

# **WIPRO GALLAGHER SOLUTIONS, LLC**

SPECIAL PURPOSE FINANCIAL STATEMENTS

Year Ended March 31, 2022



Williams Overman Pierce, LLP  
CPAs • Advisors

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

To the Member of  
Wipro Gallagher Solutions, LLC

### Opinion

We have audited the accompanying special purpose financial statements of Wipro Gallagher Solutions, LLC, which are comprised of the balance sheet – special purpose as of March 31, 2022, and the related statements of operations and member's equity – special purpose, and cash flows – special purpose for the year 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 Wipro Gallagher Solutions, LLC as of March 31, 2022, and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting described in Note 1 B.a.

### Basis for Opinion

We conducted our audit 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 Wipro Gallagher Solutions, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 B.a. 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 B.a., 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 B.a.; this includes determining that the basis of accounting described in Note 1 B.a. 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 Wipro Gallagher Solutions, LLC'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 an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- 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 Wipro Gallagher 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 special purpose financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wipro Gallagher 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 audit.



### **Restriction on Distribution and Use**

This report is intended solely for the information and use of the member and management of Wipro Gallagher Solutions, LLC, and for Wipro Limited, its ultimate holding company, for the purpose of meeting the requirements of consolidation with the consolidated financial statements of Wipro Limited and is not intended to be and should not be used by anyone other than these specified parties.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the special purpose financial statements as a whole. The schedule on page 17 is presented for purposes of additional analysis and is not a required part of the special purpose 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 special purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the special purpose financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the special purpose financial statements or to the special purpose 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 special purpose financial statements as a whole

*Williams Dverman Pierce, LLP*

Raleigh, North Carolina  
June 15, 2022

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**BALANCE SHEET - SPECIAL PURPOSE**  
**MARCH 31, 2022**

Assets

Current assets:	
Cash	\$ 11,278,187
Accounts receivable, less allowance for doubtful accounts of \$141,361	6,923,958
Contract assets	6,303,827
Prepaid expenses and other current assets	<u>299,909</u>
	<u>24,805,881</u>
Operating lease right of use assets	1,687,200
Property and equipment, net	121,066
Investment in subsidiary	1,500,000
Other assets	<u>1,670</u>
	<u>3,309,936</u>
Total assets	<u><u>\$ 28,115,817</u></u>

Liabilities and Member's Equity

Current liabilities:	
Current portion of operating lease obligations	\$ 280,595
Accounts payable and accrued expenses	2,641,138
Due to affiliates, net	8,929,654
Employee benefits payable	49,134
Income tax payable	266,910
Contract liabilities	<u>1,372,084</u>
	<u>13,539,515</u>
Long-term liabilities:	
Operating lease obligation, less current portion	1,576,533
Deferred tax liabilities	<u>3,754,311</u>
	<u>5,330,844</u>
Commitments and contingencies (Note 8)	
Member's equity	<u>9,245,458</u>
Total liabilities and member's equity	<u><u>\$ 28,115,817</u></u>

See accompanying notes to special purpose financial statements.

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**STATEMENT OF OPERATIONS AND MEMBER'S EQUITY - SPECIAL PURPOSE**  
**FOR THE YEAR ENDED MARCH 31, 2022**

Revenues:	
Software license and support fees	\$ 49,403,994
Cost of revenues	<u>42,644,976</u>
Gross profit	<u>6,759,018</u>
Expenses:	
Depreciation and amortization	142,639
Selling, general and administrative	2,193,149
Impairment of investment	<u>10,600,000</u>
	<u>12,935,788</u>
Loss from operations	(6,176,770)
Other income (expense):	
Interest income	8,347
Other expense	<u>(2,922)</u>
	<u>5,425</u>
Loss before benefit from income taxes	(6,171,345)
Benefit from income taxes, net	<u>(760,931)</u>
Net loss	(5,410,414)
Member's equity - beginning of year	22,655,872
Distributions	<u>(8,000,000)</u>
Member's equity - end of year	<u>\$ 9,245,458</u>

See accompanying notes to special purpose financial statements.

