DELTA DENTAL OF WISCONSIN, INC.
AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2022 and 2021

STROHM BALLWEG

Independent Auditor's Report
On the Financial Statements

To the Board of Directors
Delta Dental of Wisconsin, Inc. and Affiliates
Stevens Point, Wisconsin

Opinion

We have audited the accompanying consolidated financial statements of Delta Dental of Wisconsin, Inc. and Affiliates (the Company), which are comprised of the consolidated balance sheets as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing 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 consolidated 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 consolidated 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 the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Strohm Ballweg, LLP

Madison, Wisconsin
March 20, 2023

	2022	2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 52,074,470	$ 44,718,919
Uncollected premiums	2,463,682	2,572,103
Contracts receivable	4,821,433	2,970,257
Reinsurance recoverable on claims unpaid	199,000	217,500
Other assets	7,498,579	6,010,503
Total current assets	67,057,164	56,489,282
Long-lived assets held for sale	-	7,242
Property and equipment, net	47,241,601	43,228,906
Available-for-sale securities	156,388,595	162,139,332
Common stocks	74,935,995	95,530,531
Investment in NorthWinds Technology Solutions, LLC	10,406,024	11,627,910
Investments in privately held companies	2,467,002	4,575,990
Deferred tax assets	1,132,467	-
Total assets	$ 359,628,848	$ 373,599,193
LIABILITIES AND EQUITY		
Current liabilities:		
Claims unpaid	$ 13,337,000	$ 13,265,000
Unpaid claims adjustment expenses	823,000	942,000
Deferred revenue and group refunds	10,929,216	10,646,604
Accrued expenses	14,502,526	13,570,774
Amounts retained for account of others	29,820,934	25,470,995
Payable to NorthWinds Technology Solutions, LLC	1,584,845	1,542,437
Supplemental executive retirement plan liability	424,831	280,731
Notes payable	1,713,756	-
Other liabilities	1,435,798	1,070,642
Total current liabilities	74,571,906	66,789,183
Notes payable	17,592,315	16,098,549
Supplemental executive retirement plan liability	4,796,593	4,136,351
Deferred tax liabilities	-	1,336,095
Other liabilities	239,375	-
Total liabilities	97,200,189	88,360,178
Equity:		
Retained earnings	265,892,630	272,171,133
Net assets with donor restrictions	9,471,846	10,413,067
Accumulated other comprehensive income (loss)	(12,935,817)	2,654,815
Total equity	262,428,659	285,239,015
Total liabilities and equity	$ 359,628,848	$ 373,599,193

See Notes to the Consolidated Financial Statements.

	2022	2021
REVENUES		
Insurance revenues:		
Risk premiums earned	$ 356,378,476	$ 312,981,601
Administrative-services-only (ASO) fees	29,677,544	28,379,226
ASO claims reimbursed	505,215,961	492,950,855
Gross insurance revenues	891,271,981	834,311,682
ASO claims incurred	(505,215,961)	(492,950,855)
Reinsurance ceded	(11,765,541)	(11,654,419)
Net insurance revenues	374,290,479	329,706,408
Other revenues:		
Administrative income	28,456,934	25,990,440
Investment and other income	4,804,735	4,638,991
Net realized gain (loss) on sale of available-for-sale securities	(62,000)	327,217
Net realized gain on sale of common stocks	2,355,238	9,073,486
Net unrealized holding gain (loss) on common stocks	(21,608,797)	13,601,639
Loss on investment in NorthWinds Technology Solutions, LLC	(1,221,886)	(7,157,512)
Gain (loss) on investments in privately held companies	114,704	(343,831)
Net realized gain (loss) on sale of property and equipment	(28,868)	1,894,547
Contributions released	31,458	15,400
Total other revenues	12,841,518	48,040,377
Total revenues	387,131,997	377,746,785
EXPENSES		
Risk claims incurred	276,970,909	252,282,490
Reinsurance recoveries	(9,422,088)	(9,293,165)
Increase in aggregate reserves	199,000	7,000
Claims adjustment expenses incurred	28,018,606	24,359,724
Operating expenses	98,470,975	78,277,034
Reinsurance ceded commissions	(2,279,155)	(2,171,250)
Total expenses	391,958,247	343,461,833
Income (loss) before income tax expense	(4,826,250)	34,284,952
Income tax expense	1,452,253	3,439,934
Net income (loss)	$ (6,278,503)	$ 30,845,018

See Notes to the Consolidated Financial Statements.

	2022	2021
Net income (loss)	$ (6,278,503)	$ 30,845,018
Other comprehensive loss, net of tax:		
Net unrealized holding loss arising during period	(15,644,923)	(4,847,579)
Reclassification adjustment for (gains) losses included in net income (loss)	54,291	(299,194)
Other comprehensive loss	(15,590,632)	(5,146,773)
Comprehensive income (loss)	$ (21,869,135)	$ 25,698,245

See Notes to the Consolidated Financial Statements.

	Retained Earnings	Net Assets with Donor Restrictions	Accumulated Other Comprehensive Income (Loss)	Total Equity
Balance, January 1, 2021	$ 241,326,115	$ 10,115,098	$ 7,801,588	$ 259,242,801
Comprehensive income:				
Net income	30,845,018	-	-	30,845,018
Other comprehensive loss, net of tax of ($522,416)	-	-	(5,146,773)	(5,146,773)
Contributions with donor restrictions	-	12,993	-	12,993
Contributions released from restrictions	-	(11,816)	-	(11,816)
Net investment income with donor restrictions	-	53,158	-	53,158
Net unrealized gain with donor restrictions	-	243,634	-	243,634
Balance, December 31, 2021	272,171,133	10,413,067	2,654,815	285,239,015
Comprehensive income (loss):				
Net loss	(6,278,503)	-	-	(6,278,503)
Other comprehensive loss, net of tax of ($1,532,568)	-	-	(15,590,632)	(15,590,632)
Contributions with donor restrictions	-	67,781	-	67,781
Distributions with donor restrictions	-	(28,459)	-	(28,459)
Contributions released from restrictions	-	(2,564)	-	(2,564)
Net investment income with donor restrictions	-	18,204	-	18,204
Net unrealized loss with donor restrictions	-	(996,183)	-	(996,183)
Balance, December 31, 2022	$ 265,892,630	$ 9,471,846	$ (12,935,817)	$ 262,428,659

