Unichem Pharmaceuticals (USA), Inc.
Financial Statements
March 31, 2021 and 2020

Unichem Pharmaceuticals (USA), Inc.
Table of Contents
March 31, 2021 and 2020

WilkinGuttenplan
CPAs & Advisors

Independent Auditors' Report

To the Board of Directors of

Unichem Pharmaceuticals (USA), Inc.

We have audited the accompanying financial statements of Unichem Pharmaceuticals (USA), Inc. (the "Company") which comprise the balance sheets as of March 31, 2021 and 2020 and the related statements of operations, changes in shareholder's equity and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2021 and 2020, and the results of its operations and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wilkin & Guttenplan

East Brunswick, New Jersey

May 19, 2021

Unichem Pharmaceuticals (USA), Inc.
Balance Sheets
March 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 2,683,068	$ 2,300,058
Accounts receivable, net	18,566,871	36,175,894
Inventories, net	25,664,804	11,768,302
Accounts receivable, due from parent	17,619	101,822
Other prepaid expenses	506,607	533,103
Total Current Assets	47,438,969	50,879,179
Property and equipment, net	447,931	576,352
Deferred tax asset	410,000	390,000
Total Assets	$ 48,296,900	$ 51,845,531
Liabilities and Shareholder's Equity		
Liabilities		
Current Liabilities		
Accounts payable and accrued expenses	$ 2,677,646	$ 2,711,802
Income taxes payable	440,525	50,000
Line of credit, net	10,195,675	18,472,167
Due to parent	17,113,709	20,333,870
Total Current Liabilities	30,427,555	41,567,839
Shareholder's Equity		
Common stock, $1 par value, 6,500,000 shares authorized; 6,476,955 issued and outstanding	6,476,955	6,476,955
Additional paid-in capital	229,848	-
Retained earnings	11,162,542	3,800,737
Shareholder's Equity	17,869,345	10,277,692
Total Liabilities and Shareholder's Equity	$ 48,296,900	$ 51,845,531

The accompanying notes are an integral part of these financial statements.

Unichem Pharmaceuticals (USA), Inc.
Statements of Operations
For the Years Ended March 31, 2021 and 2020

	2021	2020
Net Sales	$ 92,785,031	$ 88,291,065
Cost of Goods Sold	69,581,296	70,416,940
Gross Profit	23,203,735	17,874,125
Operating Expenses		
Selling and distribution	5,424,393	6,210,603
Officers and office salaries	4,307,795	3,727,987
Professional fees	1,153,229	837,173
Payroll taxes and benefits	751,369	726,453
Administrative	723,623	1,066,149
Rent	346,524	344,401
Insurance	328,032	314,553
Market research	167,427	145,797
Depreciation	161,402	179,853
Contract advance write off	157,093	-
Marketing and trade shows	55,373	242,941
Travel and entertainment	37,960	370,223
Total Operating Expenses	13,614,220	14,166,133
Income from Operations	9,589,515	3,707,992
Non-Operating Income (Expenses)		
Forgiveness of debt	423,000	-
Loss on disposal of property and equipment	(56,667)	(3,011)
Interest expense	(378,726)	(737,586)
Total Non-Operating Income (Expenses)	(12,393)	(740,597)
Income Before Provision for Income Taxes	9,577,122	2,967,395
Provision for Income Taxes		
Current tax provision	2,235,317	733,254
Deferred tax provision	(20,000)	37,000
Total Provision for Income Taxes	2,215,317	770,254
Net Income	$ 7,361,805	$ 2,197,141

The accompanying notes are an integral part of these financial statements.

Unichem Pharmaceuticals (USA), Inc.
Statements of Changes in Shareholder's Equity
For the Years Ended March 31, 2021 and 2020

	Common Stock		Additional	Retained	Total Shareholder's
	Shares	Amount	Paid-in-Capital	Earnings	Equity
Balances at March 31, 2019	6,476,955	$ 6,476,955	$ -	$ 1,603,596	$ 8,080,551
Net Income	-	-	-	2,197,141	2,197,141
Balances at March 31, 2020	6,476,955	6,476,955	-	3,800,737	10,277,692
Stock Based Compensation - Stock Options	-	-	229,848	-	229,848
Net Income	-	-	-	7,361,805	7,361,805
Balances at March 31, 2021	6,476,955	$ 6,476,955	$ 229,848	$11,162,542	$17,869,345

The accompanying notes are an integral part of these financial statements.

