

WYSSTA, INC. AND SUBSIDIARIES
(A WHOLLY-OWNED SUBSIDIARY OF DELTA DENTAL OF WISCONSIN, INC.)

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2021 and 2020



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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors and Stockholder
Wyssta, Inc. and Subsidiaries
Stevens Point, Wisconsin

Opinion

We have audited the accompanying consolidated financial statements of Wyssta, Inc. and Subsidiaries (the Company), which are comprised of the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, stockholder's 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, 2021 and 2020, 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.

Transactions with Affiliated Companies

As explained in Note 4 to the consolidated financial statements, the Company is part of an affiliated group of companies and has entered into transactions with the group members. Our opinion is not modified with respect to that matter.

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 consolidated 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 consolidated 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 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 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 24, 2022

WYSSTA, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,595,732	\$ 11,010,233
Investment income due and accrued	49,338	52,731
Uncollected premiums	124,447	20,040
Contracts receivable	2,970,257	3,923,164
Receivable from Delta Dental of Wisconsin, Inc.	1,194,265	-
Prepaid expenses	45,133	548,842
Federal income tax recoverable	<u>333,902</u>	<u>237,907</u>
Total current assets	20,313,074	15,792,917
Investments in available-for-sale securities	9,721,247	9,615,938
Investments in common stocks	3,892,726	2,649,639
Investment in Healthentic, Inc.	293,300	181,606
Investment in Encara Corporation	<u>320,594</u>	<u>381,062</u>
Total assets	<u>\$ 34,540,941</u>	<u>\$ 28,621,162</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Claims unpaid	\$ 550,000	\$ 363,000
Unpaid claims adjustment expenses	52,000	24,000
Accounts payable	3,821,300	3,747,180
Payable to Delta Dental of Wisconsin, Inc.	-	180,905
Payable to NorthWinds Technology Consulting, LLC	610,329	365,583
Contract payable	267,872	-
Deferred revenue	<u>731,383</u>	<u>613,225</u>
Total current liabilities	6,032,884	5,293,893
Deferred tax liabilities	<u>82,699</u>	<u>174,392</u>
Total liabilities	<u>6,115,583</u>	<u>5,468,285</u>
Stockholder's equity:		
Common stock, no par value; 100,000 shares authorized; 19,270 shares issued and outstanding	\$ -	\$ -
Additional paid-in capital	29,200,000	29,200,000
Retained deficit	(887,942)	(6,440,876)
Accumulated other comprehensive income	<u>113,300</u>	<u>393,753</u>
Total stockholder's equity	<u>28,425,358</u>	<u>23,152,877</u>
Total liabilities and stockholder's equity	<u>\$ 34,540,941</u>	<u>\$ 28,621,162</u>

See Notes to Consolidated Financial Statements.

WYSSTA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
REVENUES		
Dental administrative income	\$ 25,637,068	\$ 23,058,971
Insurance revenues:		
Risk premiums earned	27,616,381	18,870,327
Administrative-services-only (ASO) fees	65,964	67,161
ASO claims reimbursed	<u>54,133</u>	<u>54,310</u>
Gross insurance revenues	27,736,478	18,991,798
ASO claims incurred	(54,133)	(54,310)
Reinsurance ceded	<u>(5,669,603)</u>	<u>-</u>
Net insurance revenues	<u>22,012,742</u>	<u>18,937,488</u>
Investment revenues:		
Interest and dividend income	241,243	243,887
Net realized gain (loss) on sale of available-for-sale securities	11,331	(10,322)
Net unrealized holding gain on investments in common stock	1,287,366	1,478,052
Net realized gain (loss) on sale of common stocks	179,508	(11,276)
Gain on investment in Healthentic, Inc.	111,694	105,284
Loss on investment in Encara Corporation	<u>(60,468)</u>	<u>(53,531)</u>
Total investment revenues	<u>1,770,674</u>	<u>1,752,094</u>
Total revenues	<u>49,420,484</u>	<u>43,748,553</u>
EXPENSES		
Risk claims incurred	19,771,795	12,091,475
Reinsurance recoveries	(4,836,578)	-
Claim adjusting and vision administration fee	1,354,718	1,077,129
Payroll and benefits	11,332,720	10,302,809
Professional and contract services	8,224,566	7,542,458
Computer hardware and software	2,303,653	1,299,214
Commissions	1,390,757	1,159,211
Reinsurance ceded commissions	(833,025)	-
Telephone	200,109	239,099
Allocated costs	581,794	616,627
Office	338,425	309,790
Advertising	416,307	-
Other	<u>620,773</u>	<u>599,652</u>
Total expenses	<u>40,866,014</u>	<u>35,237,464</u>
Net income before income tax expense	8,554,470	8,511,089
Income tax expense	<u>2,001,536</u>	<u>1,972,220</u>
Net income	<u>\$ 6,552,934</u>	<u>\$ 6,538,869</u>

See Notes to Consolidated Financial Statements.

