

PARATECH, INC.

FINANCIAL STATEMENTS

YEARS ENDED OCTOBER 31, 2021 AND 2020

PARATECH, INC.

YEARS ENDED OCTOBER 31, 2021 AND 2020

CONTENTS

	Page
Independent accountants' review report	1
Financial statements:	
Balance sheets	2-3
Statements of income	4
Statements of retained earnings	5
Statements of cash flows	6-7
Notes to financial statements	8-20



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, 2021 and 2020, 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 28, 2022

PARATECH, INC.

BALANCE SHEETS

October 31,	2021	2020
ASSETS		
Current assets:		
Cash	\$ 5,122,192	\$ 4,574,408
Accounts receivable, trade	2,080,586	1,600,318
Shareholder advance	71,368	65,296
Inventories	5,011,098	4,513,237
Prepaid expenses	191,935	412,477
Recoverable income taxes	643	222,966
Total current assets	12,477,822	11,388,702
Property, plant and equipment, net	3,278,219	3,380,903
Other assets:		
Construction in progress	143,510	
Deposits	43,758	43,758
Total other assets	187,268	43,758
Total assets	\$ 15,943,309	\$ 14,813,363

See accountants' review report and notes to financial statements.

PARATECH, INC.

BALANCE SHEETS (CONTINUED)

October 31,	2021	2020
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 211,357	\$ 294,917
Capital lease obligation, current portion	13,270	15,150
Accounts payable	419,831	521,821
Accrued expenses:		
Rent	48,583	48,583
Payroll and related	512,314	470,092
Interest	2,835	3,938
Contract liabilities	252,742	41,583
Total current liabilities	1,460,932	1,396,084
Long-term liabilities:		
Long-term debt, less current maturities	464,222	1,893,117
Capital lease obligation, net of current portion	19,749	33,019
Deferred income taxes	711,468	743,471
Total long-term liabilities	1,195,439	2,669,607
Total liabilities	2,656,371	4,065,691
Stockholders' equity:		
Common stock:		
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	18,025,957	15,486,691
Less: Treasury stock, 50,000 shares, at cost	(5,000,000)	(5,000,000)
Total stockholders' equity	13,286,938	10,747,672
Total liabilities and stockholders' equity	\$ 15,943,309	\$ 14,813,363

See accountants' review report and notes to financial statements.

PARATECH, INC.

STATEMENTS OF INCOME

Years ended October 31,	2021	2020
Sales	\$ 22,549,547	\$ 26,717,961
Cost of goods sold	10,909,299	13,292,361
Gross profit	11,640,248	13,425,600
Gain on sale of asset	7,400	10,000
Total operating income	11,647,648	13,435,600
Operating expenses:		
Selling	3,593,744	3,774,012
General and administrative	6,348,507	6,158,590
Total operating expenses	9,942,251	9,932,602
Income from operations	1,705,397	3,502,998
Other income (expense):		
PPP loan forgiveness	1,213,700	
Interest income	16,802	5,125
Interest expense	(41,400)	(59,775)
Other income (expense)	(62,007)	67,152
Total other income, net	1,127,095	12,502
Income before provision for income taxes	2,832,492	3,515,500
Provision for income taxes	293,226	785,999
Net income	\$ 2,539,266	\$ 2,729,501

See accountants' review report and notes to financial statements.

PARATECH, INC.

STATEMENTS OF RETAINED EARNINGS

	Retained earnings
Balance, November 1, 2019	\$ 12,792,190
Net income	2,729,501
Dividends	(35,000)
Balance, October 31, 2020	15,486,691
Net income	2,539,266
Balance, October 31, 2021	\$ 18,025,957

See accountants' review report and notes to financial statements.

PARATECH, INC.

