UCAL Holdings, Inc. and Subsidiaries

Consolidated Financial Report

March 31, 2020

Contents

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Independent Auditors' Report

Stockholders and Board of Directors
UCAL Holdings, Inc. and Subsidiaries
Elgin, Illinois

We have audited the accompanying consolidated financial statements of UCAL Holdings, Inc. and Subsidiaries (collectively as the Company), which comprise the consolidated balance sheets as of March 31, 2020, and the related consolidated statements of operations, stockholders' equity (deficit), and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

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

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

(Continued)

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter
The consolidated financial statements of UCAL Holdings, Inc. and Subsidiaries as of March 31, 2019, were audited by other auditors whose reported dated May 8, 2019, expressed an unmodified opinion on those statements.

Prior Period Adjustment
As discussed in Note 13 to the consolidated financial statements, as of March 31, 2019, $658,626 was understated in the final income tax receivable. As a result, a prior period adjustment was recorded to reflect an increase in income tax receivable as of March 31, 2019. As part of our audit of the 2020 financial statements, we also audited the adjustment described in Note 13 that was applied to restate the 2019 financial statements. In our opinion, the adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2019 financial statements of the Company other than with respect to the adjustment, and accordingly, we do not express an opinion or any other form of assurance on the 2019 financial statements as a whole.

Change in Accounting Principle
As discussed in Note 14 to the consolidated financial statements, the Company has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as of April 1, 2019. Our opinion is not modified with respect to this matter.

Emphasis of Matter
As discussed in Note 15 to the consolidated financial statements, in January 2020, the World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any business disruption and the related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

R. J. Augustine & Associates, Ltd.

R.J. Augustine & Associates, Ltd.
CERTIFIED PUBLIC ACCOUNTANTS

June 26, 2020

March 31, 2020 and 2019

Assets

	2020	2019 (Restated)
Current Assets		
Cash	$ 217,519	$ 91,384
Accounts receivable	3,634,736	4,363,951
Income tax receivable	658,626	658,626
Inventory	4,867,666	5,984,997
Prepaid expenses	119,171	123,019
Deferred rent - Current portion	36,006	-
Total current assets	9,533,724	11,221,977
Property and Equipment - Net	9,659,520	10,389,950
Other Assets - Other noncurrent assets	173,992	173,992
Total assets	**$ 19,367,236**	**$ 21,785,919**

Liabilities and Stockholders' Equity

	2020	2019 (Restated)
Current Liabilities		
Checks issued in excess of bank balance	$ 84,069	$ 387,664
Accounts payable	1,564,081	2,091,001
Bank line of credit	2,290,818	2,389,145
Current portion of long-term debt	1,072,284	922,284
Current portion of capital lease obligation	34,800	162,864
Accrued and other current liabilities:		
Accrued compensation	371,703	294,674
Deferred rent - Current portion	-	43,869
Customer deposits and advances	120,330	350,515
Other accrued liabilities	266,678	315,498
Total curent liabilities	5,804,763	6,957,514
Long-term Debt - Bank notes payable - Net of current portion	2,880,670	3,283,851
Capital Lease Obligation - Net of current portion	36,647	61,819
Deferred Rent - Net of current portion	335,185	238,915
Total liabilities	9,057,265	10,542,099
Stockholders' Equity		
Common stock	10	10
Additional paid-in capital	43,105,621	43,105,621
Accumulated deficit	(32,795,660)	(31,861,811)
Total stockholders' equity	10,309,971	11,243,820
Total liabilities and stockholders' equity	**$ 19,367,236**	**$ 21,785,919**

See independent auditors' report.
The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Operations

