

# **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 332312)

## **Annual Report**

**For the period ending December 31, 2023** (the “Reporting Period”)

### **Outstanding Shares**

The number of shares outstanding of our Common Stock was:

6,119,337 as of February 29, 2024

6,119,337 as of December 31, 2023

### **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 during 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

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 and 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.

Current State and Date of Incorporation or Registration:

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

Standing in this jurisdiction: (e.g. active, default, inactive):

active

Prior Incorporation Information for the issuer and any predecessors during the past five years:

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

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

n/a

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

n/a

Address of the issuer's principal executive office:

841 Worcester St, #511  
Natick, MA 01760

Address 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?

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(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 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.

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

### **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: 02/29/2024
Total shares outstanding:	6,119,337	as of date: 02/29/2024
Total number of shareholders of record:	203	as of date: 02/29/2024

*Please provide the above-referenced information for all other publicly quoted or traded securities of the issuer:*

n/a

### **Other classes of authorized or outstanding equity securities that do not have a trading symbol:**

*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 that do not have a trading symbol). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.*

n/a

*Please provide the above-referenced information for all other classes of 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.

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 for the two most recently completed fiscal years and any subsequent period.

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			*Right-click the rows below and select "Insert" to add rows as needed.						
<u>Opening Balance</u>									
Date _____ Common: _____ Preferred: _____									
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:									
Ending Balance:		Ending _____ Balance _____							
Date _____	Common: _____								
Preferred: _____									

**Example:** A company with a fiscal year end of December 31<sup>st</sup> 2023, 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, 2022 through December 31, 2023 pursuant to the tabular format above.

**\*\*\*Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

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. <small>*You must disclose the control person(s) for any entities listed.</small>	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

**\*\*\*Control persons for any entities in the table above must be disclosed in the table or in a footnote here.**

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. Ensure that these descriptions are updated on the Company's Profile on [www.OTCMarkets.com](http://www.OTCMarkets.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 believes it 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 believes it has satisfactory relationships with its various vendors.

As discussed in Note 18 of the Company's Consolidated Financial Statements for the year ended December 31, 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.

\*\*\*\*\*

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 2023, 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 investors 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. Describe the location of office space, data centers, principal plants, and other property of the issuer and describe the condition of the properties. Specify if the assets, properties, or facilities are owned or leased and the terms of their leases. If the issuer does not have complete ownership or control of the property, describe the limitations on the ownership.

### Construction Materials Division

J.M. Ahle Co., Inc. South River, New Jersey	Approximately 600 square feet of office space on 2 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.

<sup>1</sup> These facilities are leased from JAD Associates, LLC, an entity owned by Greta Kessler, Vivian Israel, and Neil Kessler, who, in varying capacities, are officers and beneficial shareholders of the Company.

### 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 Vestal, 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.

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 year ended December 31, 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) All Officers, Directors, and Control Persons of the Company

Using the table below, please provide information, as of the period end date of this report, regarding all officers and directors of the company, or any person that performs a similar function, regardless of the number of shares they own.

In addition, list all individuals or entities controlling 5% or more of any class of the issuer's securities.

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. 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 investors 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 owners.*

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of 5% or more)	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	1,352,251	Common	22.1%	
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	1,479,151	Common	24.2%	
Rose Ann Scanlon	Director	Media, 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	Wayne, NJ	1,194,151	Common	19.5%	
Don & Josephine Smith Family Trust U/A 5-05-2015 <sup>1</sup>	Beneficial owner of more than 5% of common stock	San Diego, CA	445,788	Common	7.3%	
Kevin Amirsaleh <sup>2</sup>	Beneficial owner of more than 5% of common stock	West Palm Beach, FL	536,632	Common	8.7%	



- 1 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 February 29, 2024, provided by the Company's Transfer Agent.
- 2 Based on information provided to the Company by Kevin Amirsaleh on March 6, 2024, the shares are held by various members of Mr. Amirsaleh's immediate family; he has effective voting and dispositive power regarding the shares.

Confirm that the information in this table matches your public company profile on [www.OTCMarkets.com](http://www.OTCMarkets.com). If any updates are needed to your public company profile, log in to [www.OTCIQ.com](http://www.OTCIQ.com) to update your company profile.

