

# Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

## **Moro Corporation**

A Delaware Corporation

841 Worcester St, #511  
Natick, MA 01760

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Telephone: 484-367-0300  
Website: [www.morocorp.com](http://www.morocorp.com)  
Email: [info@morocorp.com](mailto:info@morocorp.com)

SIC Codes: 50 – Wholesale Trades  
503 – Construction Products (NAICS 433310)  
711 – Plumbing, Heating and Air Conditioning (NAICS 238220)  
731 – Electrical Work (NAICS 238210)  
3441 – Fabricated Structural Metal Products (NAICS 331210)

## **Quarterly Report**

**For the period ending June 30, 2023** (the “Reporting Period”)

### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

6,119,337 as of August 11, 2023

6,119,337 as of December 31, 2022

### **Shell Status**

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes:  No:

Indicate by check mark whether the company’s shell status has changed since the previous reporting period:

Yes:  No:

### **Change in Control**

Indicate by check mark whether a Change in Control<sup>1</sup> of the company has occurred over this reporting period:

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<sup>1</sup> “Change in Control” shall mean any events resulting in:

- (i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company’s then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company’s assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the

Yes:  No:

**1) Name and address(es) of the issuer and its predecessors (if any)**

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

The company was originally incorporated on February 12, 1992 in Delaware as Advanced Media, Inc. The company subsequently filed in Delaware a Certificate of Amendment dated April 29, 1992, which amended the company's name to Applebell Communications, Inc. The company subsequently filed in Delaware a Certificate of Amendment dated October 15, 1993, which amended the company's name to Food Court Entertainment Network, Inc. The company subsequently filed in Delaware a Certificate of Amendment dated June 7, 1999, which amended the company's name to Moro Corporation.

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Incorporated in the state of Delaware on 2/12/1992 (under the name of Advanced Media, Inc; see paragraph above for complete history).  
Current standing: active.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

n/a

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

n/a

The address(es) of the issuer's principal executive office:

841 Worcester St, #511  
Natick, MA 01760

The address(es) of the issuer's principal place of business:

Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No:  Yes:  If Yes, provide additional details below:

**2) Security Information**

**Transfer Agent**

Name: Pacific Stock Transfer, Inc.  
Phone: 800-785-7782  
Email: info@pacificstocktransfer.com  
Address: 6725 Via Austi Pkwy., Suite 300, Las Vegas, NV 89119

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surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

**Publicly Quoted or Traded Securities:**

*The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.*

Trading symbol:	MRCR	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	617707104	
Par or stated value:	\$0.001	
Total shares authorized:	25,000,000	as of date: 08/11/2023
Total shares outstanding:	6,119,337	as of date: 08/11/2023
Total number of shareholders of record:	204	as of date: 08/11/2023

*All additional class(es) of publicly quoted or traded securities (if any):*

n/a

**Other classes of authorized or outstanding equity securities:**

*The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.*

n/a

**Security Description:**

*The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:*

**1. For common equity, describe any dividend, voting and preemption rights.**

Each holder of our common stock is entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Our stockholders are entitled to receive dividends if and as declared by our Board in its discretion out of funds legally available for this purpose and will share ratably in the assets legally available for distribution to stockholders in the event of our liquidation or dissolution. Holders of common stock do not have cumulative rights in voting for the election of directors nor do they have preemptive, subscription, or conversion rights. Our common stock is not redeemable.

**2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.**

n/a

**3. Describe any other material rights of common or preferred stockholders.**

4.

n/a

**4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.**

n/a

### 3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer’s securities **in the past two completed fiscal years and any subsequent interim period.**

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

#### A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No:  Yes:  (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: <u>Opening Balance</u> Date _____ Common: _____ Preferred: _____			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to.  *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.
_____	_____	_____	_____	_____	_____	_____	_____	_____	
_____	_____	_____	_____	_____	_____	_____	_____	_____	
_____	_____	_____	_____	_____	_____	_____	_____	_____	
Shares Outstanding on Date of This Report: <u>Ending Balance</u> Date _____ Common: _____ Preferred: _____									

**Example:** A company with a fiscal year end of December 31<sup>st</sup>, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2021 through December 31, 2022 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

\_\_\_\_\_

## B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities :

No:  Yes:  (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. *You must disclose the control person(s) for any entities listed.	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

\_\_\_\_\_

## 4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations. (Please ensure that these descriptions are updated on the Company's Profile on [www.otcm Markets.com](http://www.otcm Markets.com)).

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

The Company is organized into two operating divisions – the Construction Materials Division and the Construction Contracting Division.

### Construction Materials Division

This division fabricates reinforcing steel (also known as rebar) and distributes construction accessories. The products are primarily sold to concrete contractors who use the products as a component in the construction of roads, bridges, buildings and other structures.

The products are sold in metropolitan New York City, throughout New Jersey, eastern Pennsylvania and the greater Boston and Providence area.

The business is a very competitive and largely a commodity driven business. Competitors primarily compete on price and the ability to service customers on a timely basis and on the ability to properly prepare materials to the required size and shape.

Steel is generally purchased directly from one of several domestic steel mills while construction accessories are purchased from various manufacturers. The Company believes that it has satisfactory relationships with its various vendors. The company anticipates that it will have sufficient supplies and materials to conduct its operations in the ordinary course.

Historically, in any one year there may be one to three customers who each account for 10-15% of total revenues.

#### Construction Contracting Division

This division provides heating, ventilating and air conditioning (HVAC); plumbing and process piping; industrial electrical products (high voltage, fiber optics, building controls); contracting services as a subcontractor or as a prime contractor.

In the market between the greater Albany and northern Westchester County sections of New York State, the Company sells, installs and services heating, ventilating and air conditioning (HVAC) systems to both residential and commercial customers.

Primarily in the market between the greater Albany and northern Westchester County sections of New York State, the Company provides electrical contracting services for public and private sector customers.

These are very competitive businesses. Competition is on the basis of price, technical capability and reputation. In its market areas the Company is considered in the industry to be a significant competitor.

This Division purchases steel, steel pipe, HVAC and plumbing equipment, and electrical components from several domestic sources. The Company has satisfactory relationships with its various vendors.

As discussed in Note 18 of the Company's Consolidated Financial Statements for the period ended June 30, 2023, "Macroeconomic Supply Chain and Related Considerations", the Company faces certain risks and uncertainties resulting from inflation, disruptions in our supply chain, rising interest rates and the continuing aftermath of the COVID-19 pandemic, among other factors.

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The Company has no patents, trademarks, franchise rights, concessions, or royalty agreements.

#### B. List any subsidiaries, parent company, or affiliated companies.

At the end of 2022, the Company had the operating subsidiaries listed below. The contact information for each subsidiary and its officers, directors, managers or control persons is the same as for the Company as shown on the first page of this Disclosure Statement.

- J.M. Ahle Co., Inc., a Delaware corporation that fabricates reinforcement steel
- Appolo Heating, Inc., a New York corporation that provides residential HVAC products and services
- Rondout Electric, Inc., a New York corporation that provides electrical products and services

#### C. Describe the issuers' principal products or services.

See 4.A. above.

### 5) **Issuer's Facilities**

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

#### Construction Materials Division

J.M. Ahle Co., Inc. South River, New Jersey	Approximately 3,850 square foot warehouse and 600 square feet of office space on 3.4 acres in one location. 1,900 square feet of office space in a second location. These are used for company headquarters, reinforcing steel fabrication and inventory storage.
New Bedford, Massachusetts <sup>(1)</sup> dba Whaling City Iron Co.	10,000 square foot warehouse building on 1 acre. This location is used for reinforcing and structural steel fabrication and inventory storage.