Years Ended March 31, 2020 and 2019

	2020		2019 (Restated)	
	Amount	% of Net Sales	Amount	% of Net Sales
Net Sales	$ 29,975,131	100.0	$ 41,069,335	100.0
Cost of Goods Sold	29,258,937	97.6	37,260,375	90.7
Gross Profit	716,194	2.4	3,808,960	9.3
Operating Expenses	2,201,273	7.3	2,327,672	5.7
Operating (Loss) Income	(1,485,079)	(4.9)	1,481,288	3.6
Nonoperating Income (Expense)				
Other income	264,032	0.9	80,430	0.2
Interest expense	(371,428)	(1.2)	(507,192)	(1.2)
Total nonoperating expense	(107,396)	(0.3)	(426,762)	(1.0)
(Loss) Income - Before income taxes	(1,592,475)	(5.2)	1,054,526	2.6
Income Tax Recovery	(658,626)	(2.2)	(683,089)	(1.7)
Consolidated Net (Loss) Income	**$ (933,849)**	**(3.0)**	**$ 1,737,615**	**4.3**

See independent auditors' report.
The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Stockholders' Equity (Deficit)

Years Ended March 31, 2020 and 2019

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance - April 1, 2018	$ 10	$ 43,105,621	$ (33,242,200)	$ 9,863,431
Consolidated net income	-	-	1,737,615	1,737,615
Tax paid on behalf of parent company	-	-	(357,226)	(357,226)
Balance - March 31, 2019	10	43,105,621	(31,861,811)	11,243,820
Consolidated net loss	-	-	(933,849)	(933,849)
Balance - March 31, 2020	**$ 10**	**$ 43,105,621**	**$ (32,795,660)**	**$ 10,309,971**

Consolidated Statement of Cash Flows

Years Ended March 31, 2020 and 2019

	2020	2019 (Restated)
Cash Flows from Operating Activities		
Consolidated net income (loss)	$ (933,849)	$ 1,737,615
Adjustments to reconcile consolidated net income (loss) to net cash from operating activities:		
Depreciation and amortization	1,605,818	1,537,986
Deferred rent	16,395	(73,463)
Change in debt issuance costs	29,103	76,484
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	729,215	1,113,171
Income tax receivable	-	(658,626)
Inventory	1,117,331	(859,794)
Prepaid expenses	3,848	310,089
Other noncurrent assets	-	70,364
Accounts payable	(526,920)	(308,853)
Accrued and other current liabilities	28,209	(139,811)
Customer deposits and advances	(230,185)	(9,611)
Net cash provided by operating activities	1,838,965	2,795,551
Cash Flows from Investing Activities		
Purchase of property and equipment	(875,388)	(969,377)
Net cash used in investing activities	(875,388)	(969,377)
Cash Flows from Financing Activities		
Net change in checks issued in excess of bank balance	(303,595)	72,326
Proceeds from debt	690,000	-
Payments on debt	(972,284)	(984,662)
Proceeds from line of credit	31,561,065	42,610,729
Payments on line of credit	(31,659,391)	(42,914,126)
Payments on capital lease obligations	(153,237)	(202,528)
Tax paid on behalf of parent company	-	(357,226)
Net cash used in financing activities	(837,442)	(1,775,487)
Net Increase in Cash	126,135	50,687
Cash - Beginning of year	91,384	40,697
Cash - End of year	**$ 217,519**	**$ 91,384**
Supplemental Cash Flow Information		
Cash paid for interest	$ 309,229	$ 373,206
Cash received for income taxes	(658,626)	(24,463)

See independent auditors' report.
The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 – Nature of Business

UCAL Holdings, Inc. (f/k/a AMTEC Precision Products, Inc.) (UCAL or the "Company"), a Delaware corporation, is a wholly owned subsidiary of UCAL Fuel Systems Ltd, a company incorporated in India. The accompanying consolidated financial statements include the consolidated results of UCAL and its wholly owned subsidiaries, UCAL Systems, Inc. (f/k/a North American Acquisition Corporation) (UCSI) and AMTEC Molded Products, Inc. (AMPI), as of March 31, 2020 and 2019 and for the years then ended. The Company's subsidiaries are manufacturers of precision metal and plastic products and assemblies, primarily serving the automotive, truck, and capital goods industries in the United States of America. Significant intercompany accounts and transactions have been eliminated in consolidation.