WYSSTA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Net income	<u>\$ 6,552,934</u>	<u>\$ 6,538,869</u>
Other comprehensive income (loss), net of tax:		
Unrealized holding gain (loss) arising during the period	(288,697)	283,339
Reclassification adjustment for gains (losses) included in net income	<u>8,244</u>	<u>(7,512)</u>
Other comprehensive income (loss)	<u>(280,453)</u>	<u>275,827</u>
Comprehensive income	<u>\$ 6,272,481</u>	<u>\$ 6,814,696</u>

See Notes to Consolidated Financial Statements.

WYSSTA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY
Years Ended December 31, 2021 and 2020

	Common Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income	Total Stockholder's Equity
Balance, January 1, 2020	\$ -	\$ 29,200,000	\$ (11,979,745)	\$ 117,926	\$ 17,338,181
Comprehensive income:					
Net income	-	-	6,538,869	-	6,538,869
Other comprehensive income	-	-	-	275,827	275,827
Dividend to stockholder	-	-	(1,000,000)	-	(1,000,000)
Balance, December 31, 2020	-	29,200,000	(6,440,876)	393,753	23,152,877
Comprehensive income:					
Net income	-	-	6,552,934	-	6,552,934
Other comprehensive loss	-	-	-	(280,453)	(280,453)
Dividend to stockholder	-	-	(1,000,000)	-	(1,000,000)
Balance, December 31, 2021	\$ -	\$ 29,200,000	\$ (887,942)	\$ 113,300	\$ 28,425,358

See Notes to Consolidated Financial Statements.

WYSSTA, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net income	\$ 6,552,934	\$ 6,538,869
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Amortization of premiums on debt securities	18,438	38,334
Deferred taxes	13,308	(20,130)
Net (gain) loss on the sale of available-for-sale securities	(11,331)	10,322
Net unrealized holding gain on investments in common stocks	(1,287,366)	(1,478,052)
Net (gain) loss on sale of common stocks	(179,508)	11,276
Gain on investment in Healthentic, Inc.	(111,694)	(105,284)
Loss on investment in Encara Corporation	60,468	53,531
Change in assets and liabilities:		
Investment income due and accrued	3,394	6,577
Uncollected premiums	(104,407)	47,760
Contracts receivable	952,907	(937,260)
Receivable from or payable to Delta Dental of Wisconsin, Inc.	(1,375,170)	572,519
Prepaid expenses	503,708	(415,406)
Federal income tax recoverable	(95,995)	(328,843)
Claims unpaid	187,000	(22,000)
Unpaid claims adjustment expenses	28,000	(1,000)
Accounts payable	74,121	1,394,608
Contract payable	267,876	-
Payable to NorthWinds Technology Consulting, LLC	244,746	(435,889)
Deferred revenue	118,157	119,988
Net cash provided by operating activities	<u>5,859,586</u>	<u>5,049,920</u>
Cash flows from investing activities:		
Proceeds from sale of investments in available-for-sale securities	1,045,441	3,383,413
Proceeds from the sale of common stocks	583,795	-
Purchase of investments in available-for-sale securities	(1,543,313)	(3,641,053)
Purchase of common stocks	(360,010)	-
Net cash used for investing activities	<u>(274,087)</u>	<u>(257,640)</u>
Cash flows from financing activities:		
Dividends to stockholder	(1,000,000)	(1,000,000)
Net cash used for financing activities	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net increase in cash and cash equivalents	4,585,499	3,792,280
Cash and cash equivalents, beginning of year	11,010,233	7,217,953
Cash and cash equivalents, end of year	<u>\$ 15,595,732</u>	<u>\$ 11,010,233</u>
Supplemental disclosures of cash flow information:		
Cash payments for income taxes	<u>\$ 2,492,475</u>	<u>\$ 1,748,445</u>
Supplemental schedule of noncash investing and financing activities:		
Change in unrealized holding gains (losses) on available-for-sale securities, net of taxes	<u>\$ (280,453)</u>	<u>\$ 275,827</u>

See Notes to Consolidated Financial Statements.