#### Construction Contracting Division

Appolo Heating, Inc. Schenectady, New York	25,800 square foot building on 3 acres of land. This location is used primarily for company headquarters and inventory storage.
Wappingers Falls, New York Vesta, New York	2,000 square foot office and warehouse facility. 1,000 square foot office with temporary outside storage.
Rondout Electric, Inc. Highland, New York	7,805 square foot building on 1.1 acres of land. This location is used for company headquarters and inventory storage.

<sup>(1)</sup> These facilities are leased from JAD Associates, LLC, an entity owned by the Estate of Jacqueline J. Menard, a principal shareholder of the Company.

The Company believes that all facilities are in a condition suitable for the Company's needs.

Additional information regarding the above leases is contained in the notes to the consolidated financial statements for the period ended June 30, 2023.

The issuer and each of its subsidiaries own or lease assets which are sufficient for the conduct of their respective businesses and operations. Such assets are variously located at the properties and facilities listed above.

#### **6) Officers, Directors, and Control Persons**

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuer's securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Neil H. Kessler	Chairman, President, and Director	Sherborn, MA	3,674,936 <sup>1</sup>	Common	60.0%	
Ehud Israel	Chief Strategy Officer and Director	Wayne, NJ	0	Common	0%	
Alexander J. Barna, Jr.	Chief Financial Officer	Downingtown, PA	0	Common	0%	
Greta L. Kessler	Director	Doylestown, PA	3,801,836 <sup>2</sup>	Common	62.1%	
Rose Ann Scanlon	Director	Newtown Square, PA	0	Common	0%	
Juliana Clawson	Director	Elkins Park, PA	0	Common	0%	
Vivian Kessler Israel	Beneficial owner of more than 5% of common stock	Maple Glen, PA	3,516,836 <sup>3</sup>	Common	57.5%	
Don & Josephine Smith Family Trust U/A 5-05-2015 <sup>4</sup>	Beneficial owner of more than 5% of common stock	San Diego, CA	445,788	Common	7.3%	
Kevin Amirsaleh <sup>5</sup>	Beneficial owner of more than 5% of common stock	West Palm Beach, FL	534,338	Common	8.7%	

1 Includes (i) 3,516,836 shares over which Mr. Kessler has shared voting and dispositive power in his capacity as an Executor of the Estate of Jacqueline J. Menard; and (ii) 158,100 shares directly owned by Mr. Kessler. Mr. Kessler is the son of Jaqueline J. Menard, decedent, and her late husband, David W. Menard, former Chairman and CEO of the Company.

2 Includes (i) 3,516,836 shares over which Ms. Kessler has shared voting and dispositive power in her capacity as an Executrix of the Estate of Jacqueline J. Menard; and (ii) 285,000 shares directly owned by Ms. Kessler. Ms. Kessler is the daughter of Jaqueline J. Menard, decedent, and her late husband, David W. Menard.

3 Shares over which Ms. Israel has shared voting and dispositive power in her capacity as an Executrix of the Estate of Jacqueline J. Menard. Ms. Israel is the daughter of Jaqueline J. Menard, decedent, and her late husband, David W. Menard, and is the wife of Ehud Israel.

4 Don B. Smith is the trustee of the Don & Josephine Smith Family Trust U/A 5-05-2015. Number of shares reported are based on information as of August 11, 2023, provided by the Company's Transfer Agent.

5 Based on information provided to the Company by Kevin Amirsaleh, the shares are held by various members of Mr. Amirsaleh's immediate family; he has effective voting and dispositive power regarding the shares.

## 7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);  
No
2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;  
No
3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or  
No
4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.  
No

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

None

### 8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: Merritt Cole  
 Firm: Earp Cohn, P.C.  
 Address 1: 123 S. Broad Street, Suite 1030  
 Address 2: Philadelphia, PA 19109  
 Phone: 215-963-9520  
 Email: mcole@earpcohn.com

Accountant or Auditor

Name: Shaun Sheridan  
 Firm: Whittlesey  
 Address 1: 280 Trumbull Street, 24th Floor  
 Address 2: Hartford, CT 06103  
 Phone: 860-524-4474  
 Email: SSheridan@wadvising.com

## Investor Relations

Name: None  
Firm:  
Address 1:  
Address 2:  
Phone:  
Email:

### *All other means of Investor Communication:*

Twitter: None  
Discord:  
LinkedIn  
Facebook:  
[Other ]

## Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: None  
Firm:  
Nature of Services:  
Address 1:  
Address 2:  
Phone:  
Email:

## **9) Financial Statements**

A. The following financial statements were prepared in accordance with:

- IFRS  
 U.S. GAAP

B. The following financial statements were prepared by (name of individual)<sup>2</sup>:

Name: Alexander J. Barna, Jr.  
Title: Chief Financial Officer  
Relationship to Issuer: Officer

Describe the qualifications of the person or persons who prepared the financial statements:

Mr. Barna has been working in public accounting since 1987 and been preparing GAAP financial statements since then. Mr. Barna has been a CPA since 1994.

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<sup>2</sup> The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

Important Notes:

- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- All financial statements for a fiscal period must be published together with the disclosure statement in one Annual or Quarterly Report.

## 10) Issuer Certification

*Principal Executive Officer:*

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, Neil Kessler, certify that:

1. I have reviewed this Disclosure Statement for Moro Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 11, 2023

/s/ NEIL KESSLER

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

*Principal Financial Officer:*

I, Alex J. Barna, Jr., certify that:

1. I have reviewed this Disclosure Statement for Moro Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

August 11, 2023

/s/ ALEXANDER J. BARNA, JR.

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

**MORO CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2023**

## MORO CORPORATION AND SUBSIDIARIES CONTENTS

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**MORO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**JUNE 30, 2023**

	<b>2023</b>
<b><u>ASSETS</u></b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	
Cash	\$ 2,786,906
Accounts receivable, net	2,972,092
Contract receivables, net	5,415,574
Inventories, net	3,989,095
Contract assets	2,365,962
Prepaid expenses and other current assets	528,553
Prepaid income taxes	40,232
Insurance recoveries receivable	499,950
Assets of discontinued operations	324,870
<b>TOTAL CURRENT ASSETS</b>	<b>18,923,234</b>
PROPERTY AND EQUIPMENT, net of accumulated depreciation	602,856
Right of use (ROU) assets from operating leases	1,797,510
Right of use (ROU) assets from finance leases, net of amortization	758,396
<b>OTHER ASSETS</b>	
Goodwill	1,262,798
<b>TOTAL OTHER ASSETS</b>	<b>1,262,798</b>
<b>TOTAL ASSETS</b>	<b>\$ 23,344,794</b>
<b><u>LIABILITIES</u></b>	
<b>CURRENT LIABILITIES</b>	
Current portion of long-term debt	\$ 36,713
Current portion of operating lease liabilities	378,900
Current portion of finance lease liabilities	304,893
Accounts payable	3,145,600
Accrued expenses and other current liabilities	769,217
Contract liabilities	1,770,540
Liabilities of discontinued operations	2,720
<b>TOTAL CURRENT LIABILITIES</b>	<b>6,408,583</b>
<b>LONG TERM LIABILITIES</b>	
Long-term debt, net of current portion	82,523
Operating lease liabilities, net of current portion	1,271,047
Finance lease liabilities, net of current portion	351,050
Deferred income tax liabilities, net	72,657
<b>TOTAL LONG TERM LIABILITIES</b>	<b>1,777,277</b>
<b>TOTAL LIABILITIES</b>	<b>8,185,860</b>
<b><u>STOCKHOLDERS' EQUITY</u></b>	
Common stock, \$.001 par value, 25,000,000 shares authorized; 6,369,337 shares issued; 6,119,337 shares outstanding	6,370
Additional paid-in-capital	963,205
Retained earnings	14,289,359
	<b>15,258,934</b>
Treasury stock, at cost, 250,000 shares	(100,000)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>15,158,934</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 23,344,794</b>