## 7) Legal/Disciplinary History

- A. Identify and provide a brief explanation as to whether any of the persons or entities listed above in Section 6 have, in the past 10 years:
1. Been the subject of an indictment or conviction in a criminal proceeding or plea agreement or named as a defendant in a pending criminal proceeding (excluding minor traffic violations);  
  
No
  2. Been the subject of 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, financial- or investment-related, insurance or banking activities;  
  
No
  3. Been the subject of a finding, disciplinary order or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, a state securities regulator of a violation of federal or state securities or commodities law, or a foreign regulatory body or court, which finding or judgment has not been reversed, suspended, or vacated;  
  
No
  4. Named as a defendant or a respondent in a regulatory complaint or proceeding that could result in a "yes" answer to part 3 above; or  
  
No
  5. Been the subject 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
  6. Been the subject of a U.S Postal Service false representation order, or a temporary restraining order, or preliminary injunction with respect to conduct alleged to have violated the false representation statute that applies to U.S mail.  
  
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 to 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.

Confirm that the information in this table matches your public company profile on [www.OTCMarkets.com](http://www.OTCMarkets.com). If any updates are needed to your public company profile, update your company profile.

### Securities Counsel (must include Counsel preparing Attorney Letters).

Name: C. Christopher Murillo, Esq.  
Firm: Harter Secrest & Emery LLP  
Address 1: 1600 Bausch & Lomb Place  
Address 2: Rochester, NY 14604-2711  
Phone: 585-231-1396  
Email: cmurillo@hselaw.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:*

X (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) Disclosure & Financial Information

A. This Disclosure Statement was prepared by (name of individual):

Name: Neil Kessler  
Title: President  
Relationship to Issuer: Officer

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

- ☐ IFRS  
☒ U.S. GAAP

C. 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.

Provide the following qualifying financial statements:

- Audit letter, if audited;
- Balance Sheet;
- Statement of Income;
- Statement of Cash Flows;
- Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- Financial Notes

### **Financial Statement Requirements:**

- Financial statements must be published together with this disclosure statement as one document.
- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- Financial statements must be presented with comparative financials against the prior FYE or period, as applicable.
- Financial statements must be prepared in accordance with U.S. GAAP or International Financial Reporting Standards (IFRS) but are not required to be audited.

## 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:

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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.

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.

March 26, 2024

/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.

March 26, 2024

/s/ ALEXANDER J. BARNA, JR.

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

**MORO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023 AND 2022**



**ASSURANCE | ADVISORY | TAX | TECHNOLOGY**

## MORO CORPORATION AND SUBSIDIARIES

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of  
Moro Corporation and Subsidiaries

### ***Opinion***

We have audited the accompanying financial statements of (the "Company") which comprise the balance sheet as of December 31, 2023, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Moro Corporation and Subsidiaries as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United State of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Prior Period Financial Statements***

The financial statements of the Company as of and for the year ended December 31, 2022 were audited by other auditors whose report dated March 30, 2023, expressed an unmodified opinion on those statements.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charge with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Whittlesey PC".