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**STATEMENT OF CASH FLOWS - SPECIAL PURPOSE**  
**FOR THE YEAR ENDED MARCH 31, 2022**

Cash flows from operating activities:	
Net loss	\$ (5,410,414)
Adjustments to reconcile net loss to net cash provided by operating activities	
Depreciation and amortization	142,639
Bad debt expense	127,301
Impairment of investments	10,600,000
(Increase) decrease in:	
Accounts receivable	(1,072,037)
Contract assets	(1,874,275)
Prepaid expenses and other current assets	(99,773)
Operating lease right of use assets	(1,505,774)
Other assets	(1,670)
Increase (decrease) in:	
Accounts payable and accrued expenses	(516,244)
Due to affiliates, net	7,265,816
Employee benefits payable	(332,673)
Income taxes payable	(925,652)
Operating lease obligations	1,706,327
Contract liabilities	(153,314)
Deferred tax liabilities	<u>(1,558,339)</u>
Net cash provided by operating activities	<u>6,391,918</u>
Cash flows from investing activities:	
Purchase of property and equipment	<u>(35,677)</u>
Net cash used in investing activities	<u>(35,677)</u>
Cash flows from financing activities:	
Distributions	<u>(8,000,000)</u>
Net cash used in financing activities	<u>(8,000,000)</u>
Increase in cash	(1,643,759)
Cash:	
Balance, beginning of the year	<u>12,921,946</u>
Balance, end of the year	<u>\$ 11,278,187</u>

See accompanying notes to special purpose financial statements.



**WIPRO GALLAGHER SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS – SPECIAL PURPOSE**

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

**A. DESCRIPTION OF BUSINESS**

Wipro Gallagher Solutions, LLC (the “Company”), a Florida limited liability company is owned by Wipro LLC, a wholly-owned subsidiary of Wipro Limited, a company traded on the New York Stock Exchange.

The Company develops, markets, and supports personal computer-based software products, both stand-alone and networked, for mortgage brokers, banks, credit unions and savings institutions throughout the United States (“U.S.”), Australia, South America, and New Zealand. The Company’s product lines encompass all major components of the loan production process and portfolio management.

The Company operates branches in India and Mexico which are included with the U.S. operations for reporting purposes.

Wipro Gallagher Solutions, LLC maintains its Mortgage Licensing solely to allow for delivery of its services to its clients which originate mortgage loans. Wipro Gallagher Solutions, LLC functions solely as a third-party service provider and does not lend any funds or originate any loans to consumers. As such, requirements related to audits of internal controls and U.S. Department of Housing and Urban Development (“HUD”) programs will not apply to Wipro Gallagher Solutions, LLC.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a. 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 all wholly-owned subsidiaries. The financial position, results of operations, and cash flows of Wipro Opus Risk Solutions 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 March 31, 2022. The special purpose financial statements include only the results of the Company as of and for the year ended March 31, 2022 prepared on the accrual basis. 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 consolidation with the consolidated financial statements of 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, which is the functional and reporting currency of the Company.

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS – SPECIAL PURPOSE**

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**b. Use of Estimates**

The preparation of special purpose financial statements 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 special purpose 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's operating revenues consist of software licenses fees, software hosting, maintenance and support fees, custom programming, consulting, and training fees.

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 as 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.

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS – SPECIAL PURPOSE**

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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 fulfillment 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.

***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.

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS – SPECIAL PURPOSE**

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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.

***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.

Revenue by nature of contract

Time and materials	\$ 30,045,758
Fixed-price and volume based	<u>19,358,236</u>
	<u>\$ 49,403,994</u>

**d. Cash**

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 is stated at cost, which approximates fair value, based on quoted market prices as of March 31, 2022.

**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. As of March 31, 2022, the Company had an allowance for doubtful accounts of \$141,361.

As of March 31, 2022, there was \$6,303,827 for services provided to customers but not yet billed, which are included in contract assets on the accompanying balance sheet – special purpose.

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS – SPECIAL PURPOSE**

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**f. Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is recorded on a straight line basis over the assets estimated useful lives.