**MORO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE PERIOD ENDING JUNE 30, 2023**

	<u>2023</u>	<u>% of Earned Revenues</u>
EARNED REVENUES		
Construction material sales	\$ 7,605,284	31.3%
Construction contracts revenue earned	<u>16,697,202</u>	<u>68.7%</u>
TOTAL EARNED REVENUES	<u>24,302,486</u>	<u>100.0%</u>
 COST OF EARNED REVENUES		
Cost of goods sold	6,362,185	26.2%
Cost of construction contracts revenue earned	<u>10,914,563</u>	<u>44.9%</u>
TOTAL COST OF EARNED REVENUES	<u>17,276,748</u>	<u>71.1%</u>
 GROSS PROFIT	 7,025,738	 28.9%
 GENERAL AND ADMINISTRATIVE EXPENSES	 <u>6,600,176</u>	 <u>27.2%</u>
 INCOME / (LOSS) FROM OPERATIONS	 <u>425,562</u>	 <u>1.8%</u>
 OTHER INCOME / (EXPENSE)		
Interest expense	(17,727)	-0.1%
Loss from casualty, net of insurance recoveries	(1,000)	0.0%
Gain on sale of property and equipment	42,075	0.2%
Other income	<u>4,077</u>	<u>0.0%</u>
NET OTHER INCOME	<u>27,425</u>	<u>0.1%</u>
 INCOME / (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	 452,987	 1.9%
 INCOME TAX EXPENSE	 <u>135,895</u>	 <u>0.6%</u>
 INCOME / (LOSS) FROM CONTINUING OPERATIONS	 317,092	 1.3%
 DISCONTINUED OPERATIONS		
Loss from operations of discontinued operations net of applicable tax benefit of \$8,982	 <u>(20,956)</u>	 <u>-0.1%</u>
 NET INCOME / (LOSS)	 <u>\$ 296,136</u>	 <u>1.2%</u>
 NET INCOME / (LOSS) PER SHARE, BASIC & DILUTED	 <u>\$ 0.05</u>	
 Weighted average common shares and diluted potential common shares.	 <u>6,119,337</u>	

**MORO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE PERIOD ENDING JUNE 30, 2023**

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Treasury Stock</u>		<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			<u>Shares</u>	<u>Amount</u>	
Balance, December 31, 2021	6,369,337	\$ 6,370	\$ 963,205	\$ 13,993,223	250,000	\$ (100,000)	\$ 14,862,798
Net Income	-	-	-	296,136	-	-	296,136
Balance, June 30, 2023	<u>6,369,337</u>	<u>\$ 6,370</u>	<u>\$ 963,205</u>	<u>\$ 14,289,359</u>	<u>250,000</u>	<u>\$ (100,000)</u>	<u>\$ 15,158,934</u>

**MORO CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDING JUNE 30, 2023**

	<b>2023</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income	\$ 296,136
Adjustments to reconcile net income to net cash flows from operating activities	
Depreciation and amortization	296,395
Amortization of deferred finance fees	11,683
Gain from sales of property and equipment	(42,075)
ASC-842 Operating lease expense adjustments	(147,128)
Decrease / (increase) in operating assets	
Accounts receivable	(326,059)
Contract receivables	(803,899)
Inventories	273,362
Contract assets	730,283
Prepaid expenses and other current assets	(148,115)
Insurance recoveries receivable	(499,950)
Prepaid income taxes	(40,232)
Increase / (decrease) in operating liabilities	
Accounts payable	532,709
Accrued expenses and other current liabilities	51,359
Income taxes payable	(176,834)
Contract liabilities	503,419
Increase in net assets from discontinued operations	142,773
Total Adjustments	357,691
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>653,827</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from sales of property and equipment	55,879
Casualty loss of property and equipment	138,612
Purchase of property and equipment	(58,097)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>136,394</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net repayments of lines of credit	(966,780)
Principal payments of finance lease liabilities	(159,677)
Principal payments of long-term debt	(17,829)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(1,144,286)</b>
<b>NET INCREASE IN CASH</b>	<b>(354,065)</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>3,140,971</b>
<b>CASH - END OF PERIOD</b>	<b>\$ 2,786,906</b>

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) **Nature of business**

The operations of Moro Corporation (“Moro”) and its wholly-owned subsidiaries (collectively referred to as the “Company”) consist primarily of the fabrication and sale of construction materials and construction contracting.

(2) **Summary of significant accounting policies**

**Principles of consolidation** - The consolidated financial statements include the accounts of Moro and its wholly-owned subsidiaries Appolo Heating, Inc. (“Appolo”), Rondout Electric, Inc. (“Rondout”), J.M. Ahle Co., Inc. (“Ahle”) and its unincorporated division Whaling City Iron (“Whaling”).

During 2022, Moro sold J&J Sheet Metal Works, LLC. (“J&J”), closed Titchener Iron Works, Inc. (“Titchener”), and classified both subsidiaries as discontinued operations (see Note 17).

All material intercompany accounts and transactions are eliminated.

Further, unless otherwise indicated, all disclosures and amounts in the notes to these consolidated financial statements relate to the Company's continuing operations.

Appolo's operations consist of sales, installation, and service of heating, ventilation, and air conditioning systems and related piping and sheet metal work. Historically, Appolo has had three lines of business – residential new construction (RNC) in the greater Albany and Schenectady, NY areas (Capital Region), retail (servicing and retrofitting) in the Capitol Region, Binghamton, and Hudson Valley areas of NY, and commercial HVAC operations in the Capitol Region. The Company has determined to exit from Appolo's commercial line of business and concentrate resources in Appolo's other two lines of business. Management anticipates that the winding down of the commercial line of business will be finalized this year.

Rondout's operations consist of electrical contracting services for public and private sector customers primarily in the Hudson Valley and Northern Westchester County areas in the State of New York.

Ahle's operations consist of fabrication of reinforced steel and distribution of construction accessories in the Metropolitan New York City, New Jersey, and Eastern Pennsylvania areas. Ahle's operations include the operations of Whaling, which consist of fabrication of reinforced steel and distribution of reinforcing, structural, and miscellaneous steel in the greater Boston, MA and Providence, RI areas.

The Company extends credit to its customers, the majority of which are located in Central/Northern New York State, and does not require collateral. Appolo and Rondout, as a condition for entering into some of their construction contracts, had outstanding surety bonds as of June 30, 2023.

**Use of estimates** - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (2) Summary of significant accounting policies (continued)

**Use of estimates (continued)** - Management's estimates and assumptions include, but are not limited to, estimates of contract revenue, costs and gross profit, collectability of contract and accounts receivable, the value of goodwill, and salvage values and estimated useful lives of property and equipment. Management's estimates and assumptions are derived from, and are continually evaluated based upon, available information, judgment, and experience. Because of inherent uncertainties in estimating costs on construction contracts, it is at least reasonably possible that the estimates used will change within the near term.