	2022	2021
Cash flows from operating activities:		
Net income (loss)	$ (6,278,503)	$ 30,845,018
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation	2,292,527	351,976
Amortization of premium on debt securities	481,155	500,963
Deferred taxes	(935,994)	570,393
Net (gain) loss on sale of available-for-sale securities	62,000	(327,217)
Net gain on sale of common stocks	(2,355,238)	(9,073,486)
Net unrealized holding gain (loss) on common stock	21,196,797	(13,294,912)
Loss on investment in NorthWinds Technology Solutions, LLC	1,221,886	7,157,512
(Gain) loss on investments in privately held companies	(114,704)	343,831
(Gain) loss on sale of property and equipment	28,868	(1,779,735)
Net contributions with donor restrictions	36,758	54,335
Other	(18,538)	-
Change in assets and liabilities:		
Uncollected premiums	108,421	(383,452)
Contracts receivable	(1,851,176)	952,907
Reinsurance recoverable on claims unpaid	18,500	44,500
Other assets	(1,488,076)	(625,931)
Claims unpaid and unpaid claims adjustment expenses	(47,000)	359,000
Deferred revenue and group refunds	282,612	359,333
Accrued expenses	169,257	(1,817,629)
Amounts retained for account of others	4,349,939	19,949,217
Payable to NorthWinds Technology Solutions, LLC	42,408	148,645
Notes payable	1,713,756	-
Supplemental executive retirement plan liability	804,342	(1,912,045)
Other liabilities	1,367,026	(97,910)
Net cash provided by operating activities	21,087,023	32,325,313
Cash flows from investing activities:		
Proceeds from sale of available-for-sale securities	10,548,819	40,284,662
Proceeds from maturity of available-for-sale securities	6,876,000	7,375,417
Proceeds from the sale of common stocks	33,081,019	27,334,592
Proceeds from the sale of privately held companies	2,727,691	-
Proceeds from sale of property and equipment	249,900	5,094,290
Purchase of available-for-sale securities	(32,436,633)	(59,141,590)
Purchase of common stocks	(29,114,747)	(19,601,720)
Purchase of NorthWinds Technology Solutions, LLC	-	(9,250,000)
Purchase of privately held companies	(504,000)	(900,000)
Purchase of property and equipment	(6,519,805)	(32,728,015)
Net cash used for investing activities	$ (15,091,756)	$ (41,532,364)

See Notes to the Consolidated Financial Statements.

	2022	2021
Cash flows from financing activities:		
Notes payable	$ 1,493,766	$ 16,098,549
Investment return restricted for endowment	151,832	-
Proceeds from sale of available-for-sale securities (endowment)	373,589	-
Proceeds from the sale of common stocks (endowment)	646,174	-
Purchase of available-for-sale securities (endowment)	(646,076)	-
Purchase of common stocks (endowment)	(659,001)	-
Net cash provided by financing activities	1,360,284	16,098,549
Net increase in cash and cash equivalents	7,355,551	6,891,498
Cash and cash equivalents, beginning of year	44,718,919	37,827,421
Cash and cash equivalents, end of year	$ 52,074,470	$ 44,718,919
Supplemental disclosures of cash flows information:		
Cash payments for income taxes	$ 2,969,032	$ 1,600,000
Cash payments for interest	557,826	-
Supplemental schedule of noncash investing and financing activities:		
Change in net unrealized holding losses on available-for-sale securities, net of taxes	(15,590,632)	(5,146,773)

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies

Nature of Business. Delta Dental of Wisconsin, Inc. (Delta WI) was organized in 1962 under Chapters 613 and 181 of the state of Wisconsin statutes as a service insurance corporation. Delta WI writes dental insurance in the state of Wisconsin on credit terms calling for payment of premium upon the effective date of the policy or billing term. Premium revenues consists of "risk" business, in which Delta WI is at risk for claims in excess of premium collected, and administrative-services-only (ASO) plans, in which the respective groups are at risk for the claims incurred by the group and pay a fee to Delta WI for administrative expenses.

Delta WI has a wholly-owned subsidiary, Wyssta, Inc., which serves as a holding company. Wyssta, Inc. has three wholly-owned subsidiaries: Wyssta Insurance Company, Inc., Wyssta Services, Inc., and Wyssta Investments, Inc. Wyssta Insurance Company, Inc. writes group vision insurance in the state of Wisconsin. Wyssta Services, Inc. is licensed as a Third-Party Administrator in various states and provides dental and vision administration and inside sales services to nine customers. The customers consist of other Delta Dental companies. The Company also provides information technology (IT) programming and support to Encara Corporation. Wyssta Investments, Inc. holds minority interests in a development stage biotechnology company, a dental analytics company, and a company that performs marketing services for various Delta Dental companies with respect to their individual dental insurance products.

Delta Dental of Wisconsin Foundation, Inc. (the Foundation), is a non-stock, non-profit corporation. Delta WI is the sole member and has control of, and an economic interest in, the Foundation; therefore, the Foundation is included in these consolidated financial statements. The Foundation was created to initiate, collaborate with, and support programs that extend access to dental care, ensure a strong dental workforce, and improve the oral health of underserved and vulnerable populations in the state of Wisconsin.

A summary of significant accounting policies follows.

Principles of Consolidation. The consolidated financial statements include the activities of Delta WI and its wholly-owned subsidiary, Wyssta, Inc. and its subsidiaries, and the Foundation (together referred to as "the Company"). All significant intercompany transactions and balances have been eliminated.

Accounting Estimates. The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near-term relate to:

- Liabilities for claims unpaid and unpaid claims adjustment expense.
- The assumptions regarding the other-than-temporary impairment analysis of the investment portfolio.
- The assumptions, including the discount rate, used to determine the benefit obligation for the supplemental retirement plan.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents. For purposes of reporting cash flows, the Company considers cash in checking accounts and cash invested in money market accounts as cash and cash equivalents. The Company occasionally has on deposit in a financial institution balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). The Company does not believe it is exposed to any significant credit risk on the uninsured amounts.

Contracts Receivable and Uncollected Premiums. Contracts receivable and uncollected premiums are stated at the invoice amount. The carrying amount of contracts receivable and uncollected premiums are reduced by an allowance for doubtful accounts that reflects management's best estimate of accounts that will not be collected. Management reviews contracts receivable and uncollected premiums and establishes an allowance for doubtful accounts based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All accounts, or portions thereof, deemed to be uncollectible are written-off to the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts on contracts receivable and uncollected premium balances was $0 at both December 31, 2022 and 2021.

Property and Equipment. Property and equipment, other than construction in progress, is carried at cost, less accumulated depreciation. Depreciation is provided on the straight-line method based on the estimated useful lives of the assets which range from 3 years to 39 years. Construction in progress is carried at cost and is not depreciated until placed into service.