UCSI, a manufacturer of precision machined components, and AMPI, a plastic injection molding company, operate out of two separate facilities located in Elgin, Illinois.

NOTE 2 – Significant Accounting Policies

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Revenue is recognized by the Company when the customer or its representatives take ownership and assume the risk of loss (generally when shipped), collection of the relevant receivable is probable, persuasive evidence of an arrangement exists, and the sale price is fixed and determinable. Provisions for sales returns and other adjustments are provided in the same period the related sales are recorded.

Cash

The Company maintains cash balances in financial institutions that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Accounts Receivable

Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. In addition, a general valuation allowance is established for other accounts receivable based on historical loss experience. A receivable is considered past due if any portion of the receivable balance is outstanding more than 30 days after the due date. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance for doubtful accounts on accounts receivable balances was $113,593 and $147,075 as of March 31, 2020 and 2019, respectively. Recoveries of receivables previously written off are offset against bad debt expense when payments are received.

Inventory

Inventory is stated at the lower of cost or net realizable value (NRV), with NRV based on selling prices in the ordinary course of business, less costs of completion, disposal, and transportation. Inventory cost is determined on the first-in, first-out (FIFO) method. Work in progress and finished goods include the cost of materials, labor, and manufacturing overhead. Perishable tooling is recorded in inventory when purchased and charged to cost of goods sold when consumed in the manufacturing of the Company's products.

NOTE 2 – Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost. Additions, major renewals, replacements, and betterments are capitalized; maintenance and repairs are charged to expense when incurred. Depreciation is computed primarily by using the straight-line method over the estimated useful lives of the respective assets. Leasehold improvements are amortized over the term of the respective lease or useful life, whichever is less. Amortization of the assets under capital lease is computed using the straight-line method over the estimated useful lives and is included in depreciation and amortization expense.

Debt Issuance Cost

Debt issuance costs were incurred by the Company in connection with obtaining the debt to finance the purchase of capital assets. These costs are recorded as a reduction in the recorded balance of the outstanding debt. The costs are amortized over the term of the related debt and reported as a component of interest expense.

Impairment of Long-lived Assets

The Company reviews the recoverability of long-lived assets, including buildings, equipment, internal use software, and other intangible assets, when events or changes in circumstances occur that indicate the carrying value of the asset may not be recoverable. The assessment of possible impairment is based on the ability to recover the carrying value of the asset from the expected future pretax cash flows (undiscounted and without interest charges) of the related operations. If these cash flows are less than the carrying value of such asset, an impairment loss is recognized for the difference between estimated fair value and carrying value. The measurement of impairment requires management to make estimates of these cash flows related to long-lived assets, as well as other fair value determinations.

Checks Issued in Excess of Bank Balance

By arrangement with its financial institution, collected funds are adjusted daily between the Company's checking account and the available line of credit. As a result of the Company's cash management system, checks issued but not presented for payment may create a negative book balance even though the bank balance remains positive. Such negative cash balances are classified in current liabilities.

Credit Risk, Major Customers and Suppliers, and Concentration

Sales are predominately to companies in the automobile industry located principally in the midwestern United States. The Company extends trade credits to its customers on terms that are generally practiced in the industry. One major customer accounted for approximately 80 percent of accounts receivable and 74 percent of net sales as of and for the year ended March 31, 2020. Two major customers accounted for approximately 87 percent of accounts receivable and 87 percent of net sales as of and for the year ended March 31, 2019.

Shipping and Handling Costs

Shipping and handling costs charged to customers are included in net sales. Shipping and handling costs incurred by the Company are included in cost of goods sold.