Unichem Pharmaceuticals (USA), Inc.
Statements of Cash Flows
For the Years Ended March 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Net income	$ 7,361,805	$ 2,197,141
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation	161,402	179,853
Amortization	78,553	58,915
Loss on disposal of property and equipment	56,667	3,011
Deferred tax provision	(20,000)	37,000
Costs related to issuance of stock options	229,848	-
Changes in operating assets and liabilities		
Accounts receivable	20,019,637	5,071,993
Accounts receivable, due from parent	84,203	(59,188)
Inventories	(13,896,502)	(415,887)
Prepaid expenses	26,496	(23,257)
Accounts payable and accrued expenses	(2,444,770)	1,522,378
Income taxes payable	390,525	(260,000)
Due to parent	(3,220,161)	(373,818)
Net Cash Provided by Operating Activities	8,827,703	7,938,141
Cash Flows from Investing Activities		
Acquisition of property and equipment	(89,648)	(343,582)
Cash Flows from Financing Activities		
Proceeds from line of credit, net of repayments	(8,355,045)	(5,927,892)
Line of credit loan origination costs	-	235,659
Net Cash Used in Financing Activities	(8,355,045)	(5,692,233)
Net Increase in Cash	383,010	1,902,326
Cash - Beginning of Period	2,300,058	397,732
Cash - End of Period	$ 2,683,068	$ 2,300,058
Cash Paid During the Period for		
Interest	$ 325,885	$ 666,272
Income taxes	$ 1,860,500	$ 993,348

The accompanying notes are an integral part of these financial statements.

Note 1 Nature of Operations

Unichem Pharmaceuticals (USA), Inc. (the "Company"), was incorporated on March 9, 2004 under the laws of the State of New Jersey and is headquartered in East Brunswick, New Jersey. The Company operates as the U.S. distributor of certain generic prescription pharmaceuticals developed by Unichem Laboratories, Ltd. (the "Parent"). As of March 31, 2021, the Company distributes twenty-eight (28) FDA approved generic prescription drugs.

The sole stockholder of the Company, an India-based developer and manufacturer of generic prescription drugs, is the sole provider of generic prescription drugs to the Company.

Note 2 Summary of Significant Accounting Policies

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. Significant estimates affecting amounts reported or disclosed in the financial statements include allowances and provisions for customer chargebacks, rebates, and cash discounts. These estimates are based on historical experience and on various assumptions that are believed to be reasonable under the current circumstances. Actual results could differ from those estimates.

In March 2020, the World Health Organization declared the outbreak of the COVID-19 coronavirus to be a pandemic. This pandemic has created and may continue to create significant uncertainty in the United States and global economies which, in addition to other unforeseen effects of this pandemic, may impact our operations. As a result, most of our estimates and assumptions may require increased judgment and carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods.

Cash

Cash is held in bank accounts which are insured by the Federal Deposit Insurance Corporation subject to certain limitations. At times, the Company's bank balances exceed federally insured limits.

Accounts Receivable

Accounts receivable is stated at the amount management expects to collect from outstanding balances. On a periodic basis, management evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. Management has determined that no allowance for doubtful accounts is necessary at March 31, 2021 and 2020.

Note 2 Summary of Significant Accounting Policies (Continued)

Inventories

Inventories consist of finished goods and are valued at the lower of cost or net realizable value. Cost is primarily determined by using the moving average method. The customers are permitted to return purchased products for a credit when they are within six months of the expiration date, additionally, once the product has expired, the Company will take returned goods for an additional twelve months. Returned product is generally not resold by the Company. The Company regularly reviews the inventory quantities on hand, and when appropriate, records a provision for obsolete, damaged, excess, and expired/short-dated inventory.

