

**PARATECH, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED OCTOBER 31, 2020 AND 2019**

# **PARATECH, INC.**

**YEARS ENDED OCTOBER 31, 2020 AND 2019**

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## **Independent Accountants' Review Report**

Shareholder and Management  
Paratech, Inc.

We have reviewed the accompanying financial statements of Paratech, Inc. (the Company), which comprise the balance sheets as of October 31, 2020 and 2019, and the related statements of income, retained earnings, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **Management's Responsibility for the Financial Statements**

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

### **Accountants' Responsibility**

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountants' Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

*Ostrow Reisin Berk & Abrams, Ltd.*

February 15, 2021

# PARATECH, INC.

## BALANCE SHEETS

October 31,	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash	\$ 4,574,408	\$ 1,006,237
Accounts receivable, trade	1,600,318	2,142,745
Shareholder advance	65,296	
Inventories	4,513,237	4,754,393
Prepaid expenses	412,477	283,668
Recoverable income taxes	222,966	
Total current assets	11,388,702	8,187,043
Property, plant and equipment, net	3,380,903	3,031,521
Other asset:		
Deposits	43,758	43,758
Total assets	\$ 14,813,363	\$ 11,262,322

*See accountants' review report and notes to financial statements.*

# PARATECH, INC.

## BALANCE SHEETS (CONTINUED)

October 31,	2020	2019
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Current maturities of long-term debt	\$ 294,917	\$ 447,564
Capital lease obligation, current portion	15,150	20,917
Accounts payable	521,821	579,428
Accrued expenses:		
Rent	48,583	48,583
Payroll and related	470,092	305,380
Interest	3,938	6,048
Income taxes payable		56,043
Customer deposits	41,583	215,578
<b>Total current liabilities</b>	<b>1,396,084</b>	<b>1,679,541</b>
<b>Long-term liabilities:</b>		
Long-term debt, less current maturities	1,893,117	975,317
Capital lease obligation, net of current portion	33,019	1,834
Deferred income taxes	743,471	552,459
<b>Total long-term liabilities</b>	<b>2,669,607</b>	<b>1,529,610</b>
<b>Total liabilities</b>	<b>4,065,691</b>	<b>3,209,151</b>
<b>Stockholders' equity:</b>		
<b>Common stock:</b>		
Voting stock, no par value; authorized 2,000 shares; issued and outstanding 1,000 shares	1,020	1,020
Non-voting stock, no par value; authorized 198,000 shares; issued 99,000 shares and outstanding 49,000 shares	49,961	49,961
Additional paid-in capital	210,000	210,000
Retained earnings	15,486,691	12,792,190
Less: Treasury stock, 50,000 shares, at cost	(5,000,000)	(5,000,000)
<b>Total stockholders' equity</b>	<b>10,747,672</b>	<b>8,053,171</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 14,813,363</b>	<b>\$ 11,262,322</b>

See accountants' review report and notes to financial statements.

# PARATECH, INC.

## STATEMENTS OF INCOME

Years ended October 31,	2020	2019
Net sales	\$ 26,717,961	\$ 26,535,182
Cost of goods sold	13,292,361	13,701,077
Gross profit	13,425,600	12,834,105
Gain on sale of asset	10,000	
Total operating income	13,435,600	12,834,105
Bad debt on related party note payable		(311,730)
Operating expenses:		
Selling	3,774,012	4,127,350
General and administrative	6,158,590	5,079,712
Total operating expenses	9,932,602	9,207,062
Income from operations	3,502,998	3,315,313
Other income (expense):		
Interest income	5,125	86
Interest expense	(59,775)	(146,259)
Other income (expense)	67,152	(31,896)
Total other income (expense)	12,502	(178,069)
Income before provision for income taxes	3,515,500	3,137,244
Provision for income taxes	785,999	944,732
Net income	\$ 2,729,501	\$ 2,192,512

*See accountants' review report and notes to financial statements.*

# PARATECH, INC.

## STATEMENTS OF RETAINED EARNINGS

	Retained earnings
Balance, November 1, 2018	\$ 10,619,678
Net income	2,192,512
Dividends	(20,000)
<b>Balance, October 31, 2019</b>	<b>12,792,190</b>
Net income	2,729,501
Dividends	(35,000)
<b>Balance, October 31, 2020</b>	<b>\$ 15,486,691</b>