Hartford, Connecticut  
March 22, 2024



**MORO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b><u>ASSETS</u></b>		
CURRENT ASSETS		
Cash	\$ 5,858,409	\$ 3,140,971
Accounts receivable, net of credit losses of \$88,562 and \$313,729 at December 31, 2023 and 2022, respectively	2,466,434	2,646,033
Contract receivables, net of credit losses of \$53,837 and \$51,561 at December 31, 2023 and 2022, respectively	5,321,971	4,611,675
Inventories, net	3,516,098	4,262,457
Contract assets	2,385,582	3,096,245
Prepaid expenses and other current assets	470,637	400,757
Assets of discontinued operations	71,235	464,923
TOTAL CURRENT ASSETS	20,090,366	18,623,061
PROPERTY AND EQUIPMENT, net of accumulated depreciation	611,155	791,921
Right of use (ROU) assets from operating leases	1,592,459	1,155,085
Right of use (ROU) assets from finance leases	563,043	960,045
Goodwill	1,262,798	1,262,798
TOTAL ASSETS	<u>\$ 24,119,821</u>	<u>\$ 22,792,910</u>
<b><u>LIABILITIES</u></b>		
CURRENT LIABILITIES		
Line of credit	\$ 200,000	\$ 966,780
Current portion of long-term debt	9,987	36,008
Current portion of operating lease liabilities	380,839	282,275
Current portion of finance lease liabilities	282,052	316,760
Accounts payable	2,825,657	2,612,891
Accrued expenses and other current liabilities	629,004	717,858
Income taxes payable	165,465	185,470
Contract liabilities	1,500,286	1,267,121
TOTAL CURRENT LIABILITIES	5,993,290	6,385,163
LONG TERM LIABILITIES		
Long-term debt, net of current portion	22,833	101,057
Operating lease liabilities, net of current portion	1,081,012	872,375
Finance lease liabilities, net of current portion	216,809	498,860
Deferred income tax liabilities, net	49,417	72,657
TOTAL LONG TERM LIABILITIES	1,370,071	1,544,949
TOTAL LIABILITIES	7,363,361	7,930,112
<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	6,370
Additional paid-in-capital	963,205	963,205
Retained earnings	15,886,885	13,993,223
	16,856,460	14,962,798
Treasury stock, at cost, 250,000 shares	(100,000)	(100,000)
TOTAL STOCKHOLDERS' EQUITY	16,756,460	14,862,798
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 24,119,821</u>	<u>\$ 22,792,910</u>

**MORO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>% of Earned Revenues</u>	<u>2022</u>	<u>% of Earned Revenues</u>
<b>EARNED REVENUES</b>				
Construction material sales	\$ 14,980,600	29.8%	\$ 16,878,835	32.0%
Construction contracts revenue earned	35,256,147	70.2%	35,929,684	68.0%
<b>TOTAL EARNED REVENUES</b>	<u>50,236,747</u>	<u>100.0%</u>	<u>52,808,519</u>	<u>100.0%</u>
<b>COST OF EARNED REVENUES</b>				
Cost of goods sold	12,300,728	24.5%	13,681,904	25.9%
Cost of construction contracts revenue earned	22,846,683	45.5%	24,617,178	46.6%
<b>TOTAL COST OF EARNED REVENUES</b>	<u>35,147,411</u>	<u>70.0%</u>	<u>38,299,082</u>	<u>72.5%</u>
<b>GROSS PROFIT</b>	15,089,336	30.0%	14,509,437	27.5%
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<u>12,814,785</u>	<u>25.5%</u>	<u>12,242,448</u>	<u>23.2%</u>
<b>INCOME FROM OPERATIONS</b>	<u>2,274,551</u>	<u>4.5%</u>	<u>2,266,989</u>	<u>4.3%</u>
<b>OTHER INCOME / (EXPENSE)</b>				
Interest expense	(34,767)	-0.1%	(102,604)	-0.2%
Interest income	36,758	0.1%	-	0.0%
Gain from insurance recoveries, net of casualty loss	332,727	0.7%	-	0.0%
Gain on sale of property and equipment	46,569	0.1%	94,367	0.2%
Other income	13,302	0.0%	11,111	0.0%
<b>NET OTHER INCOME</b>	<u>394,589</u>	<u>0.8%</u>	<u>2,874</u>	<u>0.0%</u>
<b>INCOME FROM CONTINUING OPERATIONS BEFORE TAXES</b>	2,669,140	5.3%	2,269,863	4.3%
<b>INCOME TAX EXPENSE</b>	<u>746,158</u>	<u>1.5%</u>	<u>817,594</u>	<u>1.5%</u>
<b>INCOME FROM CONTINUING OPERATIONS</b>	1,922,982	3.8%	1,452,269	2.8%
<b>DISCONTINUED OPERATIONS</b>				
Loss from discontinued operations net of tax benefits of \$13,997 and \$310,587, respectively	<u>(29,320)</u>	<u>-0.1%</u>	<u>(1,045,456)</u>	<u>-2.0%</u>
<b>NET INCOME</b>	<u>\$ 1,893,662</u>	<u>3.8%</u>	<u>\$ 406,813</u>	<u>0.8%</u>
<b>NET INCOME PER SHARE, BASIC &amp; DILUTED</b>	<u>\$ 0.31</u>		<u>\$ 0.07</u>	
Weighted average common shares and diluted potential common shares.	<u>6,119,337</u>		<u>6,119,337</u>	