Revenue Recognition

Product Sales

The Company's primary customers consist of major pharmacies, wholesalers and distributors. The wholesalers and distributors in-turn sell the products directly to pharmacies, clinics, hospitals, and private medical practices. Revenue from product sales is recognized when substantially all the risks and rewards of ownership have transferred to customers, when estimates of their selling price and discounts, rebates, and promotional adjustments, price adjustments, returns, chargebacks, and other potential adjustments are reasonably determinable, collection is reasonably assured, and persuasive evidence of an arrangement exists.

The Company establishes allowances for chargebacks, discounts, returns, rebates, and other adjustments at the time of the sale. In determining the amount of pricing allowances to be established, the Company considers its own business experience and knowledge of industry and competitive practices, as well as its assessment of the impact on price adjustments due to external market forces, if any. The factors considered include, but are not limited to, actual pricing allowance experience by product by customer, the Company's contractual arrangements with its customers, inventory reports, estimates of products in the distribution channel, customers' right of return, applicable marketing and pricing regulations and current and projected economic conditions.

The data used by the Company in establishing pricing allowances is based on information developed internally and obtained from external sources. Pricing allowances are presented as a reduction of revenue in the statements of operations and retained earnings. The principal allowances are as follows:

Chargebacks

The provision for chargebacks is a significant estimate used in the recognition of revenue. As part of the contracts with the wholesale customers, the Company agrees to reimburse wholesalers for the difference between the gross sales price at which the Company sells its products to the wholesalers and the actual prices of the products at the time of resale to the end user. The Company estimates chargeback at the time of the sale to wholesalers based on wholesaler inventory, historical chargeback rates and current pricing.

Note 2 Summary of Significant Accounting Policies (Continued)
Revenue Recognition (Continued)

Wholesaler Rebates

Current accounting standards related to consideration given by a vendor to a customer, including a reseller of a vendor's products, specify that cash consideration given by a vendor to a customer is presumed to be a reduction of the selling price of the vendor's products or services and therefore should be characterized as a reduction of product sales. Consideration should be characterized as a cost incurred, if the Company received, or will receive, an indefinable benefit (goods or services) in exchange for the consideration and the Company can reasonably estimate the fair value of the benefit received.

The Company has provided an estimate for pending customer rebates. Certain wholesaler customers submit for reimbursement throughout the course of business. The estimated allowance is based on various customer agreements in place with the Company for which the customer has not yet submitted for reimbursement.

Certain fees paid to wholesalers do not meet the meet the foregoing conditions to be characterized as a cost, as such, the Company characterized these fees as a reduction of product sales and have included them in wholesaler rebates in the table in Note 8.

Administrative Fees

As the wholesalers sell the product through to the end users, they hold back a portion of funds due to the Company as an administrative fee. This fee does not meet the forgoing conditions to be characterized as a cost, as such, the Company characterized these fees as a reduction of product sales.

Prompt Payment Discounts

Discounts for prompt payment is established based on the eligible customers' payment history, the contractual discount percentage, and the ending accounts receivable balance.

Medicaid Rebates

Federal law requires all pharmaceutical manufacturers, as a condition of having their products receive federal reimbursement under Medicaid and Medicare Part B, to pay rebates to state Medicaid programs on units of their pharmaceuticals that re-dispensed to Medicaid beneficiates. For the years ended March 31, 2021 and 2020, the Company had accrued a liability related to the rebates totaling approximately $724,000 and $730,000, respectively, which is included in wholesaler rebates in Note 8.

Note 2 Summary of Significant Accounting Policies (Continued)

Advertising

The Company's policy is to expense advertising costs as the costs are incurred. Advertising costs incurred during the years ended March 31, 2021 and 2020 total approximately $13,000 and $111,000, respectively, and are included in marketing and trade shows expense on the accompanying statements of operations and retained earnings.

Shipping and Handling Costs

Shipping and handling costs of approximately $2,645,000 and $2,662,000 for the years ended March 31, 2021 and 2020, respectively, are included in operating expenses on the accompanying statements of operations and retained earnings as selling and distribution fees.

Property and Equipment

Property and equipment are stated at cost. Depreciation and amortization are provided using straight-line method over the estimated useful lives of the assets: five years for equipment, seven years for furniture and fixtures, and five years for software. Expenditures for maintenance and repairs are charged to expense as incurred.