*See accountants' review report and notes to financial statements.*

# PARATECH, INC.

## STATEMENTS OF CASH FLOWS

Years ended October 31,	2020	2019
Cash flows from operating activities:		
Net income	\$ 2,729,501	\$ 2,192,512
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	597,931	617,692
Deferred income taxes	191,012	642,000
Provision for doubtful accounts		(10,000)
Provision for uncollectible amounts due from EagleAir, Inc.		311,730
Gain on sale of asset	(10,000)	
(Increase) decrease in operating assets:		
Accounts receivable, trade	542,427	(830,013)
Inventories	241,156	(205,437)
Prepaid expenses	(128,809)	39,948
Recoverable income taxes	(222,966)	2,341
Increase (decrease) in operating liabilities:		
Accounts payable	(57,607)	(127,073)
Income taxes payable	(56,043)	56,043
Accrued payroll and related	164,712	(166,550)
Accrued interest	(2,110)	(9,613)
Customer deposits	(173,995)	(165,616)
Net cash provided by operating activities	3,815,209	2,347,964
Cash flows from investing activities:		
Purchases of property, plant and equipment	(894,488)	(332,050)
Advance to shareholder	(65,296)	
Proceeds from the sale of property, plant and equipment	10,000	
Advances to EagleAir, Inc.		(311,730)
Net cash used in investing activities	(949,784)	(643,780)

See accountants' review report and notes to financial statements.

# PARATECH, INC.

## STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended October 31,	2020	2019
Cash flows from financing activities:		
Net payments on bank line of credit		\$ (1,370,192)
Proceeds from long term debt	\$ 1,213,700	
Principal payments on long-term debt	(448,547)	(499,342)
Principal payments on capital lease obligation	(27,407)	(19,028)
Dividends	(35,000)	(20,000)
Net cash provided by (used in) financing activities	702,746	(1,908,562)
Net increase (decrease) in cash	3,568,171	(204,378)
Cash, beginning of year	1,006,237	1,210,615
Cash, end of year	\$ 4,574,408	\$ 1,006,237
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 61,884	\$ 155,873
Income taxes	\$ 921,508	\$ 234,348
Supplemental disclosures of non-cash investing and financing activities:		
Vehicle purchase with capital lease obligation	\$ 52,825	
Software purchase financed with note payable		\$ 52,027

See accountants' review report and notes to financial statements.

# **PARATECH, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

### **1. Summary of significant accounting policies**

#### **Description of operations:**

Paratech, Inc. (the Company) manufactures and sells emergency rescue and safety equipment to fire equipment distributors and dealers worldwide. Paratech Denmark is the European branch of the Company and distributes products worldwide.

#### **Foreign operations:**

Assets located outside the United States accounted for approximately 5% and 7% of total assets at October 31, 2020 and 2019, respectively. The transactions of the foreign branch, Paratech Denmark, are translated into U.S. dollars for assets, liabilities, revenues and expenses. Paratech Denmark transacts business in the Euro, the Danish Krone and the U.S. dollar, with the U.S. dollar being its functional currency. Foreign currency fluctuations have not been material to the financial statements.

#### **Revenue recognition:**

The Company recognizes revenue when goods are shipped or accepted based on the terms of the sale agreement, collection is reasonably assured, the price is fixed and determinable and there is evidence of an arrangement.

#### **Cash:**

Cash includes bank accounts in the U.S. and Denmark. Cash maintained in these bank accounts may, at times, exceed federally-insured limits. At October 31, 2020 and 2019, the uninsured balance was approximately \$4,335,000 and \$796,000, respectively. Management believes that the Company is not exposed to any significant credit risk on cash.

#### **Trade accounts receivable:**

Trade accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Management estimates the allowance based on analysis of specific customers, taking into consideration the age of past due accounts and an assessment of the customer's ability to pay. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

*See accountants' review report.*

# **PARATECH, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **1. Summary of significant accounting policies (continued)**

#### **Inventories:**

The Company states inventories at the lower of first-in, first-out cost or net realizable value. Net realizable value is based on the selling price.

#### **Property, plant and equipment:**

Property, plant and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective classes of property. Useful lives generally range from 3 to 10 years. Leasehold improvements are amortized over their useful lives, generally 40 years, rather than the lease term, as the Company leases these facilities from LBN, LLC and expects to do so on a long-term basis.