**MORO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Total Stockholders' Equity
	Shares	Amount			Shares	Amount	
Balance, January 1, 2022	6,369,337	\$ 6,370	\$ 963,205	\$ 13,586,410	250,000	\$ (100,000)	\$ 14,455,985
Net Income	-	-	-	406,813	-	-	406,813
Balance, December 31, 2022	6,369,337	\$ 6,370	\$ 963,205	\$ 13,993,223	250,000	\$ (100,000)	\$ 14,862,798
Net Income	-	-	-	1,893,662	-	-	1,893,662
Balance, December 31, 2023	6,369,337	\$ 6,370	\$ 963,205	\$ 15,886,885	250,000	\$ (100,000)	\$ 16,756,460

**MORO CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDING DECEMBER 31, 2023 AND 2022**

	<b>2023</b>	<b>2022</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,893,662	\$ 406,813
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation and amortization	576,847	656,325
Provision for credit losses	71,978	199,617
Amortization of deferred finance fees	17,524	23,366
Gain from sales of property and equipment	(46,569)	(94,367)
Loss from sale of nets assets associated with discontinued operations	-	406,216
Noncash lease expense	(130,173)	9,538
Deferred income tax provision	(23,240)	183,217
Decrease / (increase) in operating assets (from continuing operations)		
Accounts receivable	127,147	413,602
Contract receivables	(729,822)	1,486,138
Inventories	746,359	578,055
Contract assets	710,663	478,973
Prepaid expenses and other current assets	(87,404)	(10,958)
Increase / (decrease) in operating liabilities (from continuing operations)		
Accounts payable	212,766	(1,083,712)
Accrued expenses and other current liabilities	(88,854)	(45,768)
Income taxes payable	(20,005)	(480,197)
Contract liabilities	233,165	361,738
Net operating cash flows from discontinued operations	393,688	1,689,291
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>3,857,732</b>	<b>5,177,887</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds, net of commissions paid, from the disposition of net assets associated with discontinued operations	-	410,568
Proceeds from sales of property and equipment	63,587	47,232
Casualty loss of property and equipment	141,652	-
Purchase of property and equipment	(157,749)	(188,359)
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>47,490</b>	<b>269,441</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net repayments of lines of credit	(766,780)	(2,504,465)
Principal payments of finance lease liabilities	(316,759)	(334,260)
Principal payments of long-term debt	(104,245)	(36,891)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(1,187,784)</b>	<b>(2,875,616)</b>
<b>NET INCREASE IN CASH</b>	<b>2,717,438</b>	<b>2,571,712</b>
<b>CASH - BEGINNING OF YEAR</b>	<b>3,140,971</b>	<b>569,259</b>
<b>CASH - END OF YEAR</b>	<b>\$ 5,858,409</b>	<b>\$ 3,140,971</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 18).

All material intercompany accounts and transactions are eliminated in consolidation.

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 Heating Ventilation, and Air Conditioning ("HVAC") operations in the Capitol Region. During 2022, the Company decided to exit from Appolo's commercial line of business and concentrate resources in Appolo's other two lines of business. Appolo's exit from the commercial line of business was completed during 2023.

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 December 31, 2023 and 2022.

**Use of estimates** - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 evaluation of goodwill for impairment, 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 not completed as of the balance sheet date, contract assets and liabilities are in the accompanying consolidated balance sheets as recorded.

**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 December 31, 2023 and 2022, the Company expects to collect all of its outstanding retainage within the twelve months following the applicable balance sheet date.



## 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 December 31, 2023 and 2022 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 4 and 5 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 15, 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 years ended December 31, 2023 and 2022, the Company recognized approximately \$1,857,000 and \$1,610,000 respectively in revenues associated with its service contracts, which are included in construction contracts revenue earned in the accompanying consolidated statement of operations. As of December 31, 2023 and 2022, the Company had contract liabilities of approximately \$919,000 and \$911,000 respectively, which are included as a component of contract liabilities in the accompanying consolidated balance sheets. The Company expects to fully recognize contract liabilities from service contracts as revenue within twelve months following the date of the balance sheets.