Investments. The Company has investments in debt securities and common stocks. Management determines the appropriate classification of the debt securities at the time they are acquired and evaluates the appropriateness of such classifications at each balance sheet date. Since the Company neither buys investment securities in anticipation of short-term fluctuations in market prices, nor can commit to holding debt securities to their maturities, the investments in debt securities have been classified as available-for-sale.

Available-for-sale securities and common stocks are stated at fair value. Unrealized holding gains or losses on available-for-sale debt securities, net of the related deferred tax effect, are reported in the other comprehensive income component of equity. Unrealized holding gains or losses on common stocks are included in net income. Realized gains and losses on the sale of available-for-sale securities and common stocks are recognized on the specific identification basis and are included in net income.

The Company also holds minority interests in a dental analytics company (Healthentic, Inc.), a company that performs marketing services for various Delta Dental companies with respect to their individual dental insurance products, including Delta WI (Encara Corporation), an analytical software company that determines an individual's oral health risks (PreViser Corporation), and a venture capital LLP that invests in dental and healthcare companies (SpringRock). These investments are all in privately held companies and are accounted for under the equity method of accounting. Any changes in equity are reported as gains or losses in net income. The Company previously owned a dental service organization owned by various Delta Dental companies (Link DDS). Link DDS was liquidated in 2022.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

The Company holds a 33.3 percent and 50 percent ownership interest in NorthWinds Technology Solutions, LLC (NorthWinds), in 2022 and 2021, respectively, which is accounted for under the equity method of accounting with changes in equity reported as gains or losses in net income.

Declines in fair value which are determined to be other than temporary are included in the consolidated statements of income as realized losses. The Company determines a decline to be other than temporary by reviewing and evaluating relevant subjective and objective factors for each security including the length of time the security has been in a loss position, the severity of that loss, the Company's intent and ability to hold the security, a security's current performance, the rating, the financial condition of the issuer, the industry in which the issuer operates, and the status of the market as a whole. Estimating the future cash flows of loan-backed securities also involves assumptions regarding the underlying collateral such as prepayment rates, default and recovery rates, existence of subordinated classes capable of absorbing losses, and third-party servicing abilities. Declines deemed other than temporary were $0 and $904,079 for the years ended December 31, 2022 and 2021, respectively.

Fair Value Measurements. Financial instruments are categorized in a fair value hierarchy based on the reliability of inputs to the valuation techniques, as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Claims Unpaid and Unpaid Claims Adjustment Expenses. The liabilities for claims unpaid and unpaid claims adjustment expenses represent management's estimates of the ultimate net cost of all claims which have been incurred but are unpaid at year end.

All estimates of claims unpaid and unpaid claims adjustment expenses are continually reviewed, and any adjustments determined to be necessary are reflected in current operations. Since these liabilities are based on estimates, the ultimate settlement of claims and related expenses may vary from the amounts included in the financial statements. Although it is not possible to measure the degree of variability inherent in such estimates, management believes that the liabilities for claims unpaid and unpaid claims adjustment expenses are adequate.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Risk Premiums. Premiums are recognized upon the effective date of the coverage. A deferred revenue liability is established for premiums received for coverage in the next fiscal year.

Administrative-Services-Only Plans. The Company's administrative fees are derived from ASO arrangements that allow clients to self-fund claims and assume the risk of dental costs. In return for fees from these clients, the Company provides claims administration. Fees are billed, due, and recognized monthly at contracted rates based on the number of subscribers and utilization. This recognition pattern aligns with the benefits from the claims administration services provided to clients.

Administrative Income. The Company receives dental and vision administrative income based on the number of subscribers/policies administered, as well as based on the number of inside sales representatives contracted to serve the customer. IT programming is based on a flat monthly fee and contracted statement of work projects. The Company receives administrative income for providing actuarial services to other Delta Dental plans. Fees are billed, due, and recognized monthly at contracted rates. This recognition pattern aligns with satisfaction of performance obligation as defined in the service contracts.

Vision Claims Incurred and Vision Administration Fees. The Company rents a vision network from, and outsources claims administration to, EyeMed Vision Care, LLC (EyeMed). The Company issues insured policies, as well as provides services for ASO plans. The agreement with EyeMed is based on a per member, per month fee.

Reinsurance. Reinsurance premiums and claim recoveries are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Contributions. The Foundation recognizes gifts of cash and other assets as revenue when received or unconditionally pledged. Contributions are recognized as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the consolidated statements of income. The Foundation received contributions without donor restrictions of $4,500,000 from Delta WI in both 2022 and 2021, which has been eliminated from these consolidated financial statements.

Net Assets with Donor Restrictions. Delta WI contributed $10,000,000 to a donor-restricted endowment fund held by the Foundation in 2020. As such, the endowment contribution is classified as a net asset with donor restrictions.

Foundation Functional Expenses. Program expenses of $5,044,104 and $2,031,368 during 2022 and 2021, respectively, relate to grants to programs that extend access to dental care. General and administrative expenses of $464,246 in 2022 include $410,005 for employee expenses and $54,241 for office and overhead expenses. General and administrative expenses of $473,798 in 2021 include $360,941 for employee expenses and $112,857 for office and overhead expenses.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

Income Taxes. Delta WI is organized as a nonprofit dental care plan for federal income tax purposes under Section 501(c)(4) of the Internal Revenue Code, and is, therefore, exempt from federal income taxes. The subsidiary is subject to federal income taxes. For Wisconsin income tax purposes, Delta WI is taxed as an insurance company and files a combined return with its subsidiary. Income taxes are allocated to each company of the consolidated group based on separate taxable income in accordance with a tax sharing agreement. Companies in the consolidated group are compensated for the use of net operating losses or tax credits in the year in which the loss or credit is actually used in the consolidated return to reduce income taxes. Intercompany tax balances are settled after the payments are made to the respective tax authorities.

The Foundation is a tax-exempt organization under the provisions of Internal Revenue Code Section 501(c)(3). The Foundation is also exempt from state income taxes.

The Company records deferred income taxes on temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities based on enacted federal and state tax rates expected to apply to the taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Advertising Expenses. Advertising is expensed as incurred. Advertising expenses incurred were approximately $1,869,000 and $1,980,000 for the years ended December 31, 2022 and 2021, respectively.

Accounting Changes. In 2022, the Company adopted *Accounting Standards Update No. 2016-02, Leases (Topic 842)* (ASU 2016-02) on a modified prospective basis, which is a comprehensive new lease standard that supersedes most existing lease guidance under accounting principles generally accepted in the United States of America (GAAP). The standard requires lessees to recognize an asset and liability associated with the right to use a given asset and obligations to make payments pursuant to the terms of the lease. ASU 2016-02 prescribes additional disclosures and financial statement presentations. The adoption did not have a material impact on the Company's consolidated financial statements. See Note 11 for further discussion.

