

WIPRO INSURANCE SOLUTIONS, LLC

FINANCIAL STATEMENTS

Years Ended March 31, 2020 and 2019



Williams Overman Pierce, LLP
CPAs • Advisors

WIPRO INSURANCE SOLUTIONS, LLC
TABLE OF CONTENTS
MARCH 31, 2020 AND 2019

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	3
Statements of Operations and Member's Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information:	
Schedules of Expenses	14



INDEPENDENT AUDITORS' REPORT

To the Member of
Wipro Insurance Solutions, LLC

We have audited the accompanying financial statements of Wipro Insurance Solutions, LLC, which are comprised of the balance sheets as of March 31, 2020 and 2019, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020 and 2019, 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.



Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule on page 14 is presented for purposes of additional analysis of the financial statements and is 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 supplementary 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 supplementary 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 12, 2020

WIPRO INSURANCE SOLUTIONS, LLC
BALANCE SHEETS
MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,206,958	\$ 2,176,883
Accounts receivable	106,579	281,747
Contract assets	196,627	145,417
Prepaid expenses and other current assets	<u>217,721</u>	<u>67,658</u>
	2,727,885	2,671,705
Deferred tax assets	<u>28,712</u>	<u>-</u>
Total assets	<u>\$ 2,756,597</u>	<u>\$ 2,671,705</u>
<u>Liabilities and Member's Equity</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 176,250	\$ 58,574
Due to affiliates	142,628	470,642
Income tax payable	<u>105,084</u>	<u>165,909</u>
	<u>423,962</u>	<u>695,125</u>
Long-term liabilities:		
Deferred tax liability	<u>-</u>	<u>1,522</u>
Contingencies		
Member's equity	<u>2,332,635</u>	<u>1,975,058</u>
Total liabilities and member's equity	<u>\$ 2,756,597</u>	<u>\$ 2,671,705</u>

See accompanying notes to financial statements.

WIPRO INSURANCE SOLUTIONS, LLC
STATEMENTS OF OPERATIONS AND MEMBER'S EQUITY
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Revenues:		
Service revenue	\$ 1,855,260	\$ 1,113,674
Reimbursements	<u>4,101</u>	<u>15,009</u>
Total revenues	1,859,361	1,128,683
Cost of revenues	<u>1,268,781</u>	<u>862,809</u>
Gross profit	590,580	265,874
Selling, general and administrative expenses	<u>333,297</u>	<u>216,857</u>
Income from operations	257,283	49,017
Other income (expense):		
Interest income	10,033	13,618
Other expense	<u>-</u>	<u>(3,104)</u>
	10,033	10,514
Income before benefit from (provision for) income taxes	267,316	59,531
Benefit from (provision for) income taxes, net	<u>90,261</u>	<u>(17,469)</u>
Net income	357,577	42,062
Member's equity - beginning of year	<u>1,975,058</u>	<u>1,932,996</u>
Member's equity - end of year	<u>\$ 2,332,635</u>	<u>\$ 1,975,058</u>

See accompanying notes to financial statements.

WIPRO INSURANCE SOLUTIONS, LLC
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net income	\$ 357,577	\$ 42,062
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in deferred income taxes	(30,234)	1,523
(Increase) decrease in:		
Accounts receivable	175,168	(93,287)
Contract assets	(51,210)	(55,793)
Prepaid expenses and other current assets	(150,063)	(60,536)
Increase (decrease) in:		
Accounts payable and accrued expenses	117,676	33,305
Due to affiliates	(328,014)	271,425
Income tax payable	<u>(60,825)</u>	<u>15,037</u>
Net cash provided by operating activities	<u>30,075</u>	<u>153,736</u>
Net increase in cash and cash equivalents	30,075	153,736
Cash and cash equivalents:		
Beginning of year	<u>2,176,883</u>	<u>2,023,147</u>
End of year	<u>\$ 2,206,958</u>	<u>\$ 2,176,883</u>
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	<u>\$ 800</u>	<u>\$ 910</u>

See accompanying notes to financial statements.

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 for life and annuity, property and casualty, and healthcare insurance carriers. The Company also intends to be a service provider to various insurers, brokers, carriers and providers of insurance across the United States and a vehicle through which the parent company will operate credit card collection support for its customers in the United States. The Company is able to collect licenses in 47 States, 3 cities and 2 territories, the District of Columbia, and Puerto Rico. The Company also holds 26 third party administrative licenses.

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.