Financing Costs

In June 2019, the Company incurred cost to obtain the line of credit. These costs are being amortized on a straight-line basis to expense over the term of the line of credit.

Income Taxes

The Company is a C Corporation and provisions, if applicable, are made for federal and state income taxes.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax asset and liabilities is recognized in the income in the periods that includes the enactment date.

The Company recognizes deferred tax assets to the extent that management believes these assets are more likely than not to be realized. In making such a determination, management considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income and results of recent operations.

The statute of limitations for the examination of the Company's income tax returns by the Internal Revenue Service and states is generally three years from the final filing date of the tax returns.

Note 2 Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts in the March 31, 2020 financial statements have been reclassified to conform to the March 31, 2021 financial statement presentation. One such reclassification was to move administrative fees from a selling expense to a component of gross to net sales. These reclassifications had no effect on the previously reported results of operations or equity balances.

Stock-Based Compensation

The Company records compensation expense for share-based compensation in accordance with ASC Topic 718, Compensation – Stock Compensation. For share options to certain officers, the Company used the Black-Scholes pricing model to determine the fair value of stock options on the grant dates for stock option awards issued. The Black-Scholes valuation model requires the Company to make assumptions and judgments about the variables used in the calculation. These variables and assumptions include the fair value of the common stock; expected term, the expected volatility, and certain present values. Forfeitures are recognized as they occur.

Subsequent Events

The Company has evaluated subsequent events and transactions for potential recognition or disclosure through the date of the auditors' report, which is the date the financial statements were available to be issued.

Note 3 Accounts Receivable, Net

Accounts receivable with customers are reflected net of allowances for pending chargebacks, rebates, fees, and cash discount. The receivables are generally due within 30 to 90 days, depending on the customer, from the invoice date. Accounts receivable consist of:

	March 31,	
	2021	2020
Accounts receivable	$ 54,839,182	$ 74,663,269
Allowance for chargeback provision	(28,104,641)	(28,586,132)
Allowance for wholesaler and pending rebates	(5,947,207)	(4,396,588)
Allowance for prompt payment discount	(1,586,499)	(2,109,920)
Allowance for other reductions	(633,964)	(984,121)
Accounts Receivable, Net	$ 18,566,871	$ 38,586,508

Note 4 Inventories, Net

Inventories consist of the following:

	March 31, 2021	March 31, 2020
Inventories	$ 26,317,810	$ 12,018,538
Less: Inventories reserve	(653,006)	(250,236)
Total	$ 25,664,804	$ 11,768,302

Note 5 Property and Equipment

Property and equipment consist of the following:

	March 31, 2021	March 31, 2020
Equipment	$ 69,107	$ 62,001
Furniture and fixtures	296,606	266,484
Computers	105,302	97,881
Computer software	750,440	805,440
Total	1,221,455	1,231,806
Less: Accumulated depreciation	773,524	655,454
Total	$ 447,931	$ 576,352

Note 6 Stock Compensation

As of June 30, 2018, as part of the President of the Company's employment agreement, the President was granted stock options of 352,000 shares of the Parent's common stock.

The option exercise price generally may not be less than the underlying stock's fair market value at the date of grant. Certain option and share awards provide for accelerated vesting if there is a change in control, as defined in the Plan.

Employee stock awards under the Company's compensation plans are accounted for in accordance with ASC 718 Compensation – Stock Compensation. This statement defines a fair value-based method of accounting for employee restricted stock awards. Under the fair value method, compensation cost is measured at the grant date of the option based on the value of the award and is recognized over the service period, which is the vesting period.

Note 6 Stock Compensation (Continued)

The Parent issued options vests 50% at the end of the fourth year following the date of issuance of the grant of options and 50% at the end of the fifth year following the date of issuance of the grant of options. The values attributable to these options are amortized over the vesting period. The Company believes that the fair value of the options is more reliably measurable than the fair value of the services received. Included in officer and office salaries expense is approximately $230,000 of costs related to options as of March 31, 2021.