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

Nature of Business. Wyssta, Inc. was formed in 2005 to operate as a holding company. Wyssta, Inc. is a wholly-owned subsidiary of Delta Dental of Wisconsin, Inc. (Delta WI) and purchases administrative services from them.

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 administrative services to nine customers. Other than one customer, the customers consist of other Delta Dental companies, including Delta WI. 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, including Delta WI, with respect to their individual dental insurance products.

A summary of Wyssta, Inc.'s significant accounting policies follows.

Principles of Consolidation. The consolidated financial statements include the accounts of Wyssta, Inc. and its wholly-owned subsidiaries: Wyssta Insurance Company, Inc., Wyssta Services, Inc., and Wyssta Investments, Inc. (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:

- The liabilities for claims unpaid and unpaid claims adjustment expenses.
- The assumptions regarding the other-than-temporary impairment analysis of the investment portfolio.

Cash and Cash Equivalents. For purposes of reporting cash flows, the Company considers cash in checking accounts and money market funds to be 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.

Investments. The Company has investments in bonds and common stocks. Management determines the appropriate classification of the bonds 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 bonds to their maturities, the investments in bonds 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 debt securities, net of the related deferred tax effect, are reported in the other comprehensive income component of stockholder's equity. Unrealized holding gains or losses on common stocks are reported 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.

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

The Company also holds minority interests in a dental analytics company (Healthentic, Inc.) and a company that performs marketing services for various Delta Dental companies with respect to their individual dental insurance products, including Delta WI (Encara Corporation). Healthentic, Inc. and Encara Corporation (Encara) are 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.

Declines in fair value that are determined to be other than temporary are included in the statements of income as realized losses. The Company determines a decline to be other than temporary by reviewing and evaluating relevant objective and subjective 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 for both years ended December 31, 2021 and 2020.

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 that the Company has the ability to access.
- 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.

Contracts Receivable. Contracts receivable are stated at the invoice amount. The carrying amount of contracts receivable is 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 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 balances was \$0 at both December 31, 2021 and 2020.

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

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.

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.

Dental Administrative Income. The Company receives dental 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 customers. Fees are billed, due, and recognized monthly at contracted rates. This recognition pattern aligns with satisfaction of performance obligations 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 administrative-services-only (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 a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contracts.

Income Taxes. The Company files a consolidated federal income tax return. For Wisconsin income tax purposes, the Company is included in a consolidated return with Delta WI. Tax is allocated to each company of the consolidated groups based on separate taxable income. Intercompany tax balances are settled after tax payments are made by the Company and Delta WI.

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.

Significant Contracts. The Company provides dental administration services to nine customers. The majority of customers are contracted through December 31, 2021, and have penalty provisions for early termination. The three largest external customers make up 54 percent of the Company's dental administrative income, with the largest consisting of 21 percent of that income.

Advertising Expenses. The Company expenses advertising costs as incurred.

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

Subsequent Events. Subsequent events were evaluated through March 24, 2022, which is the date the financial statements were available to be issued.

Premium Credits. Due to the impacts of the Coronavirus pandemic, the Company provided its subscribers a premium credit equal to one half of the premium to be charged for June 2020, which totaled \$816,795. The credit was offset against risk premiums earned. There was no such credit in 2021.

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

The cost and fair value of investments at December 31, 2021 and 2020, were as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
<u>2021</u>				
Bonds (at amortized cost):				
U.S. Treasury	\$ 2,648,595	\$ 82,891	\$ (5,857)	\$ 2,725,629
Special revenue	597,147	-	(13,796)	583,351
Industrial and miscellaneous	4,608,069	117,688	(21,592)	4,704,165
Loan-backed	<u>1,711,716</u>	<u>8,671</u>	<u>(12,285)</u>	<u>1,708,102</u>
Total bonds	9,565,527	209,250	(53,530)	9,721,247
Common stocks	<u>954,404</u>	<u>2,943,132</u>	<u>(4,810)</u>	<u>3,892,726</u>
	<u>\$ 10,519,931</u>	<u>\$ 3,152,382</u>	<u>\$ (58,340)</u>	<u>\$ 13,613,973</u>
<u>2020</u>				
Bonds (at amortized cost):				
U.S. Treasury	\$ 2,361,217	\$ 208,062	\$ -	\$ 2,569,279
Special revenue	300,000	165	-	300,165
Industrial and miscellaneous	4,805,499	281,616	-	5,087,115
Loan-backed	<u>1,608,047</u>	<u>51,362</u>	<u>(30)</u>	<u>1,659,379</u>
Total bonds	9,074,763	541,205	(30)	9,615,938
Common stocks	<u>998,682</u>	<u>1,655,252</u>	<u>(4,295)</u>	<u>2,649,639</u>
	<u>\$ 10,073,445</u>	<u>\$ 2,196,457</u>	<u>\$ (4,325)</u>	<u>\$ 12,265,577</u>