##### *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.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The Company does not have significant contract assets or liabilities as of December 31, 2023 and 2022 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'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 years ended December 31, 2023 and 2022 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 expected credit 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 credit losses based on the Company's historical experience, the existing economic conditions, management's expectations of future economic conditions and the financial stability of its customers. The Company performs ongoing credit evaluations 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 for obsolete, slow moving or damaged items is recorded when appropriate. As of December 31, 2023 and 2022, the Company recorded allowances of approximately \$51,000 and \$91,000, respectively. Maintenance, operating, and other supplies are expensed as incurred. As of December 31, 2023 and 2022, 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 December 31, 2023 and 2022, the retainage amounts estimated by management to be collected beyond one-year were minimal.

**Right-of-use assets and lease liabilities** - 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 uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments.

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.

**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 December 31, 2023 and 2022. Accordingly, no such losses have been included in the accompanying consolidated statements of operations for the years ended December 31, 2023 and 2022.

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

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**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 years ended December 31, 2023 and 2022, based on the qualitative analysis performed, the Company concluded that no impairment of goodwill existed.

**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 December 31, 2023 and 2022, 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, at December 31, 2023 and 2022.

It is the Company's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The Company is subject to taxation in the United States and various state jurisdictions. As of December 31, 2023, tax years for 2020, 2021 and 2022 are subject to examination by the tax authorities. With few exceptions, as of December 31, 2023, the Company is no longer subject to U.S. federal, state, or local examinations by tax authorities for years before 2020.

**Advertising expense** - The Company expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2023 and 2022 was approximately \$180,000 and \$195,000 respectively.

#### **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**

On January 1, 2023, the Company adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard 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. There was no impact on the Company's financial statements related to the adoption of ASU 2016-13.

#### (3) Accounts receivable, net of credit losses

Accounts receivable, net, consisted of the following as of December 31, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Opening balance accounts receivable, net as of January 1, 2023, and 2022	\$ 2,646,033	\$ 3,245,104
Total accounts receivable as of December 31, 2023, and 2022	\$ 2,554,996	\$ 2,959,761
Less allowance for credit losses	88,562	313,728
Accounts receivable, net as of December 31, 2023, and 2022	\$ 2,466,434	\$ 2,646,033

The changes in the allowance for credit losses related to accounts receivable were as follows:

	<b>2023</b>	<b>2022</b>
Opening balance allowance for credit losses as of January 1, 2023, and 2022	\$ 313,728	\$ 128,259
Current period provision (credit) for credit losses	52,452	202,746
Write-offs charged against the allowance for credit losses	(277,618)	(17,277)
Allowance for credit losses as of December 31, 2023, and 2022	\$ 88,562	\$ 313,728



**MORO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(4) Contract receivables, net of credit losses**

Contract receivables, net, consisted of the following as of December 31, 2023 and 2022:

	<b>2023</b>	<b>2022</b>
Opening balance contract receivables, net as of January 1, 2023, and 2022	\$ 4,611,675	\$ 6,111,958
Total contract receivables as of December 31, 2023, and 2022		
Completed contracts and time and materials jobs	\$ 2,291,232	\$ 2,244,285
Contracts in progress	3,084,612	2,418,951
	5,375,844	4,663,236
Less allowance for credit losses	53,873	51,561
Contract receivables, net as of December 31, 2023, and 2022	\$ 5,321,971	\$ 4,611,675

The changes in the allowance for credit losses related to contract receivables were as follows:

	<b>2023</b>	<b>2022</b>
Opening balance allowance for credit losses as of January 1, 2023, and 2022	\$ 51,561	\$ 52,455
Current period provision (credit) for credit losses	15,602	4,600
Write-offs charged against the allowance for credit losses	(13,290)	(5,494)
Allowance for credit losses as of December 31, 2023, and 2022	\$ 53,873	\$ 51,561

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

As of December 31, 2023 and 2022, contract assets consisted of the following:

	<b>2023</b>	<b>2022</b>
Opening balance contract assets as of January 1, 2023, and 2022	\$ 3,096,245	\$ 3,575,218
Contract Assets:		
Costs and estimated earnings in excess of billings on uncompleted contracts	\$ 1,480,377	\$ 2,201,318
Retainage receivables	905,205	894,927
Ending balance contract assets as of December 31, 2023, and 2022	\$ 2,385,582	\$ 3,096,245

As of December 31, 2023 and 2022, contract liabilities consisted of the following:

	<b>2023</b>	<b>2022</b>
Opening balance contract liabilities as of January 1, 2023, and 2022	\$ 1,267,121	\$ 905,383
Contract liabilities:		
Billings in excess of costs and estimated earnings on uncompleted contracts	\$ 581,425	\$ 356,349
Advance payments received on uncompleted service contracts	918,828	910,661
Retainage payable	33	111
Ending balance contract liabilities as of December 31, 2023, and 2022	\$ 1,500,286	\$ 1,267,121

# MORO CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (5) Contract assets and contract liabilities (continued)

During the years ended December 31, 2023 and 2022, the Company did not have any significant adjustments in either the contract asset or contract liability balances, and the Company recognized revenue of approximately \$1,132,000 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:

	<u>2023</u>	<u>2022</u>
Costs incurred on uncompleted contracts	\$ 29,357,831	\$ 22,882,903
Estimated earnings	7,870,567	5,655,849
	37,228,398	28,538,752
Less: billed to date	36,329,446	26,693,783
	<u>\$ 898,952</u>	<u>\$ 1,844,969</u>

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

	<u>2023</u>	<u>2022</u>
Costs and estimated earnings in excess of billings		
on uncompleted contracts, included in contract assets	1,480,377	2,201,318
Billings in excess of costs and estimated earnings		
on uncompleted contracts, included in contract liabilities	(581,425)	(356,349)
	<u>\$ 898,952</u>	<u>\$ 1,844,969</u>

### (6) Property and equipment

The following is a summary of property and equipment, at cost, less accumulated depreciation and amortization as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cost		
Machinery and equipment	\$ 2,679,164	\$ 2,986,462
Vehicles	634,880	779,328
Office equipment	1,309,044	1,301,462
Leasehold improvements	467,160	447,510
Total cost	5,090,248	5,514,762
Accumulated depreciation	(4,479,093)	(4,722,841)
Net property and equipment	<u>\$ 611,155</u>	<u>\$ 791,921</u>

Depreciation and amortization expense on property and equipment for the years ended December 31, 2023 and 2022, was \$181,940 and \$246,846 respectively.



## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(7) Goodwill**

The following is a summary of goodwill as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Goodwill	1,502,805	1,502,805
Accumulated Impairment loss	(240,007)	(240,007)
Total goodwill, net of impairment losses	<u>\$ 1,262,798</u>	<u>\$ 1,262,798</u>

As of December 31, 2023 and 2022, the Company did not have any reporting units with zero or negative carrying amounts of net assets with allocated goodwill.

**(8) Revolving credit facility**

In 2023, the Company obtained from Firsttrust Bank a renewal of its revolving credit facility at a lower maximum borrowing capacity of \$2,000,000. 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 December 31, 2023 and 2022, the Company had \$200,000 and \$966,780 on its line of credit respectively.

The Company incurred interest expense of \$34,767 and \$102,604 associated with the net funds borrowed on the line of credit during the years ended December 31, 2023 and 2022 respectively.

**(9) 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 sheets. 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 \$193,000 and \$68,000 during the years ended December 31, 2023 and 2022 respectively.

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 years ended December 31, 2023 and 2022 was approximately \$457,000 and \$544,000 respectively, which is included as a component of cost of earned revenues or general and administrative expenses, as deemed appropriate, in the accompanying consolidated statements of operations. During the years ended December 31, 2023 and 2022, the Company incurred finance lease cost of approximately \$420,000 and \$415,000, which includes approximately \$395,000 and \$383,000 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 statements of operations, and \$25,000 and \$32,000 of interest expenses on its lease liabilities.

The Company has a lease arrangement with a related party under common ownership (Note 12). Rent paid to this related party for the years ended December 31, 2023 and 2022 was \$57,000 in each of those years.