**Operating cycle** – The Company's contracting work is performed primarily under fixed-price and time and materials type contracts. The length of the Company's contracts varies, but is typically completed in periods of one year or less. In situations where contracts are in excess of one year, any correlating contract assets and liabilities are typically included in current assets and current liabilities in the accompanying consolidated balance sheets as they are generally resolved within one year of the balance sheet date.

**Revenue recognition** – The Company recognizes revenue from construction contracts in accordance with FASB Accounting Standards Codification ("ASC") Topic 606, "Revenue from Contracts with Customers" ("Topic 606"). Topic 606 provides a five-step model for recognizing revenue from contracts with customers as follows:

1. Identify the contract;
2. Identify the performance obligation(s);
3. Determine the transaction price;
4. Allocate the transaction price; and
5. Recognize revenue.

#### *Revenue Recognition for Construction Contracts*

The Company derives the majority of its revenue from fixed-price and time and materials construction contracts. The amount of revenue to be earned from construction contracts is measured based on the amount of consideration specified in the original contract plus the value of subsequent modifications to the original contract.

To determine the proper revenue recognition method for contracts, the Company evaluates whether two or more contracts should be combined and accounted for as one single contract and whether the combined or single contract should be accounted for as more than one performance obligation. This evaluation requires significant judgment and the decision to combine a group of contracts or separate a combined or single contract into multiple performance obligations could change the amount of revenue and profit recorded in a given period. Generally, under its construction contracts, the Company provides its customers with a significant service of integrating a complex set of tasks and components into a single project or capability, and therefore are generally accounted for as single performance obligations.

The Company evaluates whether its contracts represent one or more performance obligations which would be presented separately to account for revenue recognition. Generally, each of the Company's contracts represents a single performance obligation. This evaluation requires significant judgment and could change the amount of revenue and profit recorded in a given period.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (2) Summary of significant accounting policies (continued)

##### *Revenue Recognition for Construction Contracts (continued)*

The Company recognizes revenue from fixed-price construction contracts over time as the performance obligations are satisfied, due to the continuous transfer of control to the customer. The Company measures progress towards satisfaction of performance obligations and the amount of revenue to recognize using the cost-to-cost method, based on the ratio of costs incurred to date compared to the total amount of estimated costs at completion of the contract. The cost-to-cost method is used as it most accurately depicts the Company's performance as it directly measures the value of the services transferred to the customer. Changes to total estimated contract cost or losses, if any, are recognized in the period in which they are determined as assessed at the contract or performance obligation level. Pre-contract costs are expensed as incurred unless they are expected to be recovered from the customer.

Customer payments on contracts are typically due within 30 to 45 days of billing, depending on the contract. The payment terms of the Company's contracts from time to time require the customer to make advance payments as well as interim payments as work progresses. Advance payments generally are not considered a significant financing component as the Company expects to recognize those amounts in revenue within a year of receipt as work progresses on the related performance obligation.

##### *Variable Consideration*

The nature of the Company's contracts gives rise to several types of variable consideration, including claims and unpriced change orders; awards and incentive fees; and liquidated damages and penalties. The Company recognizes revenue for variable consideration when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company estimates the amount of revenue to be recognized on variable consideration using the expected value (i.e., the sum of a probability-weighted amount) or the most likely amount method, whichever is expected to better predict the amount. The Company's estimates of variable consideration and determination of whether to include such amounts in the transaction price are based largely on an assessment of legal enforceability, anticipated performance and any other information (historical, current or forecasted) that is reasonably available.

Factors considered in determining whether revenue associated with claims (including change orders in dispute and unapproved change orders in regard to both scope and price) should be recognized include whether the following are present: (a) the contract or other evidence provides a legal basis for the claim, (b) additional costs were caused by circumstances that were unforeseen at the contract date and not the result of deficiencies in the Company's performance, (c) claim-related costs are identifiable and considered reasonable in view of the work performed, and (d) evidence supporting the claim is objective and verifiable. If the requirements for recognizing revenue for claims or unapproved change orders are met, revenue is recorded only when the costs associated with the claims or unapproved change orders have been incurred and is constrained to the extent that it is not probable that a significant reversal of revenue will be recognized. Back charges to suppliers or subcontractors are recognized as a reduction of cost when it is determined that recovery of such cost is probable and the amounts can be reliably estimated. Disputed back charges are recognized when the same requirements described above for claims accounting have been satisfied.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (2) Summary of significant accounting policies (continued)

##### *Contract Estimates and Modifications*

Due to the nature of the work required to be performed on the Company's performance obligations, the estimation of total revenue and cost at completion is complex, subject to many variables and requires significant judgment. As a significant change in one or more of these estimates could affect the profitability of the Company's contracts, management routinely reviews and updates contract-related estimates through a disciplined project review process in which management reviews the progress and execution of each performance obligation and the related estimated costs to complete. As part of this process, management reviews information including, but not limited to, outstanding contract matters, progress towards completion, program schedule and the associated changes in estimates of revenues and costs. Management must make assumptions and estimates regarding the availability and productivity of labor, the complexity of the work to be performed, the availability and cost of materials, the performance of subcontractors, and the availability and timing of funding from the customer, along with other risks inherent in performing services under all contracts where the company recognizes revenue over-time using the cost-to-cost input method.

The Company recognizes changes in contract estimates on a cumulative catch-up basis in the period in which the changes are identified. Such changes in contract estimates can result in the recognition of revenue in a current period for performance obligations which were satisfied or partially satisfied in a prior period. Changes in contract estimates may also result in the reversal of previously recognized revenue if the current estimate differs from the previous estimate. If at any time the estimate of contract or performance obligation profitability indicates an anticipated loss on the contract or performance obligation, the total loss is recognized in the period it is identified.

Contracts are often modified to account for changes in contract specifications and requirements. Most of the Company's contract modifications are for goods or services that are not distinct from existing contracts due to the significant integration provided in the context of the contract and are accounted for as if they were part of the original contract. The effect of a contract modification on the transaction price and the measure of progress for the performance obligation to which it relates, is recognized as an adjustment to revenue (either as an increase in or a reduction of revenue) on a cumulative catch-up basis. The Company accounts for contract modifications as separate contracts when the modification results in the promise to deliver additional goods or services that are distinct and the increase in price of the contract is for the same amount as the stand-alone selling price of the additional goods or services included in the modification.

##### *Contract Assets and Liabilities*

Billing practices are governed by the contract terms of each project based upon costs incurred, achievement of milestones or predetermined schedules. Billings do not necessarily correlate with revenue recognized over time using the cost-to-cost input method. Contract assets include costs and estimated earnings in excess of billings on uncompleted contracts which typically result from revenue under long-term contracts when the cost-to-cost input method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer.

Retainage, included in contract assets, represent the amounts withheld from billings to customers pursuant to provisions in the contracts and may not be paid until the completion of specific tasks or the completion of the project and, in some instances, for even longer periods. Retainage may also be subject to restrictive conditions such as performance guarantees. As of June 30, 2023, the Company expects to collect all of its outstanding retainage within one year.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (2) Summary of significant accounting policies (continued)

##### *Contract Assets and Liabilities (continued)*

The Company anticipates that substantially all incurred costs associated with contract assets as of June 30, 2023 will be billed and collected within one year.

Contract liabilities consist of advance payments and billings in excess of costs and estimated earnings on uncompleted contracts. The Company anticipates that substantially all such amounts will be earned within one year.