Property, plant and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

#### **Research and development costs:**

Expenditures for research and development are expensed when incurred. Total research and development costs charged to general and administrative expenses approximated \$590,000 and \$416,000 for the years ended October 31, 2020 and 2019, respectively.

#### **Shipping and handling costs:**

Freight costs have been included in cost of goods sold. Shipping supplies and expenses of approximately \$348,000 and \$331,000 are included in general and administrative expenses for the years ended October 31, 2020 and 2019, respectively.

#### **Advertising costs:**

Advertising costs are expensed as incurred. Such costs approximated \$157,000 and \$184,000 for the years ended October 31, 2020 and 2019, respectively.

#### **Use of estimates:**

The preparation of the financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*See accountants' review report.*

# **PARATECH, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **1. Summary of significant accounting policies (continued)**

#### **Reclassifications:**

Certain amounts from the prior year have been reclassified in order to conform to the current year's presentation.

#### **Subsequent events:**

Management of the Company has reviewed and evaluated subsequent events through February 15, 2021, the date the financial statements were available to be issued.

### **2. COVID-19 impact**

On March 11, 2020, the World Health Organization (WHO) recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide spread quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy. During the COVID-19 pandemic, the Company's business has generally been considered essential in nature. The administrative staff as well as staff not involved in the production and delivery of product have transitioned to working remotely and all sales personnel have limited their travel. Production processes have continued to operate without limitations. The Company believes that the ultimate impact of the COVID-19 pandemic on its operating results, cash flows, and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the Company's control. Factors that may adversely impact the Company include state or local mandates to temporarily close the production facility as a preventive measure to combat the pandemic. Additionally, the Company's most significant end users are governmental agencies who may face future budgetary constraints. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could adversely impact the Company.

# PARATECH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 3. Inventories

Inventories consist of the following:

October 31,	2020	2019
Raw materials	\$ 2,812,309	\$ 2,906,745
Work in process	117,657	258,464
Finished goods	1,583,271	1,589,184
Total inventories	\$ 4,513,237	\$ 4,754,393

### 4. Property, plant and equipment

The Company's property, plant and equipment as of October 31, 2020 and 2019 is as follows:

October 31,	2020	2019
Computer equipment	\$ 1,644,798	\$ 1,579,862
Furniture and equipment	514,028	492,938
Leasehold improvements	1,625,996	1,407,739
Machinery and equipment	9,953,666	9,493,796
Tools and dies	1,244,243	1,134,313
Vehicles	995,846	979,254
	15,978,577	15,087,902
Less accumulated depreciation and amortization	(12,597,674)	(12,056,381)
Property, plant and equipment, net	\$ 3,380,903	\$ 3,031,521

*See accountants' review report.*

# PARATECH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 5. Related party

EagleAir, Inc. manufactures high pressure breathing air systems and is 100% owned by the Company's sole shareholder. The Company made interest-free advances, due on demand, totaling \$311,730 during the year ended October 31, 2019. The advances were deemed uncollectible at October 31, 2019 and were written off. In addition, the Company has guaranteed approximately \$450,000 of EagleAir, Inc.'s bank debt at October 31, 2020. This debt carries an interest rate of the greater of the prime rate or 6% and requires interest-only payments. The guarantee was provided in attempts to provide additional capital to EagleAir, Inc. to assist in getting caught up with their vendor liabilities. In the event that EagleAir, Inc. defaults, the Company would be required to pay back the bank debt at a maximum amount of \$450,000. The Company does not anticipate the ability to recover any of this amount from third parties if EagleAir, Inc. should default.

As such, EagleAir, Inc. is considered a variable interest entity (VIE). A VIE should be consolidated if the party with an ownership, contractual or other interest in the VIE that is considered a variable interest has the power to direct the VIE's most significant activities and the obligation to absorb losses or right to receive benefits of the VIE that could be significant to the VIE. A variable interest holder that consolidates the VIE is called the primary beneficiary. The Company has determined that it is not the primary beneficiary of EagleAir, Inc. because the Company lacks the power to direct the activities of EagleAir, Inc. that most significantly impacts their economic performance. Therefore, consolidation in the Company's financial statements is not required.