STATEMENTS OF CASH FLOWS

Years ended October 31,	2021	2020
Cash flows from operating activities:		
Net income	\$ 2,539,266	\$ 2,729,501
Adjustments to reconcile net income to net cash provided by operating activities:		
PPP loan forgiveness	(1,213,700)	
Depreciation and amortization	598,702	597,931
Deferred income tax provision (benefit)	(32,003)	191,012
Gain on sale of asset	(7,400)	(10,000)
(Increase) decrease in operating assets:		
Accounts receivable, trade	(480,268)	542,427
Inventories	(497,861)	241,156
Prepaid expenses	220,542	(128,809)
Recoverable income taxes	222,323	(222,966)
Increase (decrease) in operating liabilities:		
Accounts payable	(101,990)	(57,607)
Income taxes payable		(56,043)
Accrued payroll and related	42,222	164,712
Accrued interest	(1,103)	(2,110)
Contract liabilities	211,159	(173,995)
Net cash provided by operating activities	1,499,889	3,815,209
Cash flows from investing activities:		
Purchases of property, plant and equipment	(639,528)	(894,488)
Advance to shareholder	(6,072)	(65,296)
Proceeds from the sale of property, plant and equipment	7,400	10,000
Net cash used in investing activities	(638,200)	(949,784)

See accountants' review report and notes to financial statements.

PARATECH, INC.

STATEMENTS OF CASH FLOWS (CONTINUED)

Years ended October 31,	2021	2020
Cash flows from financing activities:		
Proceeds from long term debt		\$ 1,213,700
Principal payments on long-term debt	\$ (298,755)	(448,547)
Principal payments on capital lease obligation	(15,150)	(27,407)
Dividends		(35,000)
Net cash provided by (used in) financing activities	(313,905)	702,746
Net increase in cash	547,784	3,568,171
Cash, beginning of year	4,574,408	1,006,237
Cash, end of year	\$ 5,122,192	\$ 4,574,408
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 42,503	\$ 61,884
Income taxes	\$ 102,906	\$ 921,508
Supplemental disclosure of non-cash investing and financing activity:		
Vehicle purchase with capital lease obligation		\$ 52,825

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 7% and 10% of total assets at October 31, 2021 and 2020, 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.

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, 2021 and 2020, the uninsured balance was approximately \$4,736,000 and \$4,335,000, 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 based on its assessments of the current status of individual accounts. 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. 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.

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.

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of significant accounting policies (continued)

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 a related party, 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 \$550,000 and \$590,000 for the years ended October 31, 2021 and 2020, respectively.

Shipping and handling costs:

Freight costs have been included in cost of goods sold. Shipping supplies and expenses of approximately \$314,000 and \$348,000 are included in cost of goods sold for the years ended October 31, 2021 and 2020, respectively.

Advertising costs:

Advertising costs are expensed as incurred. Such costs approximated \$116,000 and \$157,000 for the years ended October 31, 2021 and 2020, 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.

Subsequent events:

Management of the Company has reviewed and evaluated subsequent events through February 28, 2022, the date the financial statements were available to be issued. See Note 8 for refinancing of debt.

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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. One factor that may adversely impact the Company includes future budgetary constraints of the Company's most significant end users, governmental agencies. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could adversely impact the Company.

3. Revenue from contracts with customers

Recent accounting pronouncement:

Effective November 1, 2020, the Company adopted ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires that the Company recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The guidance uses a principles-based approach for determining revenue recognition, eliminates the prior transaction and industry-specific guidance, and establishes a five-step approach for the recognition of revenue. The Company implemented this standard during the year ended October 31, 2021 using the full retrospective method. The adoption of ASC 606 did not materially impact the financial statements of the Company.

Performance obligations:

The Company sells to customers through standalone purchase orders. All contracts have one performance obligation which is satisfied at a point in time upon transfer of control of the goods to the customer. Revenue is based on consideration specified in a contract with a customer. Consideration is measured at the time of sale based on the amount that the Company expects to be entitled to in the contract.

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Revenue from contracts with customers (continued)

Performance obligations: (continued)

The Company recognizes revenue when it satisfies a performance obligation by transferring control over a product to a customer. The Company transfers control over a product based on FOB shipping terms as specified in the customer contract.

The party responsible for the shipping and handling cost is identified on each specific purchase order. When it has been determined that the Company is responsible for the shipping and handling cost, the cost of the outbound freight is accounted for as fulfillment cost and is included in cost of goods sold.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue producing transaction, that are collected by the Company from a customer, are excluded from revenue.

The Company provides various warranties against manufacturing defects in its products sold ranging from one to five years depending on the product. Tool sales are provided a limited lifetime warranty. Warranty claims are not material to the financial statements and are recorded as an expense when the customer makes a warranty claim.