Refer to Notes 3 and 4 for opening and closing balances of contract receivables, contract assets and contract liabilities.

##### *Warranties*

The Company provides limited warranties to customers for work performed under its contracts that typically extend for a limited duration following substantial completion of work on a project. Such warranties are not sold separately and do not provide customers with a service in addition to assurance of compliance with agreed-upon specifications. Accordingly, these types of warranties are not considered to be separate performance obligations. Historically, the Company's warranty claims have not resulted in material costs incurred.

##### *Practical Expedients*

If the Company has a right to consideration from a customer in an amount that corresponds directly with the value of the Company's performance completed to date, the Company recognizes revenue in the amount to which it has a right to invoice for services performed. The Company has determined their time and materials contracts generally meet this practical expedient and as such, revenue is recognized on these contracts as the associated costs are incurred and the Company has the right to invoice for such services even if not billed.

The Company does not adjust the contract price for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the Company transfers a service to a customer and when the customer pays for that service will be one year or less.

The Company does not typically incur incremental costs in obtaining its contracts; however, the majority of the Company's contracts are for periods of one year or less and as a result, the Company has elected to expense such costs, if and when incurred, as the amortization period of the asset, if recognized, would be for a period of one year or less.

The Company has disclosed the aggregate amount of the transaction price allocated to its remaining performance obligations of its contracts within Note 14, which the Company estimates will be recognized over the next 12 months.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (2) Summary of significant accounting policies (continued)

##### *Service Contracts*

Appolo's operations include the separate sale of service and maintenance agreements, primarily to residential customers, for existing systems to be repaired and maintained, as opposed to constructed. The Company's performance obligation is to maintain the customer's mechanical system for a specific period of time, generally for periods of one year or less. The Company recognizes revenue associated with such agreements over time; however, for service maintenance agreements in which the full cost to provide services are typically not known, the Company generally recognizes revenue over time using an input method based on time elapsed, which is based on the amount of time the Company has provided their services out of the total time the Company has been contracted to perform those services. The Company has elected to apply the practical expedient to analyze revenue recognition associated with its service contracts under the portfolio approach, whereby the Company has applied the guidance within Topic 606 to its portfolio of service contracts, versus at the individual contract level, as the Company reasonably expects that the effects on the accompanying consolidated financial statements would not differ materially.

The Company generally receives payments for its service contracts up front. During the period ended June 30, 2023, the Company recognized approximately \$964,000 in revenues associated with its service contracts, which are included in construction contracts revenue earned in the accompanying consolidated statement of operations. As of June 30, 2023, the Company had a contract liability of approximately \$935,000, which was included as a component of contract liabilities in the accompanying consolidated balance sheet, which the Company expects to recognize as revenue in the next twelve months.

##### *Product and Materials Sales*

The Company also earns revenues from product and materials sales. Revenue is recognized when the Company satisfies its performance obligation(s) under the contract (either implicit or explicit) by transferring the promised product or material to its customer when the customer obtains control of the product or material. A performance obligation is a promise in a contract to transfer a distinct product or material to a customer. A contract's transaction price is allocated to each distinct performance obligation. Substantially all of the Company's contracts have a single performance obligation, as the promise to transfer products or materials is not separately identifiable from other promises in the contract and, therefore, not distinct.

Product and material sale revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or materials. The nature of the Company's contracts gives rise to several types of variable consideration. As such, revenue is recorded net of estimated discounts, allowances, etc. These estimates are based on historical experience, anticipated performance and the Company's best judgment at the time. Because of the Company's certainty in estimating these amounts, they are included in the transaction price of its contracts.

Substantially all of the Company's revenue is from products and materials transferred to customers at a point in time. The Company recognizes revenue at the point in time in which the customer obtains control of the product or material, which is generally when title passes to the customer when the customer has received the product or material at its physical location.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net (excluded from revenues) basis.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (2) Summary of significant accounting policies (continued)

##### *Product and Materials Sales (continued)*

The Company does not have significant contract assets or liabilities as of June 30, 2023 related to its product and material revenue. The Company has elected to expense all contract costs as incurred.

The costs of shipping and handling are recognized at the time the products are shipped or delivered to the customer and are included in cost of earned revenues in the consolidated statement of operations. Sales-based taxes are excluded from revenue.

##### *Disaggregation of Revenue*

The Company has not identified any economic factors that would impact the nature, amount, timing or uncertainty of revenue and cash flows, outside of those previously disclosed above with respect to the Company's revenues from construction contracts, service contracts or product and material sales. The Company's revenues from construction contracts and product and material sales are disaggregated in the accompanying consolidated statement of operations. The Company has disclosed revenue recognized during the period ended June 30, 2023 from its service contracts above. The Company has similar concentrations of customers, types of contracts and geographical location of sales within each of these revenue streams and as such, no further disaggregation of revenue was considered necessary.

**Cash** - The Company considers cash on hand and bank checking, savings, and money market accounts to be cash.

**Concentration of credit risk** - At times throughout the year, the Company may maintain certain bank accounts in excess of the FDIC insured limit. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk in these accounts.

**Contract and accounts receivable** - Contract and accounts receivable are carried at cost, less an allowance for losses. The Company does not accrue finance or interest charges. The Company determines the collectability of contracts and accounts and the need for an allowance for losses based on the Company's historical experience, the existing economic conditions and the financial stability of its customers. A receivable is written off when it is determined that all collection efforts have been exhausted. All nonpublic funded projects are collateralized by normal contractor lien rights against the property.

**Inventories** - Inventories are stated at the lower of cost or net realizable value using the first-in, first-out method. Cost is determined by using average cost. Market is based upon realizable value, less allowance for selling and distribution expenses and normal gross profit. An allowance is made for obsolete, slow moving or damaged items when appropriate. As of June 30, 2023, the Company determined an allowance of approximately \$83,000 was necessary. Maintenance, operating, and other supplies are expensed as incurred. As of June 30, 2023, all inventories consisted of raw materials, equipment, and parts which were available-for-sale.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (2) Summary of significant accounting policies (continued)

**Contract Assets** – Contract assets include amounts due under contractual retainage provisions as well as costs and estimated earnings in excess of billings on uncompleted contracts. Costs and estimated earnings in excess of billings on uncompleted contracts also represent amounts earned and reimbursable under contracts, including affirmative claim recovery estimates, but have a conditional right for billing and payment such as achievement of milestones or completion of the contract. Retainage represents amounts billed to customers where payments have been partially withheld pending completion of certain milestones, satisfaction of other contractual conditions, or completion of the project. Retainage agreements vary from project to project and balances can remain outstanding for several months or years depending on a number of circumstances, such as contract-specific terms, project performance or other variables that may arise as the project moves towards completion. Customer affirmative claims will be settled based on the claims resolution process, which could extend beyond one year. As of June 30, 2023, the retainage amounts estimated by management to be collected beyond one-year were minimal.

**Property and equipment** - Property and equipment are stated at cost and are depreciated over the estimated useful lives of the related assets. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the assets. Depreciation and amortization are computed on the straight-line method for financial reporting purposes over the useful lives of the assets. The Company evaluates property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company does not believe that impairment indicators were present as of June 30, 2023. Accordingly, no such losses have been included in the accompanying consolidated statement of operations for the period ended June 30, 2023.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals that materially improve capacities or extend useful lives are capitalized. When property and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation or amortization accounts are relieved, and any gain or loss is included in operations.