In 2022, the Company adopted *ASU No. 2020-01, Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)* (ASU 2020-01) on a prospective basis, which clarifies how an entity should record investments valued under the equity method that have changes in ownership. The adoption did not have an impact on the Company's consolidated financial statements.

In June 2016, the Financial Accounting Standards Board (FASB) issued *ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326)* (ASU 2016-13). ASU 2016-13 introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates.

Note 1 ~ Nature of Business and Summary of Significant Accounting Policies (Continued)

The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, is recognized through an allowance for credit losses and adjusted each period for changes in credit risk. ASU 2016-13 is effective January 1, 2023. The Company does not anticipate the adoption will have a material impact on the consolidated financial statements.

Reclassifications. Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 classifications.

Subsequent Events. Subsequent events were evaluated through March 20, 2023, which is the date the financial statements were available to be issued.

Note 2 ~ Investments in Available-for-Sale Securities and Common Stocks

The cost and fair value of investments at December 31, 2022 and 2021, were as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
2022				
Available-for-sale securities (at amortized cost):				
U.S. Treasury and U.S. government	$ 56,231,511	$ -	$ (4,872,332)	$ 51,359,179
Special revenue – issuer obligations	15,672,009	11,400	(864,502)	14,818,907
Corporate securities	50,371,959	25,122	(5,191,752)	45,205,329
Loan-backed securities	48,967,387	64,436	(4,026,643)	45,005,180
Total available-for-sale securities	171,242,866	100,958	(14,955,229)	156,388,595
Common stocks – publicly traded	55,543,276	27,107,421	(7,714,702)	74,935,995
Total available-for-sale securities and common stocks	$ 226,786,142	$ 27,208,379	$ (22,669,931)	$ 231,324,590
2021				
Available-for-sale securities (at amortized cost):				
U.S. Treasury and U.S. government	$ 58,486,214	$ 1,221,063	$ (179,401)	$ 59,527,876
Special revenue – issuer obligations	6,848,399	-	(194,388)	6,654,011
Corporate securities	54,905,992	1,870,534	(407,283)	56,369,243
Loan-backed securities	39,034,549	752,625	(198,972)	39,588,202
Total available-for-sale securities	159,275,154	3,844,222	(980,044)	162,139,332
Common stocks – publicly traded	54,509,427	44,464,660	(3,443,556)	95,530,531
Total available-for-sale securities and common stocks	$ 213,784,581	$ 48,308,882	$ (4,423,600)	$ 257,669,863

Note 2 ~ Investments in Available-for-Sale Securities and Common Stocks (Continued)

Securities in an Unrealized Loss Position. The following tables show unrealized losses in the Company's portfolio sorted by security type and by length of time that the securities were in an unrealized loss position as of December 31, 2022 and 2021:

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2022						
U.S. Treasury and U.S. government	$ 39,176,391	$ (4,024,666)	$ 12,160,865	$ (847,666)	$ 51,337,256	$ (4,872,332)
Special revenue – issuer obligations	6,266,983	(56,372)	6,040,523	(808,130)	12,307,506	(864,502)
Corporate securities	31,122,280	(2,644,713)	11,764,105	(2,547,039)	42,886,385	(5,191,752)
Loan-backed securities	31,187,133	(2,428,246)	10,086,743	(1,598,397)	41,273,876	(4,026,643)
Total available-for-sale securities	107,752,787	(9,153,997)	40,052,236	(5,801,232)	147,805,023	(14,955,229)
Common stocks – publicly traded	10,795,518	(7,575,196)	1,105,211	(139,506)	11,900,729	(7,714,702)
	$ 118,548,305	$ (16,729,193)	$ 41,157,447	$ (5,940,738)	$ 159,705,752	$ (22,669,931)
2021						
U.S. Treasury and U.S. government	$ 17,251,884	$ (179,401)	$ -	$ -	$ 17,251,884	$ (179,401)
Special revenue – issuer obligations	6,654,011	(194,388)	-	-	6,654,011	(194,388)
Corporate securities	16,014,480	(318,033)	1,256,688	(89,250)	17,271,168	(407,283)
Loan-backed securities	13,400,734	(133,215)	1,962,566	(65,757)	15,363,300	(198,972)
Total available-for-sale securities	53,321,109	(825,037)	3,219,254	(155,007)	56,540,363	(980,044)
Common stocks – publicly traded	8,727,228	(3,395,108)	1,934,071	(48,448)	10,661,299	(3,443,556)
	$ 62,048,337	$ (4,220,145)	$ 5,153,325	$ (203,455)	$ 67,201,662	$ (4,423,600)

Note 2 ~ Investments in Available-for-Sale Securities and Common Stocks (Continued)

The amortized cost and fair value of bonds at December 31, 2022, by effective maturity, are shown below. Effective maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

	Amortized Cost	Fair Value
Due in one year or less	$ 28,246,024	$ 27,349,494
Due after one year through five years	78,012,084	72,237,193
Due after five years through ten years	44,322,013	38,559,897
Due after ten years	20,662,745	18,242,011
	$ 171,242,866	$ 156,388,595

Gains and Losses on Available-for-Sale Securities Sold, Matured, or Repaid. The components of the net realized gain (loss) on the sale of available-for-sale securities were as follows:

	2022	2021
Gains	$ -	$ 328,035
Losses	(62,000)	(818)
Net realized gain (loss) on sale of available-for-sale securities	$ (62,000)	$ 327,217

Summary of Significant Valuation Techniques for Financial Instruments. The following valuation techniques and inputs were used to estimate the fair value of each class of significant financial instruments:

Level 1 Measurements

Available-for-sale securities: Comprised of actively traded U.S. Treasury notes and U.S. government securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Company at the measurement date.

Common stocks: Comprised of actively traded common stocks. Valuation is based on unadjusted quoted prices for identical assets in active markets that are accessible to the Company at the measurement date.

Cash equivalents: Comprised of actively traded money market funds that have daily quoted net asset values.

Note 2 ~ Investments in Available-for-Sale Securities and Common Stocks (Continued)

Level 2 Measurements

Available-for-sale securities: Comprised of special revenue – issuer obligations, corporate debt, and residential and commercial mortgage-backed securities. Valuation is based on inputs including quoted prices for identical or similar assets in inactive markets. The Company uses a leading, nationally recognized provider of financial market data and analytics to price the Company's available-for-sale security holdings. However, because many fixed income securities do not trade on a daily basis, the provider's evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing to prepare evaluations.