The Company's performance obligations for contracts with customers all have durations of one year or less. As a result, the Company is not required to separately disclose aggregate amounts of unsatisfied, or partially satisfied, performance obligations at the end of the period. No other practical expedients were applied.

Variable consideration:

The nature of the Company's business gives rise to variable consideration. Variable consideration is estimated at the inception of the contract based on various factors such as terms provided for in a customer purchase agreement as well as based on historical trends with the customer.

Certain customers are eligible for sales discounts for early payments. Typical discounts are 2% for payments made within 10 days. Management estimates the amount of discounts to be allocated to the transaction price based on historical trend analysis of sales made with the specific customer.

Management estimates the amount of products to be returned based on historical trend analysis, and allocates this amount to the transaction price at the inception of the contract.

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Revenue from contracts with customers (continued)

Contract balances:

Contract liabilities represent deposits received from customers before the Company has performed their obligation under the contract. Contract liabilities were \$252,742, \$41,583 and \$215,578 at October 31, 2021, 2020 and 2019, respectively. Total accounts receivable relating to contracts with customers was \$2,080,586, \$1,600,318 and \$2,142,745 at October 31, 2021, 2020 and 2019, respectively.

Significant judgments:

Significant judgments are required to be made by management to determine the appropriate approach to applying the revenue recognition criteria. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of revenue recognized will not occur when the uncertainty associated with customer discounts and returns are resolved. Estimates of variable consideration are previously noted and require significant judgment.

Disaggregation of revenue:

All revenue is recognized when management determines that all performance obligations have been satisfied. Performance obligations are satisfied at a single point in time, when the goods are shipped from the Company's warehouse. These performance obligations consist of sales of product. Various economic factors affect revenues and cash flows. The majority of sales are made to fire rescue distribution companies throughout the world and generally sales are collected within 30 days. The Company does not have any significant financing components as payment is received at or shortly after the point of sale.

Sales commissions:

The Company pays sales commission on certain sales. The commissions are expensed at the time the performance obligation in the related contract is satisfied.

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Inventories

Inventories consist of the following:

October 31,	2021	2020
Raw materials	\$ 2,793,642	\$ 2,812,309
Work in process	205,162	117,657
Finished goods	2,012,294	1,583,271
Total inventories	\$ 5,011,098	\$ 4,513,237

5. Property, plant and equipment

The Company's property, plant and equipment as of October 31, 2021 and 2020 is as follows:

October 31,	2021	2020
Computer equipment	\$ 1,011,978	\$ 1,644,798
Furniture and equipment	387,568	514,028
Leasehold improvements	1,519,531	1,625,996
Machinery and equipment	7,240,616	9,953,666
Tools and dies	1,100,269	1,244,243
Vehicles	953,402	995,846
	12,213,364	15,978,577
Less accumulated depreciation and amortization	(8,935,145)	(12,597,674)
Property, plant and equipment, net	\$ 3,278,219	\$ 3,380,903

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Related party

EagleAir, Inc. manufactures high pressure breathing air systems and is 100% owned by the Company's sole shareholder. The Company has guaranteed approximately \$450,000 of EagleAir, Inc.'s bank debt at October 31, 2021. This debt carries an interest rate of the greater of the prime rate or 6% and requires interest-only payments with a maturity date of June 1, 2022. The guarantee was provided in attempt 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,	2021	2020
Total assets	\$ 1,335,000	\$ 1,207,000
Total liabilities	\$ 2,957,000	\$ 2,230,000
Total shareholders' deficit	\$ (1,622,000)	\$ (1,023,000)
Years ended October 31,	2021	2020
Total revenues	\$ 4,685,000	\$ 4,836,000
Total net loss	\$ (599,000)	\$ (242,000)

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, 2021 and 2020.

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Related party (continued)

The Company has noninterest-bearing amounts due from its sole shareholder of \$71,368 and \$65,296 at October 31, 2021 and 2020, respectively. These balances represent short-term advances to the shareholder that are periodically repaid. Amounts are payable on demand.

7. 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.