The estimated useful lives of property and equipment are:

<u>Assets</u>	<u>Estimated Useful Lives</u>
Machinery and equipment	7 Years
Vehicles	5 Years
Office equipment	5 Years

**Goodwill** - Goodwill represents the excess of cost over fair value of net assets acquired through the Company's acquisition of its subsidiaries. The Company accounts for goodwill in accordance with FASB ASC Topic 350, "Goodwill and Other Intangible Assets." Under ASC Topic 350, goodwill is not amortized but is reviewed at least annually for impairment or more frequently when circumstances indicate impairment may be present. The Company has the option to first perform a qualitative analysis to determine if it is more likely than not that goodwill is impaired. If it is determined that it is more likely than not that goodwill is not impaired, no further analysis is required. If it is determined that it is more likely than not that goodwill is impaired, the Company performs a quantitative analysis to compare the estimated fair value of a reporting unit with its carrying amount. If the estimated fair value is less than the reporting unit's carrying amount, an impairment loss is recognized as the difference between the reporting units' fair value and carrying amount, not to exceed the carrying amount. During the period ended June 30, 2023, based on the qualitative analysis performed, the Company concluded that no impairment of goodwill exists.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (2) Summary of significant accounting policies (continued)

**Contract Liabilities** – Contract liabilities consist of billings in excess of costs and estimated earnings on uncompleted contracts, advance payments received on service agreements, and retainage payable. Billings in excess of costs and estimated earnings on uncompleted contracts are billings to customers on contracts in advance of the work performed, including advance payments negotiated as a contract condition. Generally, unearned project-related costs will be earned over the next twelve months. Retainage represents amounts payable to vendors where payments have been partially withheld pending completion of certain milestones, satisfaction of other contractual conditions, or the completion of the project. Retainage agreements vary from project to project and balances can remain outstanding for several months or years depending on a number of circumstances, such as contract-specific terms, project performance or other variables that may arise as the project moves towards completion. As of June 30, 2023, the retainage amounts estimated by management to be remitted beyond one-year were minimal.

**Income taxes** - The Company accounts for income taxes using the asset and liability method. Under this method, deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts at each year-end based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable for the year and the change during the year in deferred tax assets and liabilities.

The Company accounts for the effect of any uncertain tax positions using FASB ASC Topic 740-10, "Income Taxes," based on a "more likely than not" threshold applied to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense. The Company has determined that it has no tax positions resulting in an uncertainty requiring recognition.

It is the Company's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2023, the Company had no accrual for interest and penalties.

The Company is subject to taxation in the United States and various state jurisdictions. As of June 30, 2023, tax years for 2019, 2020, 2021 and 2022 are subject to examination by the tax authorities. With few exceptions, as of June 30, 2023, the Company is no longer subject to U.S. federal, state, or local examinations by tax authorities for years before 2019.

**Advertising expense** - The Company expenses advertising costs as they are incurred. Advertising expense for the period ended June 30, 2023 was approximately \$85,000.

**MORO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(2) Summary of significant accounting policies (continued)**

**Recently Issued Accounting Pronouncements**

**ASU No. 2016-13—Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments and Other ASUs Issued Amending Topic 326**

During June 2016, the FASB issued ASU No. 2016-13, “Measurement of Credit Losses on Financial Instruments.” ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, November 2019 and March 2020, respectively, the FASB also issued ASU No. 2018-19, “Codification Improvements to Topic 326, Financial Instruments – Credit Losses”; ASU No. 2019-04, “Codification Improvements to Topic 326, Financial Instruments – Credit Losses”; ASU No. 2019-05 “Targeted Transition Relief”; ASU No. 2019-11, “Codification Improvements to Topic 326, Financial Instruments – Credit Losses”; and ASU No. 2020-03 “Codification Improvements to Financial Instruments.” ASU No. 2018-19 clarifies (1) the effective date for nonpublic entities, and (2) that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASU Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, and ASU Nos. 2019-11 and 2020-03 amend ASU No. 2016-13 to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. The Company is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its results of operations, financial position and cash flows.

**(3) Contract receivables, net**

Contract receivables, net, consisted of the following as of June 30, 2023:

Opening balance contract receivables, net as of 01/01/2023	\$ 4,611,675
Total contract receivables as of 06/30/2023	
Completed contracts and time and materials jobs	\$ 2,535,519
Contracts in progress	2,931,616
	5,467,135
Less allowance for losses	51,561
Contract receivables, net as of 06/30/2023	\$ 5,415,574

**(4) Contract assets and contract liabilities**

As of June 30, 2023, contract assets consisted of the following:

Opening balance contract assets as of 01/01/2023	\$ 3,096,245
Contract Assets:	
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 1,665,218
Retainage receivables	700,744
Ending balance contract assets as of 06/30/2023	\$ 2,365,962

**MORO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(4) Contract assets and contract liabilities (continued)**

As of June 30, 2023, contract liabilities consisted of the following:

Opening balance contract liabilities as of 01/01/2023	\$ 1,267,121
Contract liabilities:	
Billings in excess of costs and estimated earnings on uncompleted contracts	\$ 835,634
Advance payments received on uncompleted service contracts	934,906
Accrued losses on uncompleted contracts	-
Retainage payable	-
Ending balance contract liabilities as of 06/30/2023	\$ 1,770,540

During the period ended June 30, 2023, the Company did not have any significant changes in either the contract asset or contract liability balances, and the Company recognized revenue of approximately \$656,000 related to contract liabilities outstanding as of January 1, 2023.

Costs and estimated earnings in excess of billings on uncompleted contracts and billings in excess of costs and estimated earnings on uncompleted contracts, as presented above, are calculated as follows:

Costs incurred on uncompleted contracts	\$ 24,185,591
Estimated earnings	5,855,061
	30,040,652
Less: billed to date	29,211,068
	\$ 829,584

Included in the accompanying consolidated balance sheet under the captions of contract assets, and contract liabilities respectively:

Costs and estimated earnings in excess of billings on uncompleted contracts, included in contract assets	1,665,218
Billings in excess of costs and estimated earnings on uncompleted contracts, included in contract liabilities	(835,634)
	\$ 829,584

**5) Property and equipment**

The following is a summary of property and equipment, at cost, less accumulated depreciation and amortization as of June 30, 2023:

Cost	
Machinery and equipment	\$ 2,715,081
Vehicles	679,772
Office equipment	1,306,998
Leasehold improvements	467,160
Total cost	5,169,011
Accumulated depreciation	(4,566,155)
Net property and equipment	\$ 602,856

**MORO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**5) Property and equipment (continued)**

Depreciation and amortization expense on property and equipment for the period ended June 30, 2023, was \$94,747.

**(6) Goodwill**

The following is a summary of goodwill as of June 30, 2023:

Goodwill	1,502,805
Accumulated Impairment loss	(240,007)
Total goodwill, net of impairment losses	<u>\$ 1,262,798</u>

As of June 30, 2023, the Company did not have any reporting units with zero or negative carrying amounts of net assets with allocated goodwill.

**(7) Revolving credit facility**

Due to its improved cash position, the Company requested from Firsttrust Bank a renewal of its revolving credit facility at a lower maximum of \$2,000,000. This request was granted, and the \$2,000,000 revolving credit facility became effective June 1, 2023. The facility replaced the existing \$7,000,000 revolving credit facility from Firsttrust Bank that was slated to expire on September 14, 2023. The new \$2,000,000 revolving credit facility is secured by substantially all of the assets of the Company, including its subsidiaries, and extends through June 30, 2025. The line of credit bears interest at the Term SOFR rate plus 2.5% per annum, with a minimum interest rate of 5.50% per annum; interest is payable monthly. The Company may prepay amounts under the credit facility without penalty or premium. As of June 30, 2023, the Company had no outstanding borrowings on its line of credit.

