

**DANLAW TECHNOLOGIES, INC.**

**FINANCIAL STATEMENTS**

**MARCH 31, 2021**

# DANLAW TECHNOLOGIES, INC.

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## **Independent Accountant's Review Report**

To the Board of Directors  
Danlaw Technologies, Inc.  
Novi, Michigan

We have reviewed the accompanying financial statements of Danlaw Technologies, Inc. (a wholly owned subsidiary of Danlaw Technologies India, Ltd.), which comprise the balance sheets as of March 31, 2021 and 2020, and the related statements of operations, stockholder's equity, and cash flows for the years 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.

### **Accountant's 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 American Institute of Certified Public Accountants. 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.



**Grant, Millman & Johnson, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
AND BUSINESS ADVISORS

**Accountant's 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.

GRANT, MILLMAN & JOHNSON, P.C.

*Grant, Millman & Johnson, PC*

June 8, 2021

# DANLAW TECHNOLOGIES, INC.

## BALANCE SHEETS March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
Cash	\$ 40,545	\$ 18,074
Accounts Receivable	-	5,750
Accounts Receivable - Affiliates	-	253,540
Accounts Receivable - Parent	12,456	12,456
Prepaid Expenses	3,500	1,452
Loan Receivable - Affiliate	<u>821,062</u>	<u>620,019</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 877,563</u></b>	<b><u>\$ 911,291</u></b>
<b><u>LIABILITIES AND STOCKHOLDER'S EQUITY</u></b>		
<b>Current Liabilities:</b>		
Accounts Payable - Affiliate	\$ -	\$ 22,994
Accrued Income Taxes	-	1,750
Accrued Payroll and Payroll Taxes	<u>-</u>	<u>7,452</u>
Total Current Liabilities	<u>-</u>	<u>32,196</u>
<b>Stockholder's Equity:</b>		
Common Stock - \$10 Par Value; 34,000 Shares Authorized, Issued and Outstanding	340,000	340,000
Additional Paid-in Capital	300,000	300,000
Retained Earnings	<u>237,563</u>	<u>239,095</u>
Total Stockholder's Equity	<u>877,563</u>	<u>879,095</u>
<b>TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY</b>	<b><u>\$ 877,563</u></b>	<b><u>\$ 911,291</u></b>

See accompanying notes and independent accountant's review report.

**DANLAW TECHNOLOGIES, INC.****STATEMENTS OF OPERATIONS**  
For the Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Revenue:</b>		
Automotive Electronics	\$ 15,000	\$ 403,000
<b>Cost of Sales:</b>		
Subcontract Work - Parent	-	211,999
Engineering Salaries	11,538	119,990
Payroll Taxes	1,109	8,752
Employee Benefits	(2,970)	6,341
Total Cost of Sales	<u>9,677</u>	<u>347,082</u>
<b>Gross Profit</b>	<u>5,323</u>	<u>55,918</u>
<b>General and Administrative Expenses</b>		
Payroll Preparation	1,234	4,922
Professional Services	799	4,500
Office Supplies and Expenses	238	267
Bank Charges	55	55
Other	-	25
Bad Debt Expense	5,750	-
Total General and Administrative Expenses	<u>8,076</u>	<u>9,769</u>
<b>Income (Loss) from Operations</b>	(2,753)	46,149
<b>Interest Income</b>	<u>1,043</u>	<u>8,605</u>
<b>Income (Loss) Before Income Taxes</b>	<u>(1,710)</u>	<u>54,754</u>
<b>Income Taxes:</b>		
Federal Income Tax (Benefit)	(222)	11,500
State Income Tax	44	1,050
Total Income Taxes	<u>(178)</u>	<u>12,550</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (1,532)</u>	<u>\$ 42,204</u>

See accompanying notes and independent accountant's review report.

## DANLAW TECHNOLOGIES, INC.

### STATEMENTS OF STOCKHOLDER'S EQUITY For the Years Ended March 31, 2021 and 2020

	<u>Retained Earnings</u>	<u>Additional Paid-in Capital</u>	<u>Common Stock</u>	<u>Total</u>
<b>Balance March 31, 2019</b>	\$ 196,891	\$ 300,000	\$ 340,000	\$ 836,891
Net Income	<u>42,204</u>	<u>-</u>	<u>-</u>	<u>42,204</u>
<b>Balance March 31, 2020</b>	239,095	300,000	340,000	879,095
Net Loss	<u>(1,532)</u>	<u>-</u>	<u>-</u>	<u>(1,532)</u>
<b>Balance March 31, 2021</b>	<u>\$ 237,563</u>	<u>\$ 300,000</u>	<u>\$ 340,000</u>	<u>\$ 877,563</u>

See accompanying notes and independent accountant's review report.

# DANLAW TECHNOLOGIES, INC.

## STATEMENTS OF CASH FLOWS For the Years Ended March 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Net Income (Loss)	\$ (1,532)	\$ 42,204
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Changes in Operating Assets and Liabilities:		
Accounts Receivable	259,290	141,347
Prepaid Taxes	(2,048)	(377)
Accounts Payable	(22,994)	(214,053)
Accrued Payroll and Payroll Taxes	(7,452)	(281)
Accrued Taxes	(1,750)	1,750
Net Cash Provided by (Used in) Operating Activities	<u>223,514</u>	<u>(29,410)</u>
 <b>Cash Flows from Investing Activities:</b>		
Loan Receivable - Affiliate	<u>(201,043)</u>	<u>(8,605)</u>
 <b>Increase (Decrease) in Cash</b>	22,471	(38,015)
 <b>Cash at Beginning of Year</b>	<u>18,074</u>	<u>56,089</u>
 <b>Cash at End of Year</b>	<u><u>\$ 40,545</u></u>	<u><u>\$ 18,074</u></u>
 <b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash Paid for Federal Income Tax	\$ 3,878	\$ 9,725
Cash Paid for State Income Tax	\$ 600	\$ -

See accompanying notes and independent accountant's review report.