Note 2 – Significant Accounting Policies (Continued)

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for the tax effect of temporary differences between the basis of certain assets and liabilities for financial and income tax reporting purposes and for net operating loss carryforwards. Deferred taxes are primarily due to the differences in the basis of fixed assets resulting from the use of accelerated depreciation for income tax purposes, loss carryforwards, and certain reserves (inventory and receivables). The deferred tax assets and liabilities represent the future tax return consequences of those temporary differences, which will either be taxable or deductible when the assets or liabilities are recovered or settled. Deferred tax assets are reduced by a valuation allowance when the probability of not being able to realize these assets is more likely than not.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Company’s year ending March 31, 2023 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The Company is still evaluating which method it will apply. The new lease standard is expected to have a significant effect on the Company’s consolidated financial statements as a result of the leases for operating facilities described in Note 8, which are classified as operating leases. The leases are expected to increase long-term asses and liabilities upon adoption. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 3 – Inventory

Inventory as of March 31, 2020 and 2019 consists of the following:

	2020	2019
Raw Materials	$ 816,495	$ 1,588,549
Work in progress	1,378,985	1,636,221
Finished goods	443,489	421,964
Production supplies and replacement parts	1,977,838	1,983,274
Perishable tooling	630,854	734,985
Obsolescence reserve	(379,996)	(379,996)
Total Inventory	$ 4,867,665	$ 5,984,997

Note 4 – Property and Equipment

Property and equipment as of March 31, 2020 and 2019 are summarized as follows:

	Depreciable Life - Years	2020	2019
Plant machinery and equipment	5-20	$ 34,997,985	$ 34,452,526
Leasehold improvements	10	2,030,218	1,712,807
Vehicles	3-5	65,412	65,412
Office computers and software	3	881,373	881,373
Office furniture and fixtures	5	93,252	93,252
Construction in progress	-	21,136	43,732
Total Cost		38,089,376	37,249,102
Accumulated depreciation and amortization		28,429,856	26,859,152
Net property and equipment		$ 9,659,520	$ 10,389,950

Depreciation and amortization expense for the years ended March 31, 2020 and 2019 was $1,605,818 and $1,537,987, respectively.

Note 5 – Line of Credit

At March 31, 2020 and 2019, the Company had a revolving line of credit agreement with a bank that allows for borrowings of up to $10,000,000, which expires in July 2024. At March 31, 2020 and 2019, the Company had outstanding borrowings of $2,290,818 and $2,389,145, respectively. Maximum borrowings under this agreement are limited to the lesser of $10,000,000 less outstanding letters of credit or a borrowing base, subject to certain limitations, as defined in the agreement. Borrowings under these facilities are collateralized by substantially all of the Company's assets. The Company must meet a monthly minimum fixed-charge coverage ratio, as defined in the agreement, and maintain excess availability of not less than $500,000 at all times. These covenants also apply to the debt in Note 6. Interest on the line of credit will be charged at the bank's prime rate plus1 percent or the daily three-month LIBOR plus 1.75 percent (an effective rate of 3.20 percent as of March 31, 2020). Interest on the line of credit was charged at the bank's prime rate plus 1.00 percent or the daily three-month LIBOR plus 2.00 percent (an effective rate of 4.60 percent as of March 31, 2019). As of March 31, 2020, the Company was not in compliance with the financial covenants. The Bank has granted a waiver on these covenants, as such, there are no modifications to the financial statements.

Note 6 – Long-Term Debt

Long-term debt at March 31, 2020 and 2019 is as follows:

	2020	2019
Machinery and equipment term loan not to exceed the lesser of $6,456,000 or either 85 percent of the hard cost of the eligible new CapEx equipment or 85 percent of the net orderly liquidation value of the Company's eligible new equipment, as defined in the bank credit agreement. Payable in monthly installments of $59,524 to $76,857, plus interest at 2.25 and 2.75 percent above the three-month LIBOR (an effective rate of 3.70 and 5.35 percent at March 31, 2020 and 2019, respectively). The machinery and equipment term loan is collateralized with a security interest in the subject property, and the Company is required to meet the financial covenants, as detailed in Note 5.	$ 3,999,621	$ 4,221,905
Unamortized debt issuance costs	(46,667)	(15,770)
Long-term debt less unamortized debt issuance costs	3,952,954	4,206,135
Less current portion	1,072,284	922,284
Long-term portion	$ 2,880,670	$ 3,283,851