The Company incurred interest expense of \$9,268 associated with the net funds borrowed on the line of credit during the period ended June 30, 2023.

**MORO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(8) Leases**

The Company leases certain facilities, vehicles and equipment under non-cancelable operating leases. Leases with an initial term of 12 months or less are not recorded on the accompanying consolidated balance sheet. The Company accounts for lease components separately from the non-lease components. The Company has some short-term leases on equipment and facilities. Short-term lease expense was not material to the consolidated financial statements and totaled approximately \$79,000 during the period ended June 30, 2023. Lease right-of-use assets and liabilities are recognized at the respective lease commencement dates based on the present value of lease payments over the lease term. As most of the Company's leases do not provide an implicit rate, the Company generally use their incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

The Company recognizes lease expense, including escalating lease payments and lease incentives, on a straight-line basis over the lease term. Lease expense on the Company's operating leases for the period ended June 30, 2023 was approximately \$211,000, which is included as a component of cost of earned revenues or general and administrative expenses, as deemed appropriate, in the accompanying consolidated statement of operations. During the period ended June 30, 2023, the Company incurred finance lease cost of approximately \$216,000, which includes approximately \$202,000 of amortization of its right of use assets, which is included as a component of cost of earned revenues or general and administrative expenses, as deemed appropriate, in the accompanying consolidated statement of operations, and \$14,000 of interest expense on its lease liabilities.

The lease terms generally range from two to seven years. Some leases include one or more options to renew, which may be exercised to extend the lease term. The Company includes the exercise of lease renewal options in the lease term when it is reasonably certain that the Company will exercise the option and such exercise is at the Company's sole discretion.

The Company has a lease arrangement with a related party under common ownership (Note 11). Rent paid to this related party for the period ended June 30, 2023 was \$29,000.

The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The maturities of lease liabilities as of June 30, 2023 were as follows:

<b>Maturity Analysis</b>	<b>Operating Leases</b>	<b>Finance Leases</b>	<b>Combined</b>
2023	\$ 229,702	\$ 168,121	\$ 397,823
2024	455,759	295,711	751,470
2025	402,930	145,377	548,307
2026	332,999	52,733	385,732
2027	310,474	24,671	335,145
Thereafter	124,444	1,698	126,142
<b>Total</b>	<b>\$ 1,856,308</b>	<b>\$ 688,311</b>	<b>\$ 2,544,619</b>
Less: Present value discount	(206,361)	(32,368)	(238,729)
<b>Lease liability</b>	<b>\$ 1,649,947</b>	<b>\$ 655,943</b>	<b>\$ 2,305,890</b>

**MORO CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(8) Leases (continued)**

**Amounts Recognized in the Consolidated Financial Statements and other Lease Metrics**

**Finance lease expense**

Amortization of ROU assets	\$	201,648
Interest on lease liabilities		14,094
<b>Total finance lease expense</b>	<b>\$</b>	<b>215,742</b>

Operating lease expense	211,158
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Short-term lease expense	79,381
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<b>Total</b>	<b>\$</b>	<b>506,281</b>
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**Cash paid for amounts included in the measurement of lease liabilities for finance leases**

Finance - Financing cash flows	159,676
Finance - Operating cash flows	14,094
Operating - Operating cash flows	210,705

**ROU assets obtained in the exchange for lease liabilities**

Finance leases	\$	-
Operating leases		823,975

**Weighted-average remaining lease terms (in years)**

Finance leases	2.47
Operating leases	4.40

**Weighted-average discount rate**

Finance leases	3.93%
Operating leases	5.43%

**MORO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(9) Long-term debt**

Long-term debt consisted of the following as of June 30, 2023:

Notes payable to various finance companies, due in monthly installments totaling approximately \$3,400, including interest at various rates up to 3.99%, expiring at various dates through March 2027 and secured by vehicles and equipment.	\$ 119,236
Total long-term debt	119,236
Less current portion, net	36,713
Long-term portion, net	\$ 82,523

Annual maturities of long-term debt are as follows:

<u>Years Ending December 31,</u>	<b>Annual Maturities</b>
2023	18,179
2024	37,399
2025	38,863
2026	22,893
2027	1,902
Thereafter	-
	\$ 119,236

**(10) Stock option plan**

The Company's Stock Option Plan and Agreement (the "Plan") permits the granting of stock options to its employees for the purpose of advancing the interests of the Company by providing an incentive to the employee through the encouragement of stock ownership in the Company by the employee. As of June 30, 2023, no options were outstanding.

**(11) Related-party transactions**

**Variable interest entities** - FASB ASC Topic 810-10, "Consolidations," provides a framework for identifying variable interest entities ("VIEs") and determining when a company should include the assets, liabilities, noncontrolling interests, and results of activities of a VIE in its financial statements. In general, a VIE is a corporation, partnership, limited liability company, trust, or any other legal structure used to conduct activities or hold assets that: (1) has an insufficient amount of equity to carry out its principal activities without additional subordinated financial support, (2) has a group of equity owners that lack the ability to direct the activities of the entity that most significantly impact its economic performance through voting or similar rights, or (3) has a group of equity owners that lack the obligation to absorb losses of the entity or the right to receive returns of the entity.

**MORO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(11) Related-party transactions (continued)**

An entity with a variable interest in a VIE should consolidate the VIE if that entity has the power to direct the activities that most significantly impact the economic performance of the VIE and the obligation to absorb losses or the right to receive benefits of the VIE that could be significant to the VIE. The entity that consolidates the VIE is called the primary beneficiary. The primary beneficiary can be an entity without voting control of the VIE.

The Company's division, Whaling, leased office space and land from a related party, affiliated through common ownership during the period ended June 30, 2023. The Company has concluded that it does not have a variable interest in the related party.

Rent expense - The Company leased office space and land from an entity related through common ownership. See Note 8.

**(12) Income taxes**

The provision for income tax expense (benefit), for the period ended June 30, 2023 consists of the following:

Current portion		
Federal	\$	95,127
State		40,768
		135,895
Deferred portion		
Federal		-
State		-
		-
Total income tax expense/(benefit)	\$	135,895

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. As of June 30, 2023, the significant components of the Company's deferred tax assets and liabilities were as follows:

Deferred tax assets:		
Allowance for doubtful accounts	\$	108,058
Warranty reserve		13,068
Inventory reserve		19,107
Accrued expenses		76,764
Section 263(A) - Unicap		6,498
Service agreement reserve		238,001
Right of use liabilities		572,631
Net operating losses (NOLs)		533,681
Deferred tax assets		1,567,808
Valuation allowance		(545,939)
Deferred tax assets	\$	1,021,869

**MORO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(12) Income taxes (continued)**

Deferred tax liabilities:	
Prepaid expenses	(70,372)
Right of use assets	(615,996)
Fixed assets	(89,897)
Intangibles	(310,932)
Charitable contributions carryforward	(7,329)
Deferred tax liabilities	(1,094,526)
Deferred income tax liabilities, net	\$ (72,657)

The Company recorded a valuation allowance of \$0.3 million in 2022. In determining the need for a valuation allowance, the Company assessed the available positive and negative evidence to estimate whether future taxable income would be generated to permit use of the existing deferred tax assets (“DTA’s”). The Company determined that there is uncertainty regarding the utilization of certain DTAs such as state net operating losses. Therefore, a valuation allowance has been recorded against the DTAs for which it is more-likely-than-not they will not be realized. The amount of DTA considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if additional weight is given to subjective evidence such as projections for growth. Management has also established a 100% valuation allowance against the State NOL balances recorded at Rado as management does not believe it is more likely than not that these assets will be realized.