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

**MORO CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(9) Leases (continued)**

The maturities of lease liabilities as of December 31, 2023 were as follows:

<b>Maturity Analysis</b>	<b>Operating Leases</b>	<b>Finance Leases</b>	<b>Combined</b>
2024	\$ 449,643	\$ 295,713	\$ 745,356
2025	405,832	145,377	551,209
2026	336,253	52,733	388,986
2027	311,553	24,671	336,224
2028	124,444	1,698	126,142
<b>Total</b>	<b>\$ 1,627,725</b>	<b>\$ 520,192</b>	<b>\$ 2,147,917</b>
Less: Present value discount	(165,874)	(21,331)	(187,205)
<b>Lease liability</b>	<b>\$ 1,461,851</b>	<b>\$ 498,861</b>	<b>\$ 1,960,712</b>

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

	<b>2023</b>	<b>2022</b>
<b>Finance lease expense</b>		
Amortization of ROU assets	\$ 394,907	\$ 382,790
Interest on lease liabilities	25,132	32,629
<b>Total finance lease expense</b>	<b>\$ 420,039</b>	<b>\$ 415,419</b>
Operating lease expense	457,321	543,586
Short-term lease expense	193,287	68,117
<b>Total</b>	<b>\$ 1,070,647</b>	<b>\$ 1,027,122</b>
<b>Cash paid for amounts included in the measurement of lease liabilities for finance leases</b>		
Finance - Financing cash flows	316,760	334,260
Finance - Operating cash flows	25,132	32,629
Operating - Operating cash flows	439,914	534,048
<b>ROU assets obtained in the exchange for lease liabilities</b>		
Finance leases	\$ -	\$ 224,947
Operating leases	829,411	120,377
<b>Weighted-average remaining lease terms (in years)</b>		
Finance leases	2.12	2.85
Operating leases	3.97	4.50
<b>Weighted-average discount rate</b>		
Finance leases	3.95%	3.92%
Operating leases	5.49%	4.17%

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(10) Long-term debt**

Long-term debt consisted of the following as of December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Notes payable to finance companies, due in monthly installments of approximately \$3,400, including interest at various rates up to 3.99%, expiring at various dates through in March 2027 and secured by vehicles and equipment.	\$ 32,820	\$ 137,065
Total long-term debt	32,820	137,065
Less current portion, net	9,987	36,008
Long-term portion, net	<u>\$ 22,833</u>	<u>\$ 101,057</u>

Annual maturities of long-term debt are as follows:

<u>Years Ending December 31,</u>	<u>Annual Maturities</u>
2024	9,987
2025	10,306
2026	10,655
2027	1,872
	<u>\$ 32,820</u>

**(11) Stock option plan**

The Company's Stock Option Plan and Agreement 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. There were no options exercised during 2022 and all vested options expired on January 1, 2023. There were no options granted in 2023 or 2022.

**(12) 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

### (12) 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 years ended December 31, 2023 and 2022. 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 9.

### (13) Income taxes

The provision for income tax expense for continuing operations for the years ended December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Current portion		
Federal	\$ 523,917	\$ 500,606
State	243,343	118,050
	<u>767,260</u>	<u>618,656</u>
Deferred portion		
Federal	(5,194)	3,624
State	(15,908)	195,314
	<u>(21,102)</u>	<u>198,938</u>
Total income tax expense/(benefit)	<u>\$ 746,158</u>	<u>\$ 817,594</u>

# MORO CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (13) Income taxes (continued)

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. Included herein are deferred tax assets related to Titchener within discontinued operations. The deferred tax assets related to Titchener are \$130,321 and \$176,022 as of December 31, 2023 and 2022, respectively. These deferred tax assets are offset by valuation allowances of \$123,263 and \$171,101 as of December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the significant components of the Company's deferred tax assets and liabilities were as follows:

	2023	2022
Deferred tax assets:		
Allowance for doubtful accounts	\$ 38,755	\$ 108,058
Warranty reserve	13,068	13,068
Inventory reserve	8,089	19,107
Accrued expenses	36,002	76,764
Section 263(A) - Unicap	12,629	6,498
Service agreement reserve	240,136	238,001
Right of use liabilities	489,448	572,631
Net operating losses (NOLs)	505,034	533,681
Deferred tax assets	1,343,161	1,567,808
Valuation allowance	(498,101)	(545,939)
Deferred tax assets	845,060	1,021,869
Deferred tax liabilities:		
Prepaid expenses	(39,944)	(70,372)
Right of use assets	(512,377)	(615,996)
Fixed assets	(17,945)	(89,897)
Intangibles	(316,934)	(310,932)
Charitable contributions carryforward	(7,277)	(7,329)
Deferred tax liabilities	(894,477)	(1,094,526)
Deferred income tax liabilities, net	\$ (49,417)	\$ (72,657)

The Company recorded valuation allowances of approximately \$498,000 and \$546,000 as of December 31, 2023 and 2022, respectively. 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 DTA's such as state net operating losses. Therefore, a valuation allowance has been recorded against the DTA's 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 net operating loss ("NOL") balances recorded from prior discontinued operations as management does not believe it is more likely than not that these assets will be realized.