The following is the aggregate fair value for investments as of December 31, 2022 and 2021:

Type of Financial Instrument	Aggregate Fair Value	Level 1	Level 2	Level 3
2022				
Available-for-sale securities	$ 156,388,595	$ 51,359,179	$ 105,029,416	$ -
Common stocks	74,935,995	74,935,995	-	-
Cash equivalents	4,060,863	4,060,863	-	-
2021				
Bonds	$ 162,139,332	$ 59,527,877	$ 102,611,455	$ -
Common stocks	95,530,531	95,530,531	-	-
Cash equivalents	7,208,543	7,208,543	-	-

Changes in the net unrealized holding gain (loss) on available-for-sale securities during the years ended December 31, 2022 and 2021, reported as a separate component of equity, are as follows:

	2022	2021
Balance, beginning	$ 2,654,815	$ 7,801,588
Change in:		
Net unrealized holding loss	(17,123,200)	(5,669,189)
Deferred tax effect related to net unrealized holding loss	1,532,568	522,416
Balance, ending	$ (12,935,817)	$ 2,654,815

Investment Commitments. The Company has a commitment of $1,146,000 to SpringRock.

Note 3 ~ Investment in NorthWinds Technology Solutions, LLC

In 2021, the Company and Delta Dental of Illinois (DDIL) each had a 50 percent share of NorthWinds, an IT service organization which provides comprehensive IT solutions for both organizations.

Effective January 1, 2022, the joint venture with NorthWinds was amended to add Corvesta (parent company of Delta Dental of Virginia) as an owner, resulting in each company holding a one-third share. The Company contributed $9,250,000 on December 31, 2021, per the new agreement. The rate structure for operating and modernization has been established such that no further capital commitments will be required. In the agreement, KeySpring, software developed and owned by Corvesta, was transferred to NorthWinds and will eventually become the software used by the Company and DDIL.

Under the equity method of accounting, the Company's share of NorthWind's equity was $10,406,024 and $11,627,912 at December 31, 2022 and 2021, respectively, with losses recognized of $1,221,886 and $7,157,512 in 2022 and 2021, respectively. NorthWinds has assets of approximately $58,962,000, liabilities of approximately $18,418,000, and owners' equity of approximately $40,544,000, as of December 31, 2022.

NorthWinds provides IT services to the Company and its subsidiaries. NorthWinds billed the Company directly for IT services. Also, the Company is reimbursed on a cost basis for overhead and payroll. Shown below are transactions with NorthWinds as of the years ended December 31:

	2022	2021
IT services billed by NorthWinds	$ 28,468,311	$ 13,596,915
Overhead and payroll allocated to NorthWinds	275,166	191,000

Note 4 ~ Repurchase Agreement

The Company has entered into a reverse repurchase agreement with WoodTrust Bank, located in Wisconsin Rapids, Wisconsin, to earn additional yield on cash balances. The Company requires that at least 100 percent of the fair value of securities purchased under the reverse repurchase agreement be maintained as collateral.

The reverse repurchase agreement transactions are traded on a bi-lateral basis. The maturity time frame for which transactions occur are on an overnight basis. All transactions have been accounted for as secured borrowings. There were no sales or acquisitions during 2022 and 2021 that resulted in default.

All securities acquired during 2022 and 2021 as part of this agreement were U.S. government securities (which may include agencies and money market mutual funds). The cash pledged as collateral for securities purchased is fully transacted on an overnight and open basis. The Company records the transactions on a net basis and does not record a receivable or liability for the return of collateral. The fair value of securities acquired and the cash collateral provided was $49,096,729 and $32,089,387 as of December 31, 2022 and 2021, respectively.

Note 5 ~ Property and Equipment

The major classes of property and equipment and related accumulated depreciation and amortization as of December 31, 2022 and 2021, are as follows:

	2022	2021
Land	$ 1,335,424	$ 1,335,424
Building and building improvements	37,642,497	18,378
Construction in progress	-	38,379,260
Leasehold improvements	256,253	556,952
Furniture and equipment	10,579,983	3,765,427
Vehicles	798,079	785,724
	50,612,236	44,841,165
Accumulated depreciation and amortization	(3,370,635)	(1,612,259)
Property and equipment, net	$ 47,241,601	$ 43,228,906

Depreciation expense was $2,292,527 and $351,972 for the years ended December 31, 2022 and 2021, respectively.

In 2020, the Company started construction on a new home office building and signed a loan to borrow up to $25,000,000 to fund the construction. The loan rate during the construction period was 2.75 percent. Collateral for the loan is the new corporate home office building, assignment of leases and rents, and assignment of building and contracts.

In 2022, the Company completed construction on the new home office building and reclassified the capitalized costs from construction in progress to building and building improvements when the building was placed in service. As part of this reclassification, the Company discovered, through more detailed construction invoices, that $5,154,139 was to be reclassified to furniture and equipment with service lives of 3 years to 15 years.

Upon completion of the new home office building, the loan rate was locked at 3.61 percent for a note of $20,000,000. The loan has a 10-year amortization schedule and repayment began on July 1, 2022. The loan can be paid at any point with no additional fees. The total interest paid and accrued on the loan was $557,827 and $56,860 as of December 31, 2022 and 2021, respectively. Interest cost capitalized was $71,926 and $56,860 as of December 31, 2022 and 2021.

Sales of Real Estate. During 2021, the Company sold their prior home office for a gain of $2,098,106. The total proceeds received were $4,633,148.

During 2021, the Company also sold two pieces of real estate adjacent to the prior home office for a gain of $66,142. The total proceeds received on the sales were $446,142. The Company recorded $269,348 of impairment on the two real estate assets sold during 2021, prior to the sale.

Note 6 ~ Liabilities for Claims Unpaid

Activity in the liabilities for claims unpaid (including claims paid for ASO plans) for the years ended December 31, 2022 and 2021, is summarized as follows:

	2022	2021
Balance, beginning of year	$ 13,265,000	$ 12,943,000
Less reinsurance recoverable	217,500	262,000
Net balance at January 1	13,047,500	12,681,000
Incurred related to:		
Current year	773,522,347	736,625,130
Prior years	(757,565)	(684,950)
Total incurred	772,764,782	735,940,180
Paid related to:		
Current year	760,384,347	723,577,631
Prior years	12,289,935	11,996,049
Total paid	772,674,282	735,573,680
Net balance at December 31	13,138,000	13,047,500
Plus reinsurance recoverables	199,000	217,500
Balance, end of year	$ 13,337,000	$ 13,265,000

The previous schedule does not include claims adjustment expenses since these amounts represent an allocation of general expenses, and therefore, are not monitored on an incurred year basis.