WYSSTA, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021 and 2020:

	Less than 12 months		12 months or longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>2021</u>						
Bonds:						
U.S. Treasury	\$ 239,990	\$ (5,857)	\$ -	\$ -	\$ 239,990	\$ (5,857)
Special revenue	583,351	(13,796)	-	-	583,351	(13,796)
Industrial and miscellaneous	916,728	(21,592)	-	-	916,728	(21,592)
Loan-backed	1,285,143	(11,896)	62,168	(389)	1,347,311	(12,285)
Common stocks	62,772	(4,810)	-	-	62,772	(4,810)
	<u>\$ 3,087,984</u>	<u>\$ (57,951)</u>	<u>\$ 62,168</u>	<u>\$ (389)</u>	<u>\$ 3,150,152</u>	<u>\$ (58,340)</u>
<u>2020</u>						
Bonds:						
Loan-backed	\$ 90,608	\$ (30)	\$ -	\$ -	\$ 90,608	\$ (30)
Common stocks	58,770	(2,803)	20,430	(1,492)	79,200	(4,295)
	<u>\$ 149,378</u>	<u>\$ (2,833)</u>	<u>\$ 20,430</u>	<u>\$ (1,492)</u>	<u>\$ 169,808</u>	<u>\$ (4,325)</u>

The amortized cost and fair value of bonds at December 31, 2021, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	\$ 650,638	\$ 655,600
Due after one year through five years	4,569,947	4,660,585
Due after five years through ten years	3,428,733	3,497,314
Due after ten years	916,209	907,748
	<u>\$ 9,565,527</u>	<u>\$ 9,721,247</u>

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

Gains and Losses on Available-For-Sale Securities Sold, Matured, or Repaid. The components of gains (losses) on the sale of investments were as follows:

	<u>2021</u>	<u>2020</u>
Gains	\$ 12,148	\$ 62,890
Losses	<u>(817)</u>	<u>(73,212)</u>
Net realized capital gains (losses)	<u>\$ 11,331</u>	<u>\$ (10,322)</u>

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

Bonds: Comprised of actively traded U.S. Treasury notes. 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 mutual funds that have daily quoted net asset values.

Level 2 Measurements

Bonds: Comprised of government obligations, corporate debt, and 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 bond 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.

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

The following is the aggregate fair value for all financial instruments as of December 31, 2021 and 2020:

Type of Financial Instrument	Aggregate Fair Value	Level 1	Level 2	Level 3
<u>December 31, 2021</u>				
Bonds	\$ 9,721,247	\$ 2,725,629	\$ 6,995,618	\$ -
Common stocks	3,892,726	3,892,726	-	-
Cash equivalents	272,446	272,446	-	-
<u>December 31, 2020</u>				
Bonds	\$ 9,615,938	\$ 2,569,279	\$ 7,046,659	\$ -
Common stocks	2,649,639	2,649,639	-	-
Cash equivalents	286,982	286,982	-	-

Changes in the unrealized gain (loss) on investments in available-for-sale securities during the years ended December 31, 2021 and 2020, reported as a separate component of stockholder's equity, are as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 393,753	\$ 117,926
Increase (decrease) in:		
Net unrealized holding gains (losses)	(385,454)	379,096
Deferred tax effect related to net unrealized holding gains (losses)	<u>105,001</u>	<u>(103,269)</u>
Balance, ending	<u>\$ 113,300</u>	<u>\$ 393,753</u>

Note 3 ~ Investments in Privately Held Companies

Investment in Healthentic, Inc. As of December 31, 2021 and 2020, the Company is a 20 percent owner on an outstanding share basis and holds one of the five board seats.

Investment in Encara Corporation. As of December 31, 2021 and 2020, the Company is a 25 percent owner on an outstanding share basis and holds one of four board seats.

