		
Subcontracting expenses	\$ 985	\$ 336,871
Salaries expense	377,034	592,171
Employee benefits	150,749	144,905
Rent	<u>(167,640)</u>	<u>309,381</u>
	<u>\$ 361,128</u>	<u>\$ 1,383,328</u>
Selling, general and administrative:		
Professional fees	\$ 228,184	\$ 195,570
Corporate overhead	27,716	25,319
Bank fees	17,713	16,484
Audit fees	26,039	24,291
Other	<u>6,669</u>	<u>172</u>
	<u>\$ 306,321</u>	<u>\$ 261,836</u>