As a result of changes in estimates of insured events in prior years, net claims incurred were decreased by $757,565 and $684,950 in 2022 and 2021, respectively.

Note 6 ~ Liabilities for Claims Unpaid (Continued)

The following is information about incurred and paid claims development as of December 31, 2022, as well as the total of incurred but not reported (IBNR) liabilities:

	Cumulative Incurred Claims ($000's)					As of 12/31/2022
Year	2018	2019	2020	2021	2022	IBNR
2018	$ 209,949	$ 209,370	$ 209,370	$ 209,370	$ 209,370	
2019		220,166	220,506	220,506	220,506	
2020			180,252	204,203	204,203	
2021				243,677	242,917	
2022					268,307	$ 7,221
				Total	$ 1,145,303	

	Cumulative Paid Claims ($000's)				
Year	2018	2019	2020	2021	2022
2018	$ 200,399	$ 209,370	$ 209,370	$ 209,370	$ 209,370
2019		208,505	220,506	220,506	220,506
2020			192,207	204,203	204,203
2021				230,630	242,917
2022					255,169
				Total	1,132,165
				Claims unpaid, net of reinsurance recoverable	$ 13,138

Cumulative claims frequency for dental and vision claims is not pertinent to the liability valuation process, and therefore, was not disclosed.

Note 7 ~ Income Taxes

Income tax expense differs from the amounts obtained by applying applicable tax rates to the pretax income (loss) for the years ended December 31, 2022 and 2021, due to the following:

	2022	2021
Expected tax provision at state income tax rate of 7.9 percent	$ (398,379)	$ 2,241,912
Expected tax provision at blended federal and state income tax rate of 27.2 percent (subsidiary only)	574,694	2,326,816
Increase (decrease) in income taxes resulting from:		
Change in deferred tax valuation allowance	707,854	(890,852)
Expiration of charitable contribution carryforward	560,119	-
Other – net	7,965	(237,942)
Income tax expense	$ 1,452,253	$ 3,439,934

The items that gave rise to the deferred tax assets (liabilities) for the years ended December 31, 2022 and 2021, were as follows:

	2022	2021
Deferred tax assets:		
Unpaid claims and unpaid claim adjustment expenses	$ 16,102	$ 17,104
Premiums received in advance	184,807	178,955
Deferred compensation	585,251	348,949
Charitable contribution carryforward	1,605,689	1,833,843
Net operating loss carryforward	3,891	4,324
Unrealized loss on available-for-sale securities	1,272,148	-
Unrealized loss on common stock – Armata Pharmaceuticals	4,650,244	3,551,710
Loss on investments in privately held companies	1,751,208	1,907,758
Other	563,622	762,928
Total deferred tax assets	10,632,962	8,605,571
Valuation allowance	(8,016,690)	(7,308,836)
Deferred tax liabilities:		
Unrealized gain on common stocks	(1,371,049)	(2,363,436)
Unrealized gain on available-for-sale securities	-	(260,420)
Other	(112,757)	(8,974)
Total deferred tax liabilities	(1,483,806)	(2,632,830)
Net deferred tax assets (liabilities)	$ 1,132,466	$ (1,336,095)

Note 7 ~ Income Taxes (Continued)

The income tax provision for the years ended December 31, 2022 and 2021, consist of the following:

	2022	2021
Current expense – Delta WI	$ 1,160,818	$ 881,313
Current expense – subsidiary	1,227,428	1,988,228
Deferred tax expense	(935,993)	570,393
Total income tax provision	$ 1,452,253	$ 3,439,934

Federal income taxes which would be available for recoupment in the event of future tax losses are approximately $842,000 and $1,391,000 for 2022 and 2021, respectively.

The subsidiary's federal income tax returns for 2019 – 2022, and state tax returns for 2018 – 2022, are subject to examination by tax authorities generally 3 years after they were filed for federal, and 4 years for state. As of December 31, 2022, the Company had not identified any material loss contingencies arising from uncertain tax positions.

Note 8 ~ Retirement Plans

Qualified Retirement Plan. The Company sponsors a defined contribution plan, the Delta Dental of Wisconsin, Inc. Retirement Plan. The plan requires annual contributions to be made to eligible participants' accounts equal to 6.5 percent of total compensation. The Company's contribution totaled $1,582,522 in 2022 and $1,372,547 in 2021.

Employees may elect to contribute from 1 percent to 75 percent of their pre-tax salary up to Internal Revenue Service limits. In 2022 and 2021, the Company matched 100 percent of the employees' contributions up to $4,250 per employee. The Company's contribution expenses were $1,021,411 for 2022 and $939,235 for 2021.

Supplemental Executive Retirement Plan (SERP). The Company has entered into SERP arrangements with members of senior management. Participants in the plan will receive a lump sum benefit representing the present value of an annuity due. The present value benefit will be based on a percentage of base compensation at the date of their retirement or an agreed-upon date in the future and for a stated number of years. The plan is unfunded.

Note 8 ~ Retirement Plans (Continued)

The following tables provide reconciliations of the changes in the benefit obligation, funded status, costs, and assumptions of the plan at December 31:

	2022	2021
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 4,417,082	$ 6,329,127
Interest cost	111,310	117,089
Service cost	1,003,108	865,255
Actuarial gain	(310,076)	(222,295)
Benefits paid	-	(2,672,094)
Benefit obligation at end of year	$ 5,221,424	$ 4,417,082
Funded status (amount recognized on balance sheets)	$ (5,221,424)	$ (4,417,082)
Components of net periodic benefit cost:		
Service cost	$ 1,003,108	$ 865,255
Interest cost	111,310	117,089
Total net periodic benefit cost	$ 1,114,418	$ 982,344
Assumptions used to determine benefit obligation and net periodic benefit cost:		
Discount rate	4.97%	2.52%
Rate of compensation increase	3.50%	3.50%

Projected benefit payments are as follows:

2023	$ 424,831
2024	-
2025	1,488,054
2026	81,847
2027	1,011,835
After	2,214,857

Note 9 ~ Reinsurance Assumed

The Company has an agreement with other Delta Dental companies called the Federal Marketing Group to pool resources for the purpose of promoting and supporting a coordinated effort to secure contracts for dental programs with federal agencies; implement and govern the administration of resources; and define the opportunity for the allocation and sharing of risk among the participants; in the event a federal contract is entered into by any of the participants with the use and support of the Federal Marketing Group's resources or funding. The Company participated in three and two federal contracts as of December 31, 2022 and 2021, respectively. The Company's portion of profits and losses is recorded as assumed premiums and claims.