Summarized financial information of EagleAir, Inc. is approximately as follows:

October 31,	2020	2019
Total assets	\$ 1,207,000	\$ 1,227,000
Total liabilities	\$ 2,545,000	\$ 2,009,000
Total shareholders' deficit	\$ (1,338,000)	\$ (782,000)
Years ended October 31,	2020	2019
Total revenues	\$ 4,836,000	\$ 4,971,000
Total net income (loss)	\$ (556,000)	\$ 443,000

*See accountants' review report.*

# **PARATECH, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **5. Related party (continued)**

The Company has leased its U.S. facilities from LBN, LLC under a lease that is set to expire on October 31, 2024. A family member of the sole shareholder of the Company owns all the equity of LBN, LLC. Rent expense was \$388,800 for each of the years ended October 31, 2020 and 2019.

The Company has noninterest-bearing amounts due from its sole shareholder of \$65,296 at October 31, 2020. These balance represent short-term advances to the shareholder that are periodically repaid. Amounts are payable on demand.

### **6. Common stock**

The Company has authorized 2,000 Class A voting shares and 1,000 shares are issued and outstanding. The Company has also authorized 198,000 Class B non-voting shares, with 99,000 shares issued, 50,000 shares in treasury and 49,000 shares outstanding. The shares of each class have identical rights and privileges except that the holders of Common Class A voting shares have full voting rights as described under the Illinois Business Corporation Act and the holders of Common Class B non-voting shares only have voting rights as described under the Illinois Business Corporation Act for a non-voting stockholder.

### **7. Line of credit and notes payable**

The Company had a revolving line of credit with a bank in the gross amount of \$1,750,000, subject to a borrowing base. The amount borrowed cannot exceed certain percentages of accounts receivable and inventory. On June 1, 2020, the line of credit was refinanced with a maturity date of June 1, 2021. Interest on the loan was the greater of prime or 5% through May 31, 2020 and was refinanced to 4.25% starting on June 1, 2020 through the maturity date of the line of credit. All other terms remained unchanged. There was \$-0- outstanding at October 31, 2020 and 2019.

# PARATECH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. Line of credit and notes payable (continued)

The Company also has multiple term notes payable consisting of the following:

October 31,	2020	2019
Bank note payable in monthly installments of \$12,607, plus interest at the greater of the prime rate or 5%, due in May 2022. Interest rate at October 31, 2020 was 5%.	\$ 252,221	\$ 403,504
Bank note payable in monthly installments of \$20,000, plus interest at the greater of the prime rate or 5%, due in April 2020. Interest rate at October 31, 2019 was 5%.		140,000
Software notes payable to a commercial lending institution in monthly installments of \$3,082 and \$1,852, including interest at 2.5%, due in June 2021.	39,107	96,561
Bank note payable in monthly installments of \$11,628, including interest at 4.25%, with final payment due in June 2026.	683,006	782,816
Paycheck Protection Program loan as described below	1,213,700	
	2,188,034	1,422,881
Less current maturities	(294,917)	(447,564)
Total long-term debt	\$ 1,893,117	\$ 975,317

*See accountants' review report.*

# PARATECH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. Line of credit and notes payable (continued)

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities. The Company applied for and received \$1,213,700. The loan is a two-year loan with a maturity date of April 10, 2022. The loan bears an annual interest rate of 1%. Loan forgiveness is subject to the approval of the lender and the SBA. The Company is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses.

The Company has accounted for the PPP loan under the debt model in which the loan will remain a liability of the Company until such time that the Company's application for forgiveness is approved by the SBA. At the time the application for forgiveness is approved, the Company will recognize revenue to the extent of the amount forgiven. The Company has up to 10 months after the end of the 24-week period following the loan disbursement date to apply for loan forgiveness. To the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the 24-week period following disbursement date, then payments are to begin at that time.

On November 19, 2020, the Company obtained forgiveness of debt under the provisions of Section 1106 of the CARES Act for a total amount of \$1,213,700. For the year ending October 31, 2021, the Company will recognize income in the total amount of \$1,213,700.