8. Line of credit and notes payable

The Company has 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, 2021, the line of credit was extended with a maturity date of June 1, 2022. All terms remained unchanged. Interest on the loan was 4.25% at October 31, 2021 and 2020. There was \$-0- outstanding at October 31, 2021 and 2020.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Line of credit and notes payable (continued)

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

October 31,	2021	2020
Bank note payable in monthly installments of \$12,607, plus interest at the greater of the prime rate or 5%, due in May 2022. The loan bears interest at 5%.	\$ 100,935	\$ 252,221
Software notes payable to a commercial lending institution in monthly installments of \$4,934, including interest at 2.5%, due in June 2021.		39,107
Bank note payable in monthly installments of \$11,628, including interest at 4.85%, with final payment due in June 2026.	574,644	683,006
Paycheck Protection Program loan as described below		1,213,700
	675,579	2,188,034
Less current maturities	(211,357)	(294,917)
Total long-term debt	\$ 464,222	\$ 1,893,117

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. In November 2020, the Company received notice from the SBA and its lender that the full loan amount of \$1,213,700 was fully forgiven. The Company has accounted for the PPP loan under the debt model and has recognized forgiveness of debt revenue of \$1,213,700 during the year ended October 31, 2021 upon approval of the loan forgiveness application in November 2020.

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Line of credit and notes payable (continued)

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

Year ending October 31:	Amount
2022	\$ 211,357
2023	116,650
2024	123,230
2025	130,181
2026	94,161
Total	\$ 675,579

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, 2021, the Company was in compliance with these requirements.

Effective January 25, 2022, the Company obtained a new note payable for \$446,250. The note provides for monthly installments of \$12,940, including interest at 2.7%. Final payment is due in January 2025.

9. 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 2021 and has been renewed for one year. Rental expense was approximately \$38,000 and \$35,000 for the years ended October 31, 2021 and 2020, respectively.

The Company also leases its U.S. facilities from LBN, LLC under an agreement that expires on October 31, 2024 (see Note 6).

The Company leases various vehicles with monthly payments totaling approximately \$1,000 and \$2,000 during the years ended October 31, 2021 and 2020, respectively. The lease expires in March 2024. Total rent expense for these leases was approximately \$10,000 and \$30,000 for the years ended October 31, 2021 and 2020, respectively.

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Operating leases (continued)

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

<u>Year ending October 31:</u>	<u>Amount</u>
2022	\$ 436,123
2023	406,957
2024	400,723
<u>Total</u>	<u>\$ 1,243,803</u>

10. 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 with a net book value of \$62,803 and \$88,990 at October 31, 2021 and 2020, 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>
2022	\$ 14,508
2023	14,508
2024	6,054
<u>Total minimum lease payments</u>	<u>35,070</u>
<u>Less amount representing interest</u>	<u>(2,051)</u>
<u>Present value of net minimum lease payments</u>	<u>\$ 33,019</u>

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. 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. The deferred tax liabilities represent the future tax return consequences of those differences.

Provision for income taxes consists of the following:

Years ended October 31,	2021	2020
Current:		
Federal income tax expense	\$ 224,624	\$ 376,085
State income tax expense	100,605	218,902
Total current tax provision	325,229	594,987
Deferred:		
Federal income tax expense (benefit)	(23,031)	136,435
State income tax expense (benefit)	(8,972)	54,577
Total deferred tax provision (benefit)	(32,003)	191,012
Total provision for income taxes	\$ 293,226	\$ 785,999

The net deferred tax liabilities consist of the following:

October 31,	2021	2020
Federal deferred tax liabilities	\$ (508,715)	\$ (531,746)
State deferred tax liabilities	(202,753)	(211,725)
Total deferred tax liabilities	\$ (711,468)	\$ (743,471)

The deferred tax liabilities are included in noncurrent liabilities.

See accountants' review report.

PARATECH, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. 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 50% of the employee's contributions. Contributions to the plan by the Company were \$247,912 and \$219,374 for the years ended October 31, 2021 and 2020, respectively.

13. Concentration

One customer accounted for 10% and 13% of total sales for the years ended October 31, 2021 and 2020, respectively.

One customer's balance in accounts receivable amounted to 12% of the total accounts receivable at October 31, 2021.