UCAL Holdings, Inc. and Subsidiaries

Consolidated Financial Report

March 31, 2021 and 2020

Contents

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Independent Auditors' Report

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

Opinion
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, 2021 and 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of UCAL Holdings, Inc and Subsidiaries as of March 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of UCAL Holdings, Inc. and Subsidiaries 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 Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 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 financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the 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

(Continued)

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 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 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.

Emphasis of Matter
As discussed in Note 14 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 25, 2021

March 31, 2021 and 2020

Assets

	2021	2020
Current Assets		
Cash	$ 93,869	$ 217,519
Accounts receivable	5,303,150	3,634,736
Employee Retention Credit receivable	821,784	-
Income tax receivable	-	658,626
Inventory	5,574,495	4,867,666
Prepaid expenses	103,220	119,171
Deferred rent - Current portion	97	36,006
Total current assets	11,896,615	9,533,724
Property and Equipment - Net	8,167,009	9,659,520
Other Assets - Other noncurrent assets	173,992	173,992
Total assets	**$ 20,237,616**	**$ 19,367,236**

Liabilities and Stockholders' Equity

	2021	2020
Current Liabilities		
Checks issued in excess of bank balance	$ 72,492	$ 84,069
Accounts payable	2,375,756	1,564,081
Bank line of credit	1,956,213	2,290,818
Current portion of long-term debt	1,072,284	1,072,284
Current portion of capital lease obligation	31,639	34,800
Accrued and other current liabilities:		
Accrued compensation	376,019	371,703
Customer deposits and advances	52,952	120,330
Other accrued liabilities	258,935	266,678
Total current liabilities	6,196,290	5,804,763
Long-term Debt - Bank notes payable - Net of current portion	3,963,868	2,880,670
Capital Lease Obligation - Net of current portion	894	36,647
Deferred Rent - Net of current portion	335,282	335,185
Total liabilities	10,496,334	9,057,265
Stockholders' Equity		
Common stock	10	10
Additional paid-in capital	43,105,621	43,105,621
Accumulated deficit	(33,364,349)	(32,795,660)
Total stockholders' equity	9,741,282	10,309,971
Total liabilities and stockholders' equity	**$ 20,237,616**	**$ 19,367,236**

See independent auditors' report.

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Operations

Years Ended March 31, 2021 and 2020

	2021		2020	
	Amount	% of Net Sales	Amount	% of Net Sales
Net Sales	$ 25,790,634	100.0	$ 29,975,131	100.0
Cost of Goods Sold	25,050,380	97.1	29,258,937	97.6
Gross Profit	740,254	2.9	716,194	2.4
Operating Expenses	1,846,846	7.2	2,201,273	7.3
Operating Loss	(1,106,592)	(4.3)	(1,485,079)	(4.9)
Nonoperating Income (Expense)				
Other (expense) income	(18,485)	(0.1)	264,032	0.9
Other income - Employee Retention Credit	821,784	3.2	-	0.0
Interest expense	(265,396)	(1.0)	(371,428)	(1.2)
Total nonoperating expense (income)	537,903	2.1	(107,396)	(0.3)
Loss - Before income taxes	(568,689)	(2.2)	(1,592,475)	(5.2)
Income Tax Recovery	-	0.0	(658,626)	(2.2)
Consolidated Net Loss	**$ (568,689)**	**(2.2)**	**$ (933,849)**	**(3.0)**

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, 2021 and 2020

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Total
Balance - April 1, 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 net loss	-	-	(568,689)	(568,689)
Balance - March 31, 2021	**$ 10**	**$ 43,105,621**	**$ (33,364,349)**	**$ 9,741,282**