Maintenance and repairs are charged to expense as incurred. Major renewals and enhancements are capitalized. When property and equipment is sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operations.

Property and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There were no impairment charges for the year ended March 31, 2022.

The useful lives of property and equipment is as follows:

Computers	1-5 years
Office equipment	1-5 years
Furniture and fixtures	1-5 years

Leasehold improvements are amortized over the life of the lease, or the estimated useful life of the asset, whichever is shorter.

**g. Investment in Subsidiary**

Investment in subsidiary includes the Company's investments in its wholly-owned subsidiary, Wipro Opus Risk Solutions LLC . The Company has elected to account for its investments in subsidiary at cost, less any impairments, which approximates fair value at March 31, 2022. The carrying amount of investments are reviewed annually for potential impairment or when changes in circumstances indicate the carrying amount of the investments may not be recoverable. During the year ended March 31, 2022, the Company recorded an impairment charge of \$10,600,000, which is included in impairment of investment in the accompanying statement of operations and member's equity – special purpose.

**h. Fair Value of Financial Instruments**

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

**i. Leases**

The Company has operating leases for office spaces. The Company determines 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. The Company has the right to control the use of the identified asset when the Company has 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, the Company considers 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 liabilities on the accompanying balance sheet – special purpose.

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS – SPECIAL PURPOSE**

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The Company's ROU assets are recognized as the lease obligation, including any initial indirect costs and any prepaid lease payments, less any lease incentives. The Company's lease obligations are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. 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 the Company is 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 the Company under residual guarantees. 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. The Company excludes lease incentives and initial direct costs incurred from lease payments. The Company's leases typically do not provide an implicit rate, the Company uses its 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, the Company measures lease obligations for each period at the present value of any remaining lease payments, discounted by using the rate determined at lease commencement. The Company recognizes 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.

In the accompanying statement of operations and member's equity – special purpose, the Company recognizes lease expense within selling, general and administrative expense.

**j. 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 a change in tax rates on deferred tax assets 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 parent-company-down approach. 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 2018.

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, 2022.

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS – SPECIAL PURPOSE**

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**k. Uncertain Tax Positions**

The Company evaluates all significant tax positions in accordance with FASB ASC 740-10. 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, 2022, 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.

**l. Advertising and Promotion Costs**

Advertising and promotion costs are expensed as incurred. For the year ended March 31, 2022, these expenses totaled \$5,078.

**NOTE 2 – CONCENTRATION OF CUSTOMERS**

Major customers are those that account for 10% or more of the Company's total revenue for the year ended March 31, 2022, or have net receivable balances as of March 31, 2022, in excess of 10% of total accounts receivable, net of the allowance for doubtful accounts.

As of March 31, 2022, five customers represented 61% of net accounts receivable, and for the year ended March 31, 2022, the same five customers represented 52% of total revenue as follows:

<u>Customer</u>	<u>Receivables</u>	<u>Revenue</u>
Customer A	\$ 1,180,026	\$ 7,627,155
Customer B	\$ 953,798	\$ 5,998,643
Customer C	\$ 821,574	\$ 1,058,507
Customer D	\$ 696,920	\$ 5,904,126
Customer E	\$ 570,217	\$ 5,140,653

**NOTE 3 – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of March 31, 2022:

Computers	\$ 5,140,021
Office equipment	8,944
Furniture and fixtures	<u>54,178</u>
	5,203,143
Less: accumulated depreciation	<u>(5,082,077)</u>
	<u>\$ 121,066</u>

Depreciation and amortization expense related to property and equipment totaled \$142,639 for the year ended March 31, 2022.