The amounts included in the consolidated financial statements as a result of reinsurance assumed were as follows, as of and for the years ended, December 31:

	2022	2021
Risk premiums earned	$ 16,383,264	$ 11,668,043
Risk claims incurred	14,409,706	10,111,621
Funds held by the reinsured company (other liabilities)	633,254	520,938

Note 10 ~ Transactions with EyeMed

The Company rents a vision network from, and outsources claim administration to, EyeMed. The Company and EyeMed also entered into a reinsurance agreement for the state of Wisconsin vision plan. Transactions related to these agreements are as follows:

	2022	2021
Vision network and claims administration	$ 1,498,234	$ 1,272,585
Reinsurance agreement transactions:		
Reinsurance ceded	6,076,779	5,669,603
Claims ceded	5,179,859	4,836,578

Note 11 ~ Lease Commitments

The Company leases office space and equipment under various operating leases. The original terms of the leases vary from 3 years to 5 years. Due to the nature of the Company's operations, the Company has minimal leasing activities. The Company recorded a right-of-use asset of $337,113, within other assets, as of December 31, 2022. The Company recorded a lease liability of $334,815, within other liabilities, as of December 31, 2022. The Company elects to not record a right-of-use asset and lease liability for short-term leases of 12 months or less. The Company elects to use the risk-free rate of U.S. Treasuries as the discount rate if the rate implicit in the lease is not readily determinable.

Future minimum lease payments under these leases are as follows:

Years Ending December 31,		
2023	$	86,634
2024		90,027
2025		74,063
2026		76,241
2027		78,485
	$	405,450

Total rental expense paid by the Company was $218,818 and $471,469 for the years ended December 31, 2022 and 2021, respectively.

Note 12 ~ Statutory Net Income and Surplus

GAAP differs in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (statutory basis).

Statutory net income and surplus for Delta WI in 2022 and 2021, were as follows:

		2022		2021
Statutory net income	$	10,049,538	$	2,281,925
Surplus		234,792,329		254,865,170

Statutory net income and surplus for Wyssta Insurance Company, Inc. in 2022 and 2021, were as follows:

		2022		2021
Statutory net income	$	3,470,082	$	2,604,899
Surplus		16,908,686		15,053,456

Note 12 ~ Statutory Net Income and Surplus (Continued)

Delta WI and Wyssta Insurance Company, Inc. are required to maintain minimum surplus established by the Office of the Commissioner of Insurance of the State of Wisconsin (the OCI). Delta WI and Wyssta Insurance Company, Inc. are also subject to risk-based capital (RBC) requirements promulgated by the National Association of Insurance Commissioners and adopted by the OCI. The RBC standards establish uniform minimum surplus requirements for insurance companies. The RBC formula applies various weighting factors to financial balances or various levels of activities based on the perceived degree of risk. At December 31, 2022 and 2021, Delta WI and Wyssta Insurance Company, Inc. surplus exceeded the minimum levels required by the OCI and RBC standards.

Note 13 ~ Contingencies

The Company, along with the Delta Dental Plans Association (DDPA), DeltaUSA, and the other independent DDPA member companies, is defending a multidistrict litigation consolidated before a single federal district court for pretrial proceedings. The plaintiffs, representing purported classes of dental providers, allege that various association member company licensing standards violate federal antitrust laws. The Company believes the claims are meritless and continues to vigorously defend the case. At this point in the proceedings, the Company cannot reasonably estimate the range or amount of any potential loss.

Note 14 ~ Endowment Fund

In 2021, Delta WI funded $10,000,000 to a donor-restricted endowment fund with the objective to ensure the Foundation will be able to continue its core programs and operations should the annual donation from Delta WI be insufficient to meet the strategic goals of the Foundation. The fair value associated with the donor-restricted endowment fund may fall below the level that Delta WI requires the Foundation to retain as a fund of perpetual duration. At December 31, 2022, the endowment fund with an original value of $10,000,000, fair value of $9,318,812, and deficiencies of $681,188, were reported in net assets with donor restrictions. The deficiencies resulted from unfavorable market fluctuations. As required by the Foundation's endowment policy, spending from underwater endowments requires Delta WI Board approval.

The primary objective will be to provide growth of principal and income of the endowment fund and it must be invested with the care, skill, and diligence that a prudent person acting in this capacity would use to comply with Wisconsin state statutes as it applies to insurance companies. Investments should not conflict with the Delta WI mission of improving oral health and wellness. The investment returns will be measured against those of a target portfolio consisting of 32.5 percent equities, 62.5 percent fixed income securities, and 5 percent cash equivalents.

The Foundation Board can approve up to 5 percent of the total endowment fund for use. The annual endowment spend may exceed 5 percent only with Delta WI Board approval. The intent of the endowment is to only use the income from the fund. The Foundation Board will review the endowment fund balance and investment income quarterly and determine if any funds are available and/or required for operating the Foundation or to meet the Foundation’s Strategic Plan established by the Foundation Board. As of December 31, 2022, there were no endowment funds released.

Note 14 ~ Endowment Fund (Continued)

The Foundation had the following endowment fund activities:

	2022	2021
Endowment net assets, beginning of year	$ 10,296,792	$ 10,000,000
Investment income	38,810	65,854
Investment fees	(20,607)	(12,696)
Net unrealized holding gain (loss)	(996,183)	243,634
Endowment net assets, end of year	$ 9,318,812	$ 10,296,792

STROHM BALLWEG

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors
Delta Dental of Wisconsin, Inc. and Affiliates
Stevens Point, Wisconsin

We have audited the consolidated financial statements of Delta Dental of Wisconsin, Inc. and Affiliates as of and for the year ended December 31, 2022, and our report thereon dated March 20, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information on pages 31 and 32 is presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Strohm Ballweg, LLP