The effective income tax rate differs from the expected statutory tax rate due to certain permanent differences. The reason for the difference between the effective tax rate and the federal statutory rate is as follows.

Federal statutory tax rate of:	21.00%
Income taxes at the federal statutory rate	95,127
Increases/(decreases) resulting from:	
Current state taxes	40,768
Provision for income taxes	\$ 135,895

The Company has no federal net operating loss (NOL) carryforwards and state net operating loss carryforward of approximately \$12.3 million as of June 30, 2023. Federal NOLs are carried forward indefinitely and the state NOLs will expire between 2036 and 2042.

**(13) Commitments and contingencies**

The Company may be involved in various legal actions from time to time arising in the normal course of business. There are no matters outstanding that would, in management’s view, have a material adverse effect on the financial position or results of operations of the Company.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(14) Backlog**

The following schedule shows a reconciliation of backlog representing signed contracts in existence as of June 30, 2023 which correlate to unsatisfied performance obligations which are expected to be recognized over the next 12 months:

Balance on December 31, 2022	\$ 19,921,808
New contracts and contract adjustments, year-to-date 2023	<u>7,014,605</u>
	26,936,413
Less contract revenue earned, year-to-date 2023	<u>10,164,746</u>
Balance - June 30, 2023	<u><u>\$ 16,771,667</u></u>

**(15) Employee benefit plans**

Each subsidiary of the Company sponsors a 401(k) profit-sharing plan for its employees who are not subject to collective bargaining agreements and who meet specified age and service requirements. The plans provide for participants to make contributions which may be matched by each subsidiary of the Company at its discretion. Additionally, each subsidiary of the Company can make profit sharing contributions at its discretion, not to exceed the maximum allowable by the Internal Revenue Code. Company profit sharing contributions were approximately \$70,000 for the period ended June 30, 2023.

**(16) Cash flow disclosures**

The following is a summary of supplemental cash flow information for the period ended June 30, 2023:

Interest paid	<u>\$ 17,727</u>
Income taxes paid	<u>\$ 58,000</u>

**(17) Discontinued Operations**

In 2022, the Company closed its wholly-owned subsidiary, Titchener Iron Works, whose business was to fabricate and install custom stairs and steel and aluminum railings. In making the determination to close Titchener, management considered, among other things, the historically poor performance of Titchener subsequent to its acquisition by the Company in 2010 and the weak economic conditions in Titchener's markets. The Company completed its last projects in May 2022, and auctioned all of its available assets.

During 2022, the Company sold substantially all of the operating assets of its subsidiary, J&J Sheet Metal Works, LLC. J&J retained approximately \$900,000 of its accounts receivable after the sale. As of June 30, 2023, J&J has collected all of the accounts receivable retained after the sale.

The Company has determined that the operating activities of these entities represent a component of the Company and the disposition represents a strategic shift that will have a major effect on the Company's operations and consolidated financial results. As a result, the results of these operations have been classified outside of net income from continuing operations in the accompanying consolidated statement of operations.

**MORO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(17) Discontinued Operations**

The major classes of losses generated by each discontinued operation are presented below. There were no assets or liabilities held for sale as of June 30, 2023.

<b><u>Results of Operations</u></b>	<b><u>Titchener</u></b>	<b><u>J&amp;J</u></b>	<b><u>TOTAL</u></b>
Earned revenues	\$ -	\$ -	\$ -
Cost of earned revenues	-	-	-
<b>Gross profit/(loss)</b>	-	-	-
Depreciation Expense	-	-	-
General and administrative expenses	21,361	8,577	29,938
<b>Loss from operations</b>	<b>(21,361)</b>	<b>(8,577)</b>	<b>(29,938)</b>
Gain/(loss) on sale of assets	-	-	-
<b>Loss before taxes</b>	<b>(21,361)</b>	<b>(8,577)</b>	<b>(29,938)</b>
Current income tax benefit	(6,409)	(2,573)	(8,982)
Deferred income tax benefit	-	-	-
<b>Net Loss</b>	<b>\$ (14,952)</b>	<b>\$ (6,004)</b>	<b>\$ (20,956)</b>

**(18) Macroeconomic Supply Chain and Related Considerations**

In the first two quarters of 2023, the macroeconomic environment, including the regional economies in which the Company's business units operate, has continued to be challenging and it has experienced significant inflation (including increases in the costs of new materials, products and equipment and rising interest rates) and economic weakness in the Company's markets generally. These factors have exacerbated an economy that has not yet fully recovered from the COVID-19 pandemic.

The Company expects for the foreseeable future to continue to experience inflationary pressure on its cost structure. The Company has been able to pass some of the cost increases it has experienced on to its customers; however, it is possible that higher pricing may result in a reduction in sales volume. If the Company is not able to mitigate inflationary pressure sufficiently, such as by increasing the Company's pricing, there could be a negative impact on the Company's results of operations and financial condition. These developments may continue or worsen and the future impact of these developments on the Company's business, operations and financial results is highly uncertain and cannot be predicted.

Commencing late in the first quarter of 2020, and continuing through the first half of 2022, the Company faced significant challenges and uncertainties resulting, directly or indirectly, from the COVID-19 pandemic. Recently, there has been a significant general improvement in pandemic-related conditions and a reduction of adverse effects from the pandemic. However, COVID-19 related factors or factors related to future pandemics may cause volatility in the price of materials, disrupt our supply chain, increase our labor costs or cause labor shortages, or increase our transportation costs, any of which could have an adverse impact on the Company's business, operations and financial results in the future.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (19) Casualty Loss and Insurance Recoveries

One of the Company's subsidiaries, J.M. Ahle Co. Inc. sustained a casualty loss on June 14, 2023 from an overnight fire that started in an unused building next to where Ahle operates. The fire affected one of the buildings that Ahle leases, and affected a portion of Ahle's equipment and inventory.

The Company recorded a casualty loss in the accompanying financial statements to write-off the carrying value of the inventory and the net book value of the equipment destroyed in the fire, plus the extra expenses incurred by Ahle to restart its operations after the fire.

The Company has determined it is probable that the fire casualty loss recorded through June 30, 2023 will be recovered from its insurance carriers, less a \$1,000 deductible. If the Company's insurance carriers were to deny some or all of the claims the Company has determined are probable it will receive, there could be a negative impact on the Company's future results of operations and financial condition.

Fire casualty loss incurred as of June 30, 2023	500,950
Less insurance recoveries, net of deductibles	<u>(499,950)</u>
Loss from casualty, net of insurance recoveries	<u>\$ 1,000</u>

If the proceeds from the Company's insurance claims were to exceed its recorded casualty loss, any gain would be recognized in the future period when the gain is realized by the Company, in accordance with ASC 450-30-50-1.

In the aftermath of the fire, the speed and completeness with which Ahle is able to replace damaged/destroyed equipment and inventory, handle any supply chain issues for said equipment and inventory, restore damaged/destroyed facilities, and restore utilities to affected areas could have an adverse impact on the Company's business, operations and financial results going forward.

#### (20) Subsequent Events

Management has evaluated the accompanying consolidated financial statements for subsequent events through August 11, 2023, the date the accompanying consolidated financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the Company's consolidated financial statements.