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS – SPECIAL PURPOSE**

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**NOTE 4 – LEASES**

For operating leases, the ROU assets and lease liabilities are presented in the accompanying balance sheet – special purpose as follows as of March 31, 2022:

<u>Financial Statement Line Item</u>	<u>Balance Sheet Classification</u>	
Operating lease right of use assets	Other non-current assets	\$ 1,687,200
Current portion of operating lease obligations	Other current liabilities	\$ 280,595
Operating lease obligations - non-current	Other non-current liabilities	\$ 1,576,533

Other supplemental information related to operating leases includes the following as of and for the year ended March 31, 2022:

Weighted-Average Remaining Contractual Lease Term (Years)	4.9
Weighted-Average Discount Rate	2.91%
Cash paid for amounts included in measuring operating lease liabilities:	
Operating cash outflows from operating leases	\$ 184,375
Operating lease assets obtained in exchange of lease obligations	\$ 1,916,898

Operating lease costs included in selling, general and administrative expenses during the year ended March 31, 2022 totaled \$512,474.

As of March 31, 2022, future minimum rental commitments required under the terms of the existing operating leases are as follows:

For the year ended March 31:

2023	\$ 331,929
2024	408,627
2025	420,841
2026	433,443
2027	408,863
	<u>\$ 2,003,703</u>
Less: amounts representing interest	<u>(146,575)</u>
Present value of minimum lease payments	1,857,128
Less: current portion	<u>(280,595)</u>
Long-term portion	<u><u>\$ 1,576,533</u></u>

**NOTE 5 – RELATED PARTY TRANSACTIONS**

Throughout the year, the Company has participated in various transactions with its sister and parent companies. These transactions were either in the form of cash transfers or expenses paid on behalf of the Company. Additionally, the Company subcontracted work to affiliated companies. These advances are payable back to the related parties on demand and do not bear any interest. As of March 31, 2022, intercompany payables aggregated to \$8,929,654.



**WIPRO GALLAGHER SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS – SPECIAL PURPOSE**

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**NOTE 6 – 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 parent-company-down approach. The Company's benefit from income taxes for the year ended March 31, 2022 consisted of the following:

Current income tax expense	\$ 822,794
Deferred income tax benefit	<u>(1,583,725)</u>
	<u>\$ (760,931)</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 net operating loss carryforwards, depreciation and amortization of assets, contract liabilities, and accrued liabilities.

**NOTE 7 – EMPLOYEE BENEFIT PLAN**

The Company's employees participate in Wipro Limited's defined contribution profit sharing plan (the "Plan"). Employer contributions to the Plan are made at the sole discretion of the Company. There were no contributions made to the Plan by the Company during the year ended March 31, 2022.

**NOTE 8 – 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 9 – FAIR VALUE MEASUREMENTS**

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs consist of unobservable inputs and have the lowest priority.

The Company uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Company measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The Company's investment in subsidiary was measured at fair value using Level 3 inputs. To determine fair value, the estimated future cash flows were discounted to their present value using the weighted average cost of capital. There were no changes to the valuation approach used by the Company in the current year. As of March 31, 2022, the fair value of investment in subsidiary was \$1,500,000.

**WIPRO GALLAGHER SOLUTIONS, LLC**  
**NOTES TO FINANCIAL STATEMENTS – SPECIAL PURPOSE**

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A reconciliation of the investment in subsidiary balance, using significant unobservable inputs (Level 3), is as follows:

Opening balance, April 1, 2021	\$ 12,100,000
Impairment charge	<u>(10,600,000)</u>
Ending balance, March 31, 2022	<u>\$ 1,500,000</u>

**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, including accounts receivable and contract assets, the Company has considered internal and external information up to the date of 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 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 11 – 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 GALLAGHER SOLUTIONS, LLC**  
**SCHEDULE OF EXPENSES - SPECIAL PURPOSE**  
**FOR THE YEAR ENDED MARCH 31, 2022**

Cost of revenues:		
Software development costs	\$	22,700,560
Payroll and subcontracting costs		13,969,597
Consulting fees		5,829,019
Travel		15,488
Communications		<u>130,312</u>
	\$	<u>42,644,976</u>
Selling, general and administrative:		
Lease expense	\$	512,474
Professional fees		411,956
Provision for bad debts		117,980
Repairs and maintenance		74,734
Office expenses		999,369
Meetings and conferences		482
Bank charges		47,883
Miscellaneous		23,193
Advertising and promotion		<u>5,078</u>
	\$	<u>2,193,149</u>