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. Adoption of New Accounting Standards:

During the year ended March 31, 2020, the Company adopted the following accounting standard under the Accounting Standards Codification ("ASC") issued by the Financial Accounting Standards Board ("FASB"):

ASC 606 – Revenue from Contracts with Customers - On April 1, 2019, the Company adopted ASC 606, *Revenue from Contracts with Customers*, using the cumulative catch-up transition method applied to contracts that were not completed as of April 1, 2019. In accordance with the cumulative catch-up transition method, prior periods have not been retrospectively adjusted. The adoption of ASC 606 did not have a material impact on the accompanying statement of operations for the year ended March 31, 2020.

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. There were no contract asset amounts as of April 1, 2019, pertaining to fixed-price contracts, that were required to be reclassified to trade receivables on completion of certain milestones.

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. As of April 1, 2018, the balances of accounts receivable (net of allowance for doubtful accounts of \$43,853) and contract assets were \$188,460 and \$89,625, respectively. The Company did not have any contract liabilities as of April 1, 2018.

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.

Disaggregation of Revenues

The table below presents disaggregated revenues from contracts with customers by contract-type for the years ended March 31, 2020 and 2019. 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>2020</u>	<u>2019</u>
Time and materials	<u>\$ 1,859,361</u>	<u>\$ 1,128,683</u>

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.

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.

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.

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, 2020 and 2019.

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, 2020 and 2019, all outstanding accounts receivable balances are collectible and as such, no allowance for doubtful accounts was recorded.

As of March 31, 2020 and 2019, there was \$196,627 and \$145,417, 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, 2020 and 2019.

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 on deferred tax assets and liabilities of a change in tax rates 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. With exceptions, the Company is no longer subject to U.S. federal, state and local or non-U.S. income tax audits by taxing authorities for tax years prior to 2016. The Company regularly reviews the likelihood of additional tax assessments and adjusts its reserves as additional information or events require. The Company believes that its tax positions comply with applicable tax law and that the Company has adequately provided for applicable tax matters as of March 31, 2020 and 2019.

h. Uncertain Tax Positions

The Company evaluates all significant tax positions in accordance with FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. The Company recognizes the financial statement effects of an uncertain income tax position when it is more likely than not, based on the technical merits, that the position will not be sustained upon examination. The Company accrues for other tax contingencies when it is probable that a liability to a taxing authority has been incurred and the amount of the contingency can be reasonably estimated.

As of March 31, 2020, the Company does not believe that it has taken any positions that would require the recording of any additional tax liability, nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next year.

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.

As of March 31, 2020, one customer represented 100% of accounts receivable, and for the year ended March 31, 2020, two customers represented 94% of total revenue as follows:

<u>Customer</u>	<u>Receivables</u>	<u>Revenue</u>
Customer A	\$ 106,579	\$ 870,808
Customer B	\$ -	\$ 884,798

As of March 31, 2019, one customer represented 16% of accounts receivable, and for the year ended March 31, 2020, this customer also represented 72% of total revenue as follows:

<u>Customer</u>	<u>Receivables</u>	<u>Revenue</u>
Customer A	\$ 44,648	\$ 809,534

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, 2020 and 2019, the Company has intercompany payables to other Wipro companies of \$142,628 and \$470,642, respectively.

The Company utilizes office space that is leased by Wipro Limited with monthly rent allocated to the Company. Rent expense for this office space for the years ended March 31, 2020 and 2019 was \$117,224 and \$126,280, respectively.

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) expense for the years ended March 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Current income tax (benefit) expense	\$ (60,026)	\$ 15,947
Deferred income tax (benefit) expense	<u>(30,235)</u>	<u>1,522</u>
Total income tax (benefit) provision	<u>\$ (90,261)</u>	<u>\$ 17,469</u>

Income tax benefit for the year ended March 31, 2020 included return-to-provision adjustments of \$165,109 due to changes in estimates when filing the consolidated tax returns, which increased net income during the period.

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.

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 spreads 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, including accounts receivable and contract assets, the Company has considered internal and external information up to the date the 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 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 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 12, 2020, 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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cost of revenues:		
Subcontracting expenses	\$ 837,578	\$ 354,245
Salaries expense	313,979	382,284
Rent	<u>117,224</u>	<u>126,280</u>
	<u>\$ 1,268,781</u>	<u>\$ 862,809</u>
Selling, general and administrative:		
Professional fees	\$ 232,199	\$ 166,564
Corporate overhead	20,795	23,072
Bank fees	22,156	12,723
Audit fees	32,264	12,341
Other	25,883	-
Rate and taxes	<u>-</u>	<u>2,157</u>
	<u>\$ 333,297</u>	<u>\$ 216,857</u>