# DANLAW TECHNOLOGIES, INC.

## NOTES TO FINANCIAL STATEMENTS

March 31, 2021 and 2020

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### **NOTE 1 - Summary of Accounting Policies:**

#### *Business Activity*

The Company is in the business of providing engineering and software development consulting services. Danlaw Technologies, Inc. (DTI) is a wholly owned subsidiary of Danlaw Technologies India, Ltd., a foreign corporation organized in India. DTI was incorporated in September 2001 to market engineering and information technology services to customers in the United States of America.

#### *Use of Estimates*

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

#### *Revenue Recognition Policy*

The Company recognizes revenue in accordance with *FASB ASC 606, Revenues from Contracts with Customers*, and derives its revenues primarily from the sale of automotive engineering services. Revenue is recognized at the point of sale when control of these products or services is transferred to its customers in an amount that the Company expects to be entitled to in exchange for those products and services. Control is transferred to the customer at a point in time when products are shipped or services performed. Shipping and handling fees charged to customers are included in revenue. Discounts provided to customers are recognized as a reduction in sales as the products are sold. Sales and other taxes the Company collects in connection with revenue producing activities are excluded from revenue.

#### *Cash and Cash Equivalents*

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash includes amounts in corporate bank accounts, which may exceed the Federal Deposit Insurance Corporation insurance limit.

#### *Accounts Receivable and Concentration of Credit Risk*

At March 31, 2021 and 2020, the Company's accounts receivable were due mainly from affiliates and concentrated in the automotive supplier and manufacturer market. 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 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.

# DANLAW TECHNOLOGIES, INC.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) March 31, 2021 and 2020

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### **NOTE 1 - Summary of Accounting Policies (Continued):**

#### Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial tax reporting. Deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Federal income taxes are reflected in the financial statements in accordance with FASB ASC 740. The Company has adopted the provisions of FASB ASC Section 740 regarding uncertain tax positions. As a result, the Company recognizes tax benefits of tax positions that have a greater than fifty percent likelihood of being sustained upon examination by taxing authorities. The Company's policy is to include interest and penalties related to income tax issues in income tax expense on the statement of operations.

#### Subsequent Events

Management has evaluated events and transactions through June 8, 2021, the date the financial statements were available to be issued. There were no subsequent events that require adjustment to the financial statements.

### **NOTE 2 - Loan Receivable - Affiliate:**

The loan receivable from Danlaw, Inc., an affiliate of the Company, is unsecured with interest charged based on the Applicable Federal Rate per the IRS tables. Interest of \$1,043 and \$8,605 has been accrued for the years ended March 31, 2021 and 2020, respectively.

### **NOTE 3 - Income Taxes:**

The provision for Federal income tax for 2021 and 2020 is based on taxable income at statutory rates. The provision for state income tax is based on taxes assessed at statutory rates.

Management has reviewed the Company's tax positions and concluded that there are no significant uncertain tax positions that are required to be recognized in the financial statements. The Company does not have any unrecognized tax benefits which would impact the effective income tax rate. The total amount of interest and penalties relating to income taxes was not material.

## DANLAW TECHNOLOGIES, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED) March 31, 2021 and 2020

#### NOTE 3 - Income Taxes (Continued):

The Company files income tax returns with various federal and state tax jurisdictions. Tax returns filed with the Internal Revenue Service for the years 2018 - 2020 are subject to examination. Tax returns filed with the various states for the years 2017 - 2020 are subject to examination.

As of March 31, the component of the Federal income tax expense is as follows:

	<u>2021</u>	<u>2020</u>
Current Tax Expense (Benefit):		
Tax on income at statutory rates	<u>\$ (222)</u>	<u>\$ 11,500</u>

#### NOTE 4 - Related Party Transactions:

The Company is related by common ownership to Danlaw Technologies India, Ltd. and by common management to Danlaw, Inc. The following schedules summarize transactions and outstanding balances with the related entities:

Transactions for the years ended March 31:

	<u>2021</u>	<u>2020</u>
<u>Sales</u>		
Danlaw, Inc.	\$ 15,000	\$ 403,000
<u>Purchases</u>		
Danlaw Technologies India, Ltd.	\$ -	\$ 211,999
<u>Accounts Receivable</u>		
Danlaw, Inc.	\$ -	\$ 253,540
Danlaw Technologies India, Ltd.	\$ 12,456	\$ 12,456
<u>Loan Receivable</u>		
Danlaw, Inc.	\$ 821,062	\$ 620,019
<u>Accounts Payable</u>		
Danlaw, Inc.	\$ -	\$ 22,994

## **DANLAW TECHNOLOGIES, INC.**

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

March 31, 2021 and 2020

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#### **NOTE 5 - Retirement Plan:**

The Company maintains a 401(k) Profit Sharing Plan available to all employees meeting certain age and service requirements. The plan allows employees to contribute up to 15% of their salary to the plan, subject to Internal Revenue Code limitations. The Company may elect to match a portion of the employees' contributions to the plan and may contribute additional amounts at its discretion. There were no employer contributions for the years ended March 31, 2021 and 2020.

#### **NOTE 6 - Contingencies:**

The COVID-19 outbreak in the United States has caused economic disruption due to mandated and voluntary closures of businesses. While the disruption is currently expected to be temporary, the related financial impact, if any, on the Company's operations and its duration cannot be reasonably estimated at this time.