

HealthPlan Services Insurance Agency, LLC

Financial Statements
Years Ended December 31, 2020 and 2019



Williams Overman Pierce, LLP
CPAs • Advisors

HealthPlan Services Insurance Agency, LLC
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Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Member of
HealthPlan Services Insurance Agency, LLC

We have audited the accompanying financial statements of HealthPlan Services Insurance Agency, LLC, which are comprised of the balance sheet as of December 31, 2020, and the related statements of operations, changes in equity, and cash flows for the year 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 audit. We conducted our audit 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 HealthPlan Services Insurance Agency, LLC as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of HealthPlan Services Insurance Agency, LLC as of December 31, 2019 were audited by other auditors whose report dated June 15, 2020 expressed an unmodified opinion on those financial statements.

Restriction on Distribution and Use

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

SD/-

Raleigh, North Carolina
May 19, 2021

HealthPlan Services Insurance Agency, LLC

Balance Sheets

As of December 31, 2020 and 2019

(In thousands)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets:		
Related party receivables, net	\$ 3,469	\$ 2,234
Total current assets	<u>3,469</u>	<u>2,234</u>
Total assets	<u>\$ 3,469</u>	<u>\$ 2,234</u>
<u>Liabilities and Equity</u>		
Current liabilities:		
Accrued liabilities	\$ 6	\$ -
Total current liabilities	<u>6</u>	<u>-</u>
Commitments and contingencies		
Equity:		
Share capital	1	1
Member's equity	<u>3,462</u>	<u>2,233</u>
Total liabilities and equity	<u>\$ 3,469</u>	<u>\$ 2,234</u>

See accompanying notes to financial statements.

HealthPlan Services Insurance Agency, LLC

**Statements of Operations
For the Years Ended December 31, 2020 and 2019
(In thousands)**

	<u>2020</u>	<u>2019</u>
Operating revenues	<u>\$ 4,193</u>	<u>\$ 4,701</u>
Operating expenses:		
Personnel expenses	1,300	1,192
General and administrative	257	373
Agent commissions	<u>1,407</u>	<u>1,539</u>
Total operating expenses	<u>2,964</u>	<u>3,104</u>
Income from operations	1,229	1,597
Provision for income taxes	<u>-</u>	<u>-</u>
Net income	<u><u>\$ 1,229</u></u>	<u><u>\$ 1,597</u></u>

See accompanying notes to financial statements.

HealthPlan Services Insurance Agency, LLC

**Statements of Changes in Equity
For the Years Ended December 31, 2020 and 2019
(In thousands)**

	<u>Share Capital</u>	<u>Member's Equity</u>	<u>Total</u>
Balance as of January 1, 2019	\$ 1	\$ 636	\$ 637
Net income	-	1,597	1,597
Balance as of December 31, 2019	1	2,233	2,234
Net income	-	1,229	1,229
Balance as of December 31, 2020	<u>\$ 1</u>	<u>\$ 3,462</u>	<u>\$ 3,463</u>

See accompanying notes to financial statements.

HealthPlan Services Insurance Agency, LLC

Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(In thousands)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net income	\$ 1,229	\$ 1,597
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Prepaid expenses, other current assets, and other assets	-	(225)
Related party receivables, net	(1,235)	(1,372)
Accrued liabilities	6	-
Net cash provided by (used in) operating activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents:		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

HealthPlan Services Insurance Agency, LLC

Notes to Financial Statements (In Thousands)

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

HealthPlan Services Insurance Agency, LLC (“HPSIA”, “our”, “we”, or the “Company”) is a wholly-owned subsidiary of HealthPlan Services, Inc. The Company is a provider of Business Process Services (“BPS”).

Liquidity and management’s plans: The Company’s parent, HealthPlan Services, Inc., had a net loss and negative cash flows from operations during the year ended December 31, 2020. Management of HealthPlan Services, Inc. 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 parent has committed to provide working capital necessary for funding the operations of HealthPlan Services, Inc. through one year from the date of this report, as needed. The ultimate parent has further demonstrated their ability to fund the operations of HealthPlan Services, Inc. through a capital contribution of \$30,000 during the year ended December 31, 2020.

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

Basis of Accounting: The financial statements of the Company have been prepared on the accrual basis of accounting in conformity 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. The financial statements have been prepared for the purpose of meeting the requirements of Section 137 of the Companies Act, 2013, read with rules thereunder, by Wipro Limited, the Company’s ultimate holding company.