As of March 31, 2019, the Company also had a machinery and equipment term loan in an amount not to exceed the lesser of (a) $750,000, (b) 85 percent of the hard costs, or (c) 65 percent of net orderly liquidation value of the Company's eligible new equipment, as defined in the loan agreement. The loan was originally available for a 24-month period, expiring in August 2018, including certain restrictions as defined in the agreement, and amortized over a 60-month period to begin in the month following the first advance to the Company. Interest on the loan bears interest based on the daily three-month LIBOR plus 2.75 percent. During October 2018, the loan agreement was amended to extend the loan to July 2019. All other terms remained unchanged. At March 31, 2019, the Company had no borrowings on this loan outstanding.

The future principal requirements on the balance of the debts described above are as follows:

Years Ending	Amount
2021	$ 1,072,284
2022	1,072,284
2023	1,072,284
2024	782,769
Thereafter	-
Total	$ 3,999,621

Note 7 – Capital Leases

The Company entered into long-term lease arrangements that are classified as capital leases. For consolidated financial statement purposes, the present values of the net minimum lease payments have been capitalized. Under the terms of the lease agreements, payments ranging from $380 to $4,091 are due monthly through April 1, 2022. The leases have been imputed with interest at annual rates ranging from 4.00 percent to 6.90 percent.

At March 31, 2020 and 2019, property under capital leases consists of machinery and equipment with a gross cost of $1,131,695. At March 31, 2020 and 2019, accumulated depreciation on property under capital leases was $414,962 and $320,700, respectively.

The future minimum lease payments under capital leases are as follows:

Years Ending March 31	Amount
2021	$ 42,136
2022	31,070
2023	1,781
Total	74,987
Less amount representing interest	3,541
Present value of net minimum lease payments	71,446
Less current obligations	34,799
Long-term obligations under capital leases	$ 36,647

Note 8 – Operating Leases

The Company is obligated under operating leases for its office and manufacturing facilities, expiring at various dates through December 2028. The Company also leases space in Elgin, Illinois on a month-to-month basis with a payment of $2,575. Total rent expense under these leases was $852,746 and $836,686 for the years ended March 31, 2020 and 2019, respectively.

The Company records rental payments as expense on the straight-line method over the term of the leases. The deferred rent liability represents the difference between the rent expense recorded on the straight-line method and amount paid in accordance with the lease agreement.

Note 8 – Operating Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending March 31	Amount
2021	$ 820,497
2022	838,407
2023	856,429
2024	874,784
2025	892,806
Thereafter	2,597,465
Total	$ 6,880,388

Note 9 – Retirement Plans

The Company sponsors a 401(k) plan for eligible employees, as defined in the UCAL Holdings, Inc. and Subsidiaries Employee Savings Plan (f/k/a AMTEC Precision Products, Inc. and Subsidiaries Employee Savings Plan) and the UCAL Holdings, Inc. and Subsidiaries Employee Savings Trust (f/k/a AMTEC Precision Products, Inc. and Subsidiaries Employee Savings Trust). The plan provides for the Company to make a discretionary matching contribution, after the approval of the board of directors of the Company. There were no contributions for the years ended March 31, 2020 and 2019.

Note 10 – Forgiveness of Amounts Due to Parent Company

On March 31, 2018, the board of directors of the parent company passed a resolution to forgive $27,836,629 of amounts due from the Company and relinquish all unpaid principal, accrued interest, and accounts payable due to the parent company. The forgiveness of amounts due to the parent company was recorded as a reduction to accumulated deficit.

In January 2019, the Company made a tax payment of $357,226 on behalf of the parent company related to the forgiveness of debt. The payment was recorded as an addition to accumulated deficit.