Aggregate maturities on the long-term debt are as follows:

Year ending October 31:	Amount
2021	\$ 294,917
2022	1,425,057
2023	116,650
2024	123,230
2025	130,181
Thereafter	97,999
Total	\$ 2,188,034

*See accountants' review report.*

# PARATECH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 7. Line of credit and notes payable (continued)

The line of credit and bank loans are collateralized by substantially all of the assets of the Company and the sole shareholder has provided a limited guarantee of \$500,000 on the debt. The loans are subject to a borrowing base and an annual minimum net worth covenant. At October 31, 2020, the Company was in compliance with these requirements.

### 8. Operating leases

The Company leases an office building in Denmark which requires a yearly fee of approximately \$32,000 plus value-added tax, with annual increases based on the national price index. A portion of this amount is paid in advance and the Company is responsible for its proportionate share of utilities and maintenance. This lease expired in December 2020 and has been renewed for one year. Rental expense was approximately \$35,000 for each of the years ended October 31, 2020 and 2019.

The Company also leases its U.S. facilities from LBN, LLC under an agreement that is set to expire on October 31, 2024 (see Note 5).

The Company leases various vehicles with monthly payments totaling approximately \$2,000 during the year ended October 31, 2020. The leases expire in March 2024. Total rent expense for these leases was approximately \$30,000 and \$25,000 for the years ended October 31, 2020 and 2019, respectively.

Future minimum lease payments under the non-cancelable operating leases are as follows:

Year ending October 31:	Amount
2021	\$ 436,123
2022	406,957
2023	400,723
2024	393,541
Total	\$ 1,637,344

*See accountants' review report.*

# PARATECH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 9. Capital lease

The Company is obligated under capital leases for various vehicles. The capital lease obligations are payable in monthly installments including interest ranging from 4.59% and 9.5%. The final payment is due on May 15, 2024. The leases are collateralized by the vehicles costing \$130,937 and \$57,707 with a net book value of \$88,990 and \$34,624 at October 31, 2020 and 2019, respectively. Amortization expense related to this lease is included in depreciation and amortization expense.

Future annual minimum lease payments under the capital lease obligation are as follows:

<u>Year ending October 31:</u>	<u>Amount</u>
2021	\$ 16,370
2022	14,508
2023	14,508
2024	6,731
Total minimum lease payments	52,117
<u>Less amount representing interest</u>	<u>(3,948)</u>
<u>Present value of net minimum lease payments</u>	<u>\$ 48,169</u>

### 10. Income taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to depreciable assets and the allowance for doubtful accounts. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be deductible or taxable when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for tax credits that are available to offset future taxable income and are considered deferred tax assets. At October 31, 2019, the Company recognized deferred tax assets for tax credits that were used during the year ended October 31, 2020. 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.

*See accountants' review report.*

# PARATECH, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### 10. Income taxes (continued)

Provision for income taxes consists of the following:

Years ended October 31,	2020	2019
Current:		
Federal income tax expense	\$ 376,085	\$ 118,361
State income tax expense	218,902	184,371
Total current tax provision	594,987	302,732
Deferred:		
Federal income tax expense	136,435	548,000
State income tax expense	54,577	94,000
Total deferred tax provision	191,012	642,000
Total provision for income taxes	\$ 785,999	\$ 944,732

The net deferred tax liabilities consist of the following:

October 31,	2020	2019
Federal:		
Deferred tax liabilities	\$ (531,746)	\$ (429,241)
Deferred tax assets		33,934
Net deferred federal tax liabilities	(531,746)	(395,307)
State:		
Deferred tax liabilities	(211,725)	(170,727)
Deferred tax assets		13,575
Net deferred state tax liabilities	(211,725)	(157,152)
Total net deferred tax liabilities	\$ (743,471)	\$ (552,459)

The net deferred tax liabilities are included in other assets and noncurrent liabilities.

*See accountants' review report.*

# **PARATECH, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

### **11. Retirement plan**

Substantially all employees of the Company have the opportunity to participate in a contributory retirement plan. The Company made contributions to this plan at a rate of 25% of the employees contributions from November 1, 2018 through August 30, 2019. Effective September 1, 2019, the Company began contributing 50% of the employee's contributions. Contributions to the plan by the Company were \$219,374 and \$116,808 for the years ended October 31, 2020 and 2019, respectively.

### **12. Concentration**

One customer accounted for 13% and 16% of total sales for the years ended October 31, 2020 and 2019, respectively.

Two customers' balances in accounts receivable amounted to 35% of the total accounts receivable at October 31, 2019.