These 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, in thousands, which is the functional and reporting currency of the Company.

Use of estimates: The preparation of these financial statement 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. The Company reviews its estimates, including but not limited to, recoverability of long-lived assets, on a regular basis, and makes adjustments based on historical experiences and existing and expected future conditions. These evaluations are performed, and adjustments are made as information is available. Management believes that these estimates are reasonable; however, actual results could differ from these estimates.

Cash and cash equivalents: Cash and cash equivalents are defined as highly liquid investments that have maturities of three months or less when purchased.

Cash and cash equivalents are stated at cost, which approximates fair value, based on quoted market prices as of December 31, 2020 and 2019.

Accounts receivable: Accounts receivable are uncollateralized customer obligations that are recorded when the Company performs its services. The Company determines its allowance for doubtful accounts considering a number of factors, including the overall aging of the receivables, previous history with the customer, contractual terms of the Company’s contracts, and the customer’s current ability to pay its obligation to the Company. Upon completion of all collection efforts, remaining uncollectible accounts are written off.

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

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

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

HealthPlan Services Insurance Agency, LLC

Notes to Financial Statements (In Thousands)

Commissions payable: Agent commissions are recognized as expenses in the same period that corresponding revenues are recognized. These commissions are paid to the agents in the month after the related premiums are collected.

Revenue recognition: The Company's operating revenues consist of fees charged for other administrative services and fees based upon premiums collected on behalf of or collected by the insurance carriers.

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

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

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

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

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

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

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

HealthPlan Services Insurance Agency, LLC

Notes to Financial Statements (In Thousands)

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

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

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

A. Contract Asset and Liabilities

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

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

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

Contract assets and liabilities are reported in a net position on a contract by contract basis at the end of each reporting period. The Company did not have contract assets or contract liabilities as of December 31, 2020 and 2019.

B. Remaining Performance Obligations

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

C. Disaggregation of Revenues

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

<u>Revenue by nature of contract</u>	<u>2020</u>	<u>2019</u>
Time and materials	<u>\$ 4,193</u>	<u>\$ 4,701</u>

HealthPlan Services Insurance Agency, LLC

Notes to Financial Statements (In Thousands)

Income taxes: The Company files consolidated income tax returns with HealthPlan Services, Inc. (“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 reserves as additional information or events require. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The Company believes that its tax positions comply with applicable tax laws and that the Company has adequately provided for applicable tax matters as of December 31, 2020 and 2019.

The Company accounts for uncertain tax positions in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, *Income Taxes*. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit or liability is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit or liability to be recognized is measured as the largest amount of benefit or liability that is greater than 50% likely of being realized upon ultimate settlement. Management has determined there are no uncertain income tax positions requiring recognition in the accompanying financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2016.

Note 2. Related Party Transactions

Throughout 2020 and 2019, the Company has participated in various transactions with our parent company. These transactions were either in the form of cash transfers or expenses paid on behalf of the Company.

During the years ended December 31, 2020 and 2019, the Company recorded \$4,193 and \$4,701, respectively, of net revenue for various services provided to parent company’s customers. Additionally, certain expenses we incur are recorded by our parent company as a pass through expense which are then reimbursed by us. During the year ended December 31, 2020, we reimbursed our parent company for personnel expenses of \$1,300, general and administrative expenses of \$257, and agent commissions of \$1,407. During the year ended December 31, 2019, we reimbursed parent company for personnel expenses of \$1,192, general and administrative expenses of \$373, and agent commissions of \$1,539.

As of December 31, 2020 and 2019, the Company had net related party receivable balances due from parent company of \$3,469 and \$2,234, respectively. These related party receivables represent charges for software subscriptions, employee benefits, and information technology and data center resources. Amounts receivable under these arrangements are uncollateralized and are due on demand.

Note 3. Commitments and Contingencies

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

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

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

HealthPlan Services Insurance Agency, LLC

Notes to Financial Statements (In Thousands)

Generally, a party in interest with respect to a plan includes a fiduciary of the plan and persons that provide services to the plan.

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

Litigation: From time to time, the Company may be involved in various litigation matters in the ordinary course of business. We are not aware of any litigation, pending or threatened, against the Company.

Note 4. 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 related party receivables, 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 May 19, 2021. The Company will continue to closely monitor any material changes to future economic conditions.

Note 5. Subsequent Events

Management has evaluated subsequent events through May 19, 2021, which is the date through which the financial statements were available to be issued. No significant subsequent events have been identified by management.