The weighted average assumptions utilized for option grants during the years ended March 31, 2021 and 2020 are as follows:

	March 31,	
	2021	2020
Expected volatility	32%	32%
Expected option life (years)	5.00	5.00
Risk-free interest rate	2.68%	2.68%
Expected dividend yield	1.74%	1.74%

As of March 31, 2021 and 2020 there was $132,712 and $362,560, respectively, of total unrecognized compensation cost related to non-vested, share-based compensation arrangements, which is expected to be recognized over a weighted average period of approximately 2.5 and 3.5 years as of March 31, 2021 and 2020, respectively.

A summary of stock option activity as of March 31, 2021, and changes during the year ended is as follows:

	Stock Options	Weighted Average Exercise Price
Balance April 1, 2020	352,000	3.71
Granted	-	-
Vested	-	-
Cancelled	-	-
Balance at March 31, 2021	352,000	3.71

Note 7 Line of Credit

On June 27, 2019, the Company secured a line of credit with Citibank, N.A. in the amount of $35,000,000 which expires in June 2022. The line of credit interest rate is equal to the 30-day LIBOR rate plus 1.50%. The 30-day LIBOR at March 31, 2021 and 2020 was 0.34% and 0.92%, respectively, which equated to an effective interest rate of 2.34% and 2.92%, respectively. The borrowing base of the line of credit consists of 85% of the eligible receivables, and 65% of eligible inventory, net of certain caps as defined in the credit agreement. The line of credit is also collateralized by substantially all of the assets of the Company.

In August 2020, the Company amended the line of credit with Citibank, N.A. to stipulate the trade payable with Unichem Laboratories, LTD to not be less than $15,000,000 at any point in time.

The line of credit requires the Company meet to certain negative covenants. The Company was in compliance with all such covenants at March 31, 2021 and 2020. If the Company fails to meet these covenants, the commitments under the Revolving Credit Facility could be terminated and any outstanding borrowings, together with accrued interest, under the line of credit could be declared immediately due and payable.

The schedule below presents the amount drawn on the line of credit and the unamortized financing costs associated with the debt acquisition consists of the following:

	March 30,	
	2021	2020
Outstanding balance of the line of credit	$ 10,293,866	$ 18,648,911
Unamortized financing costs	(98,191)	(176,744)
Net line of credit balance	$ 10,195,675	$ 18,472,167

Amortization of the debt issuance costs is reported as interest expense in the statement of operations and retained earnings. Interest expense related to the amortization of financing costs approximate $80,000 and $60,000 for the years ended March 31, 2021 and 2020, respectively.

Note 8 Payroll Protection Program Loan

In May 2020, the Company received an unsecured promissory note (the "PPP Loan") for $423,000 through programs established under the CARES Act and administered by the U.S. Small Business Administration (the "SBA"). The PPP Loan was guaranteed by the SBA. The PPP Loan was able to have the debt be forgiven, in whole or in part, if the Company met certain eligibility requirements for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within a defined period, and otherwise satisfied PPP requirements. On March 12, 2021 the Company was informed that its application for forgiveness of $423,000 of the PPP Loan was approved. Accordingly, the Company recorded it as forgiveness of debt in the accompanying statement of operations and retained earnings. The debt forgiveness income is exempt from federal and state income tax.

Note 9 Gross-to-Net Product Sales

The schedule below presents the Gross-to-Net product sales reconciliation for the years ended:

	March 30,	
	2021	2020
Gross sales	$339,428,381	$ 355,979,648
Chargebacks	(210,790,808)	(222,023,679)
Wholesaler rebates	(15,010,948)	(19,441,508)
Administrative fees	(11,308,393)	(15,119,279)
Prompt payment discount	(7,714,541)	(8,324,364)
Other reductions	(1,232,580)	(2,212,078)
Off invoice discounts	(586,080)	(567,675)
Net Sales	$ 92,785,031	$ 88,291,065

Note 10 Income Taxes

The Company periodically evaluates whether there are any uncertain tax positions requiring accounting recognition in the financial statements. Based on this evaluation, the Company has determined that there are no material uncertain tax positions requiring recognition or disclosure.