Note 4 ~ Related Parties

Certain operating expenses incurred by Delta WI on behalf of the Company are allocated to the Company at cost in proportion to the estimated benefit received or as directly assigned. Allocation methods are periodically refined based on current operations and personnel costs utilized by the Company. In addition, Delta WI collects premiums on behalf of the Company and remits them to the Company on a monthly basis. Delta WI also pays commissions on behalf of the Company and the Company reimburses Delta WI on a monthly basis. Shown below are payroll and overhead expenses allocated from Delta WI to the Company and its subsidiaries as of the years ended December 31:

	<u>2021</u>	<u>2020</u>
Wyssta, Inc.	\$ 1,353	\$ 1,946
Wyssta Insurance Company, Inc.	454,400	419,472
Wyssta Investments, Inc.	18,795	11,819
Wyssta Services, Inc.	<u>11,277,899</u>	<u>10,387,175</u>
	<u>\$ 11,752,447</u>	<u>\$ 10,820,412</u>

Related-party amounts receivable from (payable to) Delta WI, which include state taxes, consist of the following for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Wyssta, Inc.	\$ 1,015	\$ (1,575)
Wyssta Insurance Company, Inc.	2,174,508	1,374,188
Wyssta Investments, Inc.	59	(81)
Wyssta Services, Inc.	<u>(981,317)</u>	<u>(1,553,437)</u>
	<u>\$ 1,194,265</u>	<u>\$ (180,905)</u>

Note 4 ~ Related Parties (Continued)

On July 1, 2019, Delta WI entered a joint venture with Delta Dental of Illinois creating a new limited liability company, NorthWinds Technology Solutions, LLC (NorthWinds), owning 50 percent. NorthWinds provides information technology (IT) services to the Company. Shown below are service expenses and balances with NorthWinds as of, or for, the years ended December 31:

	<u>2021</u>	<u>2020</u>
IT services billed by NorthWinds:		
Wyssta Insurance Company, Inc.	\$ 678,833	\$ 1,001,276
Wyssta Services, Inc.	<u>5,105,827</u>	<u>4,873,233</u>
	<u>\$ 5,784,660</u>	<u>\$ 5,874,509</u>
Receivable from (payable to) NorthWinds:		
Wyssta Insurance Company, Inc.	\$ (51,204)	\$ (37,169)
Wyssta Services, Inc.	<u>(559,125)</u>	<u>(328,414)</u>
	<u>\$ (610,329)</u>	<u>\$ (365,583)</u>

Wyssta Investments, Inc. owns 25 percent of Encara, a company that performs marketing services for various Delta Dental companies with respect to their individual dental insurance products, including Delta WI. Encara is a customer of Wyssta Services, Inc. Shown below are transactions and balances with Encara as of, or for, the years ended December 31:

	<u>2021</u>	<u>2020</u>
Dental administrative income	\$ 257,244	\$ 257,244
Contract receivable	21,437	46,715

The Board of Directors approved, and the Company paid, a non-cumulative, ordinary dividend of \$1,000,000 to Delta WI in both 2021 and 2020.

Note 5 ~ Liability for Claims Unpaid

Activity in the liability for claims unpaid for the years ended December 31, 2021 and 2020, is summarized as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 363,000	\$ 385,000
Incurred related to:		
Current year	14,908,250	12,105,187
Prior years	26,967	(13,712)
Total incurred	<u>14,935,217</u>	<u>12,091,475</u>
Paid related to:		
Current year	14,358,251	11,742,187
Prior years	389,966	371,288
Total paid	<u>14,748,217</u>	<u>12,113,475</u>
Balance, end of year	<u>\$ 550,000</u>	<u>\$ 363,000</u>

The above 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 increased by \$26,967 in 2021 and decreased by \$13,712 in 2020.

The following is information about incurred and paid claims development as of December 31, 2021, as well as the total of incurred-but-not-reported (IBNR) liabilities:

	<u>Cumulative Incurred Claims (\$000's)</u>					<u>As of 12/31/2021</u>
Year	2017	2018	2019	2020	2021	IBNR
2017	\$ 9,440	\$ 9,455	\$ 9,455	\$ 9,455	\$ 9,455	
2018		10,604	10,587	10,587	10,587	
2019			12,025	12,011	12,011	
2020				12,105	12,132	
2021					<u>14,908</u>	247
				Total	<u>\$ 59,093</u>	

Note 5 ~ Liability for Claims Unpaid (Continued)

Year	Cumulative Paid Claims (\$000's)				
	2017	2018	2019	2020	2021
2017	\$ 9,044	\$ 9,455	\$ 9,455	\$ 9,455	\$ 9,455
2018		10,191	10,587	10,587	10,587
2019			11,640	12,011	12,011
2020				11,742	12,132
2021					14,358
				Total	58,543
				Claims unpaid	\$ 550

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

Note 6 ~ Income Taxes

The Company files a consolidated federal income tax return. The Company files a consolidated state income tax return with its parent, Delta WI.