	2021	2020
Cash Flows from Operating Activities		
Consolidated net loss	$ (568,689)	$ (933,849)
Adjustments to reconcile consolidated net loss to net cash from operating activities:		
Depreciation and amortization	1,557,227	1,605,818
Deferred rent	36,006	16,395
Change in debt issuance costs	20,000	29,103
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	(1,668,414)	729,215
Employee Retention Credit receivable	(821,784)	-
Income tax receivable	658,626	-
Inventory	(706,829)	1,117,331
Prepaid expenses	15,951	3,848
Accounts payable	811,675	(526,920)
Accrued and other current liabilities	(3,427)	28,209
Customer deposits and advances	(67,378)	(230,185)
Net cash (used in) provided by operating activities	(737,036)	1,838,965
Cash Flows from Investing Activities		
Purchase of property and equipment	(64,715)	(875,388)
Net cash used in investing activities	(64,715)	(875,388)
Cash Flows from Financing Activities		
Net change in checks issued in excess of bank balance	(11,578)	(303,595)
Proceeds from debt	2,135,482	690,000
Payments on debt	(1,072,284)	(972,284)
Proceeds from line of credit	24,580,221	31,561,065
Payments on line of credit	(24,914,827)	(31,659,391)
Payments on capital lease obligations	(38,913)	(153,237)
Net cash provided by (used in) financing activities	678,101	(837,442)
Net (Decrease) Increase in Cash	(123,650)	126,135
Cash - Beginning of year	217,519	91,384
Cash - End of year	**$ 93,869**	**$ 217,519**
Supplemental Cash Flow Information		
Cash paid for interest	$ 173,531	$ 309,229
Cash received for income taxes	(658,626)	(658,626)

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, 2021 and 2020 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 $202,559 and $113,593 as of March 31, 2021 and 2020, 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. Two major customers accounted for approximately 92 percent of accounts receivable and 87 percent of net sales as of and for the year ended March 31, 2021. One major customers accounted for approximately 80 percent of accounts receivable and 74 percent of net sales as of and for the year ended March 31, 2020.

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, 2021 and 2020 consists of the following:

	2021	2020
Raw Materials	$ 1,181,566	$ 816,495
Work in progress	1,341,226	1,378,985
Finished goods	688,707	443,489
Production supplies and replacement parts	1,957,434	1,977,838
Perishable tooling	749,798	630,854
Obsolescence reserve	(344,236)	(379,996)
Total Inventory	$ 5,574,495	$ 4,867,665

Note 4 – Property and Equipment

Property and equipment as of March 31, 2021 and 2020 are summarized as follows:

	Depreciable Life - Years	2021	2020
Plant machinery and equipment	5-20	$ 35,050,168	$ 34,997,985
Leasehold improvements	10	2,061,711	2,030,218
Vehicles	3-5	65,412	65,412
Office computers and software	3	887,924	881,373
Office furniture and fixtures	5	93,252	93,252
Construction in progress	-	-	21,136
Total Cost		38,158,467	38,089,376
Accumulated depreciation and amortization		29,991,458	28,429,856
Net property and equipment		$ 8,167,009	$ 9,659,520

Depreciation and amortization expense for the years ended March 31, 2021 and 2020 was $1,557,227 and $1,605,818, respectively.

Note 5 – Line of Credit

At March 31, 2021 and 2020, 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, 2021 and 2020, the Company had outstanding borrowings of $1,956,213 and $2,290,818, 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 plus 0.50 percent or the daily three-month LIBOR plus 2.25 percent with a LIBOR floor of 1% (an effective rate of 3.25 percent as of March 31, 2021). 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 1.75 percent (an effective rate of 3.20 percent as of March 31, 2020). As of March 31, 2021, 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, 2021 and 2020 is as follows:

	2021	2020
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 2.75 and 2.25 percent above the three-month LIBOR with a LIBOR floor of 1.00 percent or 0.50 percent above the prime rate (an effective rate of 3.75 and 3.70 percent at March 31, 2021 and 2020, 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.	$ 2,927,337	$ 3,999,621
Small Business Administration - Paycheck Protection Program loan. The loan bears interest at 1.00 percent. Unless forgiven, principal and interest payments begin in 2021. The loan matures in May 2022. See Note 6 for additional details.	2,135,482	-
Unamortized debt issuance costs	(26,667)	(46,667)
Long-term debt less unamortized debt issuance costs	5,036,152	3,952,954
Less current portion	1,072,284	1,072,284
Long-term portion	$ 3,963,868	$ 2,880,670

As of March 31, 2021, 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. Interest on the loan bears interest based on the daily three-month LIBOR plus 2.75 percent. During May 2020, the loan agreement was amended to extend the loan to July 2024. At March 31, 2021 and 2020, the Company had no borrowings on this loan outstanding.