Madison, Wisconsin
March 20, 2023

	Delta Dental of Wisconsin, Inc.	Wyssta, Inc. and Subsidiaries	Delta Dental of Wisconsin Foundation, Inc.	Eliminations	Consolidated 2022	Consolidated 2021
ASSETS						
Current assets:						
Cash and cash equivalents	$ 30,184,761	$ 15,781,886	$ 6,107,823	$ -	$ 52,074,470	$ 44,718,919
Uncollected premiums	2,380,873	82,809	-	-	2,463,682	2,572,103
Contracts receivable	-	4,821,433	-	-	4,821,433	2,970,257
Reinsurance recoverable on claims unpaid	199,000	-	-	-	199,000	217,500
Other assets	6,834,987	663,592	-	-	7,498,579	6,010,503
Receivable from parent and affiliate	-	1,225,923	-	(1,225,923)	-	-
Total current assets	39,262,508	22,575,643	6,107,823	(1,225,923)	67,057,164	56,489,282
Long-lived assets held for sale	-	-	-	-	-	7,242
Property and equipment, net	47,241,601	-	-	-	47,241,601	43,228,906
Available-for-sale securities	141,145,278	8,972,474	6,270,843	-	156,388,595	162,139,332
Common stocks	70,201,877	1,797,567	2,936,551	-	74,935,995	95,530,531
Investment in subsidiary	27,168,270	-	-	(27,168,270)	-	-
Investment in NorthWinds	10,406,024	-	-	-	10,406,024	11,627,910
Investments in privately held companies	1,947,395	519,607	-	-	2,467,002	4,575,990
Deferred tax assets	927,859	204,608	-	-	1,132,467	-
Total assets	$ 338,637,925	$ 34,069,899	$ 15,315,217	$ (28,394,193)	$ 359,628,848	$ 373,599,193
LIABILITIES AND EQUITY						
Current liabilities:						
Claims unpaid	$ 12,776,000	$ 561,000	$ -	$ -	$ 13,337,000	$ 13,265,000
Unpaid claims adjustment expenses	767,000	56,000	-	-	823,000	942,000
Deferred revenue and group refunds	10,181,161	748,055	-	-	10,929,216	10,646,604
Accrued expenses	7,505,372	5,229,916	1,767,238	-	14,502,526	13,570,774
Amounts retained for account of others	29,820,934	-	-	-	29,820,934	25,470,995
Payable to subsidiary and affiliate	1,146,537	-	79,386	(1,225,923)	-	-
Payable to NorthWinds	1,278,187	306,658	-	-	1,584,845	1,542,437
Supplemental retirement plan liability	424,831	-	-	-	424,831	280,731
Notes payable	1,713,756	-	-	-	1,713,756	-
Other liabilities	1,435,798	-	-	-	1,435,798	1,070,642
Total current liabilities	67,049,576	6,901,629	1,846,624	(1,225,923)	74,571,906	66,789,183
Notes payable	17,592,315	-	-	-	17,592,315	16,098,549
Supplemental executive retirement plan liability	4,796,593	-	-	-	4,796,593	4,136,351
Deferred tax liabilities	-	-	-	-	-	1,336,095
Other liabilities	239,375	-	-	-	239,375	-
Total liabilities	89,677,859	6,901,629	1,846,624	(1,225,923)	97,200,189	88,360,178
Equity:						
Retained earnings	261,895,902	27,731,491	3,996,747	(27,731,510)	265,892,630	272,171,133
Net assets with donor restrictions	-	-	9,471,846	-	9,471,846	10,413,067
Accumulated other comprehensive income (loss)	(12,935,836)	(563,221)	-	563,240	(12,935,817)	2,654,815
Total equity	248,960,066	27,168,270	13,468,593	(27,168,270)	262,428,659	285,239,015
Total liabilities and equity	$ 338,637,925	$ 34,069,899	$ 15,315,217	$ (28,394,193)	$ 359,628,848	$ 373,599,193

	Delta Dental of Wisconsin, Inc.	Wyssta, Inc. and Subsidiaries	Delta Dental of Wisconsin Foundation, Inc.	Eliminations	Consolidated 2022	Consolidated 2021
REVENUES						
Insurance revenues:						
Risk premiums earned	$ 323,994,986	$ 32,383,490	$ -	$ -	$ 356,378,476	$ 312,981,601
ASO fees	29,614,750	62,794	-	-	29,677,544	28,379,226
ASO claims reimbursed	505,165,515	50,446	-	-	505,215,961	492,950,855
Gross insurance revenues	858,775,251	32,496,730	-	-	891,271,981	834,311,682
ASO claims incurred	(505,165,515)	(50,446)	-	-	(505,215,961)	(492,950,855)
Reinsurance ceded	(5,688,762)	(6,076,779)	-	-	(11,765,541)	(11,654,419)
Net insurance revenues	347,920,974	26,369,505	-	-	374,290,479	329,706,408
Other revenues:						
Administrative income	3,836,997	27,866,210	-	(3,246,273)	28,456,934	25,990,440
Investment and other income	4,567,176	237,559	-	-	4,804,735	4,638,991
Net realized gain (loss) on sale of available-for-sale securities	(47,563)	(14,437)	-	-	(62,000)	327,217
Net realized gain on sale of commons stocks	2,326,799	28,439	-	-	2,355,238	9,073,486
Net unrealized holding gain (loss) on common stocks	(19,455,996)	(2,152,801)	-	-	(21,608,797)	13,601,639
Loss on investment in NorthWinds	(1,221,886)	-	-	-	(1,221,886)	(7,157,512)
Gain (loss) on privately held companies	208,991	(94,287)	-	-	114,704	(343,831)
Net realized gain (loss) on sale of property and equipment	(28,868)	-	-	-	(28,868)	1,894,547
Contributions released	-	-	4,531,458	(4,500,000)	31,458	15,400
Income from subsidiary	919,433	-	-	(919,433)	-	-
Total other revenues	(8,894,917)	25,870,683	4,531,458	(8,665,706)	12,841,518	48,040,377
Total revenues	339,026,057	52,240,188	4,531,458	(8,665,706)	387,131,997	377,746,785
EXPENSES						
Risk claims incurred	254,845,755	22,125,154	-	-	276,970,909	252,282,490
Reinsurance recoveries	(4,242,229)	(5,179,859)	-	-	(9,422,088)	(9,293,165)
Increase in aggregate reserves	199,000	-	-	-	199,000	7,000
Claims adjustment expenses incurred	26,465,926	1,552,680	-	-	28,018,606	24,359,724
Operating expenses	68,182,610	32,526,288	5,508,350	(7,746,273)	98,470,975	78,277,034
Reinsurance ceded commissions	(1,382,235)	(896,920)	-	-	(2,279,155)	(2,171,250)
Total expenses	344,068,827	50,127,343	5,508,350	(7,746,273)	391,958,247	343,461,833
Income (loss) before income tax expense	(5,042,770)	2,112,845	(976,892)	(919,433)	(4,826,250)	34,284,952
Income tax expense	258,841	1,193,412	-	-	1,452,253	3,439,934
Net income (loss)	$ (5,301,611)	$ 919,433	$ (976,892)	$ (919,433)	$ (6,278,503)	$ 30,845,018