Income tax expense differs from the amounts obtained by applying a combined federal and state income tax rate of 27.2 percent to the pretax income for the years ended December 31, 2021 and 2020, due to the following:

	2021	2020
Expected tax provision	\$ 2,326,816	\$ 2,315,016
Increase (decrease) in income taxes resulting from:		
Change in deferred tax valuation allowance	(342,716)	(438,063)
Non-deductible ACA industry fee	-	78,882
Other - net	17,436	16,385
Income tax expense	<u>\$ 2,001,536</u>	<u>\$ 1,972,220</u>

Note 6 ~ Income Taxes (Continued)

The items that gave rise to the deferred tax assets (liabilities) for the years ended December 31, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Deferred tax assets:		
Organization and start-up costs	\$ -	\$ 467
Claims unpaid and unpaid claim adjustment expenses	2,296	1,599
Premiums received in advance	39,847	33,410
Net operating loss carryforward	4,324	4,756
Loss on investment on common stock	2,281,934	2,613,144
Loss on investment in Healthentic, Inc.	1,118,706	1,146,684
Loss on investment in Encara	<u>484,728</u>	<u>468,256</u>
Total deferred tax assets	3,931,835	4,268,316
Valuation allowance	(3,885,368)	(4,228,084)
Deferred tax liabilities:		
Unrealized gain on investments	(128,270)	(213,790)
Other - net	<u>(896)</u>	<u>(834)</u>
Total deferred tax liabilities	<u>(129,166)</u>	<u>(214,624)</u>
Net deferred tax liabilities	<u>\$ (82,699)</u>	<u>\$ (174,392)</u>

Federal income taxes which would be available for recoupment in the event of future tax losses are approximately \$1,391,000 and \$1,417,000 for 2021 and 2020, respectively.

The Company's federal income tax returns for 2018 - 2021 and state tax returns for 2017 - 2021 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, 2021, the Company had not identified any material loss contingencies arising from uncertain tax positions.

For state income purposes, the Company records a receivable from (payable to) Delta WI for the Company's portion of state income taxes. At December 31, the balances were as follows:

	<u>2021</u>	<u>2020</u>
Wyssta, Inc.	\$ 1,090	\$ 854
Wyssta Insurance Company, Inc.	(96,169)	(268,974)
Wyssta Investments, Inc.	3,103	2,344
Wyssta Services, Inc.	<u>(95,912)</u>	<u>(329,370)</u>
	<u>\$ (187,888)</u>	<u>\$ (595,146)</u>

Note 7 ~ Software Commitments

The Company entered a digital services agreement with Delta Dental of Washington in 2020. The agreement allows the Company to use their software on a cloud-based platform that offers tools to enhance the user experiences of members, groups, brokers, and providers. The Company will provide tenant data to the platform and had committed \$500,000 at December 31, 2020, for preparing the data for the platform use. The \$500,000 commitment was recorded as a prepaid asset at December 31, 2020, and was expensed in 2021. In 2021, the Company incurred a use fee of \$60,938. The platform use fee will be \$975,000 annually when fully implemented. The platform is expected to be ready for use in 2022.

Note 8 ~ Transactions with EyeMed

The Company rents a vision network from, and outsources claim administration to, EyeMed. In 2021, 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:

	<u>2021</u>	<u>2020</u>
Vision network and claims administration	\$ 1,272,585	\$ 1,023,819
Reinsurance agreement transactions:		
Premium ceded	\$ 5,669,603	\$ -
Claims ceded	4,836,578	-

Note 9 ~ Statutory Net Income and Capital and Surplus

Accounting principles generally accepted in the United States of America differ in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (statutory basis). Statutory net income for Wyssta Insurance Company, Inc., a wholly-owned subsidiary of Wyssta, Inc., was \$2,604,899 in 2021 and \$2,077,124 in 2020, and statutory surplus was \$15,053,456 and \$13,391,108 as of December 31, 2021 and 2020, respectively.

Wyssta Insurance Company, Inc. is required to maintain minimum capital and surplus established by the Office of the Commissioner of Insurance of the State of Wisconsin (the OCI). Wyssta Insurance Company, Inc. is also subject to risk-based capital (RBC) requirements promulgated by the NAIC and adopted by the OCI. The RBC standards establish uniform minimum capital and 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, 2021 and 2020, the Wyssta Insurance Company, Inc.'s capital and surplus exceeded the minimum levels required by the OCI and RBC standards.