For the years ended March 31, 2021 and 2020, federal and state income taxes have been provided as follows:

	March 31, 2021	March 31, 2020
Current Tax		
Current		
Federal income tax expense	$ 1,877,317	$ 639,771
State income tax expense	358,000	93,483
Deferred tax and other		
Federal income tax expense (benefit)	(17,600)	32,000
State income tax expense (benefit)	(2,400)	5,000
Total	$ 2,215,317	$ 770,254

The tax effect of temporary differences that gave rise to significant components of deferred tax assets and liabilities consisted of the following at March 31, 2021 and 2020:

	March 31, 2021	March 31, 2020
Deferred tax assets		
Start-up cost	$ 135,000	$ 189,000
Inventory capitalization	89,000	41,000
Deferred rent liability	34,000	36,000
Accrued Medicaid	173,000	174,000
Stock compensation	55,000	-
Accrued payroll	-	34,000
Deferred Tax Assets	486,000	474,000
Less: deferred tax liability: property plant and equipment	(76,000)	(84,000)
Total	$ 410,000	$ 390,000

Management determined that no valuation allowance is needed for the deferred tax asset at March 31, 2021 and 2020. As of each reporting date, the Company's management considers new evidence, both positive and negative, that could impact management's view with regard to future realization of deferred tax assets.

Note 11 Related Party Transactions

Unichem Laboratories, LTD

The Company purchases substantially all of its inventory from the Parent. The Company also purchases testing supplies, for which it is reimbursed by the Parent. Purchases and reimbursements for the years ended March 31, 2021 and 2020 were $79,340,067 and $70,834,470, respectively.

At March 31, 2021 and 2020, the Company owed the Parent approximately $17,096,000, net of receivables of approximately $17,000, and $20,232,000, net of receivables of approximately $102,000, respectively, for purchases of inventory, which is included on the accompanying balance sheets.

SJD Group, L.L.C. ("SJD")

During the year ended March 31, 2021, the Company incurred legal fees for contract review to a law firm, SJD that is owned by the wife of the president of the Company. Amounts paid to SJD for the year ended March 31, 2021 were approximately $39,000.

Note 12 Major Customers

For the year ended March 31, 2021, three customers accounted for approximately 30%, 18% and 16% of net sales, respectively. In addition, two customers accounted for approximately 45% and 37%, respectively, of accounts receivable at March 31, 2021.

For the year ended March 31, 2020, three customers accounted for approximately 26%, 18% and 15% of net sales, respectively. In addition, two customers accounted for approximately 46% and 28%, respectively, of accounts receivable at March 31, 2020.

Note 13 Defined Contribution Plan

The Company participates in a qualified retirement plan under Section 401(k) of the Internal Revenue Code (the "Code") that permits nonunion employees over the age of 21 to voluntarily contribute up to the maximum allowed under the Code. The Company matches 100% of employee contributions up to the first 3% of compensation and 50% of employee contributions between 3% and 5% of compensation (4% in total). Employer contributions for the years ended March 31, 2021 and 2020 were approximately $86,000 and $82,000, respectively and are included in payroll taxes and benefits on the accompanying statement of operations and retained earnings.

Note 14 Commitments and Contingencies

Leases

The Company leases office space in East Brunswick, NJ and Hasbrouck Heights, NJ, which expire March 2025 and May 2024, respectively. The Company also leases a copier. All leases are considered noncancelable operating leases and require approximate future minimum rental payments as follows:

Year Ending March 31,	Future Payments
2022	$ 356,000
2023	356,000
2024	360,000
2025	23,000
Total	$1,095,000

Rent expense, including equipment rental, for the years ended March 31, 2021 and 2020 was approximately $347,000 and $345,000, respectively.

Letters of Credit

At March 31, 2021 and 2020, the Company was contingently liable under an outstanding letter of credit totaling $50,000 which was issued as a security deposit for the Hasbrouck Heights space.

Note 15 Recent Accounting Pronouncements

Effective for its annual financial statements for 2022 and interim financial statements thereafter, the Company expects to adopt new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which the Company is lessee. Upon adoption, among other effects, the Company will be required to record assets and liabilities for all operating lease obligations with terms of twelve (12) months or greater. The Company is currently in the process of evaluating the impact of adoption of this guidance on the financial statements.