In May 2020, the Company participated in the Paycheck Protection program under the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") and secured financing through a financial institution for $2,135,482 at 1% interest. The Company has applied for forgiveness under the Paycheck Protection program with their lender and received forgiveness approval from the lender in April 2021. The forgiveness application has been forwarded to the Small Business Association ("SBA") for the final stage of the forgiveness approval process. If the loan would not be forgiven then the first principal payment is would be due in 2021 and the loan would mature in May 2022. The loan is guaranteed by the Small Business Administration. The loan qualifies for 100% forgiveness if certain criteria are met. The Company believes that the criteria will be met and the loan will be forgiven.

Note 6 – Long-Term Debt (Continued)

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

Years Ending	Amount
2022	$ 1,072,284
2023	3,207,766
2024	782,769
Thereafter	-
Total	$ 5,062,819

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 $1,781 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, 2021 and 2020, property under capital leases consists of machinery and equipment with a gross cost of $1,131,695. At March 31, 2021 and 2020, accumulated depreciation on property under capital leases was $517,853 and $414,962, respectively.

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

Years Ending March 31	Amount
2022	$ 33,411
2023	1,781
Thereafter	-
Total	35,192
Less amount representing interest	2,659
Present value of net minimum lease payments	32,533
Less current obligations	31,639
Long-term obligations under capital leases	$ 894

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 $827,172 and $852,746 for the years ended March 31, 2021 and 2020, 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.

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

Years Ending March 31	Amount
2022	$ 838,407
2023	856,429
2024	874,784
2025	892,806
2026	686,931
Thereafter	1,910,534
Total	$ 6,059,891

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, 2021 and 2020.

Note 10 – 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:

	2021	2020
Deferred income tax (benefit) expense	$ 359,000	$ 1,385,832
AMT tax expense	-	(658,626)
Change in valuation allowance	(359,000)	(1,385,832)
Total income tax (benefit) expense	$ -	$ (658,626)

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.

Note 10 – Income Taxes (Continued)

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, 2018.

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

	2021	2020
Deferred tax assets:		
Allowance for doubtful accounts	$ 52,000	$ 29,000
Inventories	131,000	138,000
State net operating loss carryforward	1,540,000	1,667,000
Net operating loss and tax credit carryforward	11,227,000	11,653,000
Accrued expenses	17,000	8,000
Reserve for note receivable	100,000	100,000
Deferred rent	86,000	77,000
Gross deferred tax assets	13,153,000	13,672,000
Valuation allowance recognized for deferred tax assets	(11,821,000)	(11,981,000)
Net deferred tax assets	1,332,000	1,691,000
Deferred tax liabilities - Depreciation	(1,332,000)	(1,691,000)
Net deferred tax asset	$ -	$ -

As of March 31, 2021, the Company has federal and state net operating loss carryforwards of approximately $43,458,000 and $45,665,000, respectively. Losses generated prior to December 31, 2017 are available to reduce future income taxes, expiring in 2021 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 11 – Capital Stock

Common stock consists of 1,000 authorized shares of $0.01 par value stock. As of March 31, 2021 and 2020, there were 1,000 shares issued and outstanding.

Note 12 – 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 13 – 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 14 – Contingencies

Litigation

From time to time, the Company is party to various legal actions, proceedings, and investigations involving claims incidental to the conduct of their business. Based on information currently available, advice of counsel, and available insurance coverage, the Company does not believe that any such actions are likely to be, individually or in the aggregate, material to its business, financial condition, results of operations, or cash flows. However, in the event of unexpected further developments, it is possible that the ultimate resolution of these matters, or other similar matters, if unfavorable, may be materially adverse to the Company's business, financial condition, results of operations, or cash flows.

COVID-19

COVID-19 has adversely affected global economies, financial markets, and the overall environment for the Company and the extent to which it may impact future results of operations and overall financial performance remains uncertain. The Company took significant actions in order to mitigate the negative impacts of COVID-19 including, implementing cost reduction initiatives and utilizing relief provisions provided under the CARES Act.

As discussed in Note 6, the Company participated in the Paycheck Protection Program under the CARES Act and secured financing through a financial institution for $2,135,482 at 1% interest. The loan is guaranteed by the Small Business Administration. The loan qualifies for 100% forgiveness if certain criteria are met. The Company believes the criteria will be met and the loan will be forgiven. This loan is subject to future audit by the Small Business Association.

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 25, 2021 (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.