INDEPENDENT AUDITOR'S REPORT
ON THE SUPPLEMENTARY INFORMATION

To the Board of Directors and Stockholder
Wyssta, Inc. and Subsidiaries
Stevens Point, Wisconsin

We have audited the consolidated financial statements of Wyssta, Inc. and Subsidiaries as of, and for, the year ended December 31, 2021, and our report thereon dated March 24, 2022, 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 23 through 25 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 24, 2022

WYSSTA, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET
December 31, 2021 (with Comparative Totals for 2020)

	<u>Wyssta, Inc.</u>	<u>Wyssta Insurance Company, Inc.</u>	<u>Wyssta Investments, Inc.</u>	<u>Wyssta Services, Inc.</u>	<u>Eliminations</u>	<u>Consolidated 2021</u>	<u>Consolidated 2020</u>
ASSETS							
Cash and cash equivalents	\$ 457,827	\$ 5,406,096	\$ 915,489	\$ 8,816,320	\$ -	\$ 15,595,732	\$ 11,010,233
Investment income due and accrued	-	49,338	-	-	-	49,338	52,731
Uncollected premiums	-	124,447	-	-	-	124,447	20,040
Contracts receivable	-	-	-	2,970,257	-	2,970,257	3,923,164
Receivable from Delta Dental of WI, Inc.	1,015	2,174,508	59	(981,317)	-	1,194,265	-
Prepaid expenses	-	4,500	-	40,633	-	45,133	548,842
Federal income tax recoverable	333,902	-	-	-	-	333,902	237,907
Intercompany balances	293,552	-	10,151	24,493	(328,196)	-	-
Total current assets	1,086,296	7,758,889	925,699	10,870,386	(328,196)	20,313,074	15,792,917
Investments in available-for-sale securities	-	9,721,247	-	-	-	9,721,247	9,615,938
Investments in common stocks	-	1,269,554	2,623,172	-	-	3,892,726	2,649,639
Investment in Healthentic, Inc.	-	-	293,300	-	-	293,300	181,606
Investment in Encara Corporation	-	-	320,594	-	-	320,594	381,062
Investment in Wyssta Insurance Company, Inc.	15,161,035	-	-	-	(15,161,035)	-	-
Investment in Wyssta Investments, Inc.	4,160,219	-	-	-	(4,160,219)	-	-
Investment in Wyssta Services, Inc.	8,024,188	-	-	-	(8,024,188)	-	-
Total assets	<u>\$ 28,431,738</u>	<u>\$ 18,749,690</u>	<u>\$ 4,162,765</u>	<u>\$ 10,870,386</u>	<u>\$ (27,673,638)</u>	<u>\$ 34,540,941</u>	<u>\$ 28,621,162</u>

WYSSTA, INC. AND SUBSIDIARIES
CONSOLIDATING BALANCE SHEET (Continued)
December 31, 2021 (with Comparative Totals for 2020)

	Wyssta, Inc.	Wyssta Insurance Company, Inc.	Wyssta Investments, Inc.	Wyssta Services, Inc.	Eliminations	Consolidated 2021	Consolidated 2020
LIABILITIES							
Claims unpaid	\$ -	\$ 550,000	\$ -	\$ -	\$ -	\$ 550,000	\$ 363,000
Unpaid claims adjustment expenses	-	52,000	-	-	-	52,000	24,000
Accounts payable	6,626	1,941,128	6,625	1,866,921	-	3,821,300	3,747,180
Payable to Delta Dental of Wisconsin, Inc.	-	-	-	-	-	-	180,905
Payable to NorthWinds Technology Consulting, LLC	-	51,204	-	559,125	-	610,329	365,583
Contract payable	-	-	-	267,872	-	267,872	-
Deferred revenue	-	731,383	-	-	-	731,383	613,225
Intercompany balances	-	175,916	-	152,280	(328,196)	-	-
Total current liabilities	6,626	3,501,631	6,625	2,846,198	(328,196)	6,032,884	5,293,893
Deferred tax liabilities	(245)	87,023	(4,079)	-	-	82,699	174,392
Total liabilities	6,381	3,588,654	2,546	2,846,198	(328,196)	6,115,583	5,468,285
STOCKHOLDER'S EQUITY							
Common stock	-	1,250,000	19,000,000	6,500	(20,256,500)	-	-
Additional paid-in capital	29,200,000	4,750,000	-	3,793,500	(8,543,500)	29,200,000	29,200,000
Retained earnings (deficit)	(887,942)	9,047,735	(14,839,781)	4,224,188	1,567,858	(887,942)	(6,440,876)
Accumulated other comprehensive income	113,300	113,300	-	-	(113,300)	113,300	393,753
Total stockholder's equity	28,425,358	15,161,035	4,160,219	8,024,188	(27,345,442)	28,425,358	23,152,877
Total liabilities and stockholder's equity	\$ 28,431,739	\$ 18,749,689	\$ 4,162,765	\$ 10,870,386	\$ (27,673,638)	\$ 34,540,941	\$ 28,621,162