Note 11 – Income Taxes

The components of the income tax provision included in the consolidated statement of operations are all attributable to continuing operations and are detailed as follows:

	2020	2019
Deferred income tax (benefit) expense	$ 1,385,832	$ (463,000)
AMT tax expense	(658,626)	(658,626)
Change in valuation allowance	(1,385,832)	463,000
Current taxes	-	(24,463)
Total income tax (benefit) expense	$ (658,626)	$ (683,089)

Note 11 – Income Taxes (Continued)

The income tax provision differs from the expense that would result from applying statutory rates to income before income taxes as a result of travel and entertainment and other expenses that are not deductible for tax purposes, and the change in the valuation allowance.

The Company files income tax returns in the U.S federal and various state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or state income tax examinations by tax authorities for years before March 31, 2017.

The details of the net deferred tax asset are as follows:

	2020	2019
Deferred tax assets:		
Allowance for doubtful accounts	$ 29,000	$ 38,000
Inventories	138,000	133,000
State net operating loss carryforward	1,667,000	1,611,000
AMT tax credit	-	1,345,832
Net operating loss and tax credit carryforward	11,653,000	11,016,000
Accrued expenses	8,000	8,000
Reserve for note receivable	100,000	100,000
Deferred rent	77,000	72,000
Gross deferred tax assets	13,672,000	14,323,832
Valuation allowance recognized for deferred tax assets	(11,981,000)	(13,366,832)
Net deferred tax assets	1,691,000	957,000
Deferred tax liabilities - Depreciation	(1,691,000)	(957,000)
Net deferred tax asset	$ -	$ -

As of March 31, 2020, the Company has federal and state net operating loss carryforwards of approximately $45,665,000 and $20,700,000, respectively. Losses generated prior to December 31, 2017 are available to reduce future income taxes, expiring in 2020 through 2037. Losses generated after December 31, 2017 are available to reduce future income taxes up to 80% of that current years' taxable income but can be carried forward indefinitely.

Realization of deferred tax assets is dependent on generating sufficient taxable income prior to the expiration of loss carryforwards. Due to uncertainty as to the realization of the net operating loss carryforwards, a valuation allowance has been recorded against the related deferred tax asset.

Note 12 – Capital Stock

Common stock consists of 1,000 authorized shares of $0.01 par value stock. As of March 31, 2020 and 2019, there were 1,000 shares issued and outstanding.

Note 13 – Prior Period Adjustment – Correction of an Error

Certain errors resulting in an understatement of previously reported net income were discovered during the current fiscal year. Accordingly, an adjustment of $658,626 was made to the fiscal year 2019 income tax receivables balance as of the end of the 2019 fiscal year. A corresponding entry was made to increase previously reported income recovery by $658,626 at the end of the 2019 fiscal year. These changes increased stockholder's equity by $658,626.

Note 14 – Recent Accounting Pronouncements Adopted

In May 2014, FASB issued ASU 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 supersedes nearly all existing revenue recognition standards under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to clients in an amount that reflects the consideration an entity expects to receive for those goods or services using a defined five-step process. Further judgment and estimates may be required to achieve this principle than under existing U.S. GAAP. ASU 2014-09 is effective for annual periods beginning after December 15, 2018, including interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients or (ii) a retrospective approach with the cumulative effect upon initial adoption recognized at the date of adoption which includes additional footnote disclosures. The Company has adopted the standard at the beginning of fiscal year 2020, using the modified retrospective approach. No cumulative effect adjustment was necessary.

As the Company has the right to consideration corresponding directly with the value of performance completed to date, customer contract revenue is recognized consistent with the amount the Company has a right to invoice. The Company is therefore exercising the practical expedient not to explain transaction prices allocated to unsatisfied performance obligations at the end of the period.

Note 15 – Subsequent Events

In accordance with the requirements in *FASB ASC Paragraph 855 Subsequent Events*, the Company has evaluated all subsequent events through June 26, 2020 (the date the Company's consolidated financial statements were available to be issued), with regards to the financial statements and notes to those financial statements. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements, other than the following:

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.