WYSSTA, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME
Year ended December 31, 2021 (with Comparative Totals for 2020)

	Wyssta, Inc.	Wyssta Insurance Company, Inc.	Wyssta Investments, Inc.	Wyssta Services, Inc.	Eliminations	Consolidated 2021	Consolidated 2020
REVENUES							
Dental administrative income	\$ -	\$ -	\$ -	\$ 25,637,068	\$ -	\$ 25,637,068	\$ 23,058,971
Insurance revenues:							
Risk premiums earned	-	27,616,381	-	-	-	27,616,381	18,870,327
Administrative-services-only (ASO) fees	-	65,964	-	-	-	65,964	67,161
ASO claims reimbursed	-	54,133	-	-	-	54,133	54,310
Gross insurance revenues	-	27,736,478	-	-	-	27,736,478	18,991,798
ASO claims incurred	-	(54,133)	-	-	-	(54,133)	(54,310)
Reinsurance ceded	-	(5,669,603)	-	-	-	(5,669,603)	-
Net reinsurance revenues	-	22,012,742	-	-	-	22,012,742	18,937,488
Investment revenues:							
Interest and dividend income	-	241,243	-	-	-	241,243	243,887
Net realized gain (loss) on sale of available-for-sale securities	-	11,331	-	-	-	11,331	(10,322)
Net unrealized holding gain on investments in common stocks	-	71,515	1,215,851	-	-	1,287,366	1,478,052
Net realized gain (loss) on sale of common stocks	-	179,508	-	-	-	179,508	(11,276)
Gain on wholly-owned subsidiaries	6,562,686	-	-	-	(6,562,686)	-	-
Gain on investment in Healthentic, Inc.	-	-	111,694	-	-	111,694	105,284
Loss on investment in Encara Corporation	-	-	(60,468)	-	-	(60,468)	(53,531)
Total investment revenues	6,562,686	503,597	1,267,077	-	(6,562,686)	1,770,674	1,752,094
Total revenues	\$ 6,562,686	\$ 22,516,339	\$ 1,267,077	\$ 25,637,068	\$ (6,562,686)	\$ 49,420,484	\$ 43,748,553

WYSSTA, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF INCOME (Continued)
Year ended December 31, 2021 (with Comparative Totals for 2020)

	Wyssta, Inc.	Wyssta Insurance Company, Inc.	Wyssta Investments, Inc.	Wyssta Services, Inc.	Eliminations	Consolidated 2021	Consolidated 2020
EXPENSES							
Risk claims incurred	\$ -	\$ 19,771,795	\$ -	\$ -	\$ -	\$ 19,771,795	\$ 12,091,475
Reinsurance recoveries	-	(4,836,578)	-	-	-	(4,836,578)	-
Claim adjusting and vision administration fee	-	1,354,718	-	-	-	1,354,718	1,077,129
Payroll and benefits	1,354	454,400	18,794	10,858,172	-	11,332,720	10,302,809
Professional and contract services	11,851	745,732	11,851	7,455,132	-	8,224,566	7,542,458
Advertising	-	415,196	-	1,111	-	416,307	-
Computer hardware and software	-	-	-	2,303,653	-	2,303,653	1,299,214
Commissions	-	1,390,757	-	-	-	1,390,757	1,159,211
Reinsurance ceded commissions	-	(833,025)	-	-	-	(833,025)	-
Telephone	-	-	-	200,109	-	200,109	239,099
Allocated costs	-	-	-	581,794	-	581,794	616,627
Office	198	-	-	338,425	-	338,425	309,790
Other	-	385,430	382	234,763	-	620,773	599,652
Total expenses	13,403	18,848,425	31,027	21,973,159	-	40,866,014	35,237,464
Net income before income tax expense	6,549,283	3,667,914	1,236,050	3,663,909	(6,562,686)	8,554,470	8,511,089
Income tax expense (benefit)	(3,651)	1,003,911	(8,452)	1,009,728	-	2,001,536	1,972,220
Net income	<u>\$ 6,552,934</u>	<u>\$ 2,664,003</u>	<u>\$ 1,244,502</u>	<u>\$ 2,654,181</u>	<u>\$ (6,562,686)</u>	<u>\$ 6,552,934</u>	<u>\$ 6,538,869</u>