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (13) Income taxes (continued)

The effective income tax rate differs from the expected statutory tax rate due to certain permanent differences, and changes in the valuation allowance. The reason for the difference between the effective tax rate and the federal statutory rate for continuing operations is as follows:

	<u>2023</u>	<u>2022</u>
Federal statutory tax rate of:	21.00%	21.00%
Income taxes at the federal statutory rate	560,521	476,671
Increases/(decreases) resulting from:		
Current state taxes	185,637	93,260
Deferred state tax expense (net of federal benefit)	-	563,338
Nondeductible expenses	-	2,052
Valuation allowance	-	(368,025)
Other	-	50,298
	-	-
Provision for income taxes	<u>\$ 746,158</u>	<u>\$ 817,594</u>

The Company has state net operating loss carryforwards of approximately \$12.1 million as of December 31, 2023, which will expire between 2036 and 2042.

#### (14) 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.

#### (15) Backlog

The following schedule shows a reconciliation of backlog representing signed contracts in existence as of December 31, 2023 and 2022 which correlate to unsatisfied performance obligations which are expected to be recognized over the next 12 months:

	<u>2023</u>	<u>2022</u>
Backlog balance - Beginning of Year	\$ 19,921,808	\$ 11,292,129
New contracts and contract adjustments	17,979,626	32,197,582
	37,901,434	43,489,711
Less contract revenue earned	22,699,566	23,567,903
Backlog balance - End of Year	<u>\$ 15,201,868</u>	<u>\$ 19,921,808</u>

#### (16) 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 \$141,000 and \$135,000 for the years ended December 31, 2023 and 2022 respectively.

# MORO CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (17) Cash flow disclosures

The following is a summary of supplemental cash flow information for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest paid	\$ 34,767	\$ 174,453
Income taxes paid	\$ 457,500	\$ 481,482
Recording right-of-use asset and lease liability under ASC 842	\$ 829,411	\$ 345,324

### (18) 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 December 31, 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.

The major classes of losses generated by each discontinued operation are presented below. There were no assets or liabilities held for sale as of December 31, 2023 or 2022.

<u>Results of Operations</u>	<u>2023</u> <u>Titchener</u>	<u>2023</u> <u>J&amp;J</u>	<u>2023</u> <u>TOTAL</u>
Earned revenues	\$ -	\$ -	\$ -
Cost of earned revenues	-	-	-
<b>Gross profit/(loss)</b>	-	-	-
Depreciation Expense	-	-	-
General and administrative expenses	31,363	11,954	43,317
<b>Loss from operations</b>	<b>(31,363)</b>	<b>(11,954)</b>	<b>(43,317)</b>
Gain/(loss) on sale of assets	-	-	-
<b>Loss before taxes</b>	<b>(31,363)</b>	<b>(11,954)</b>	<b>(43,317)</b>
Current income tax benefit	(9,269)	(2,590)	(11,859)
Deferred income tax benefit	(2,138)	-	(2,138)
<b>Net Loss</b>	<b>\$ (19,956)</b>	<b>\$ (9,364)</b>	<b>\$ (29,320)</b>

## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(18) Discontinued Operations (continued)**

	<b>2022 Titchener</b>	<b>2022 J&amp;J</b>	<b>2022 TOTAL</b>
<b><u>Results of Operations</u></b>			
Earned revenues	\$ 508,297	\$ 2,190,437	\$ 2,698,734
Cost of earned revenues	780,269	1,798,444	2,578,713
<b>Gross profit/(loss)</b>	<b>(271,972)</b>	<b>391,993</b>	<b>120,021</b>
Depreciation Expense	2,897	23,792	26,689
General and administrative expenses	409,066	634,093	1,043,159
<b>Loss from operations</b>	<b>(683,935)</b>	<b>(265,892)</b>	<b>(949,827)</b>
Gain/(loss) on sale of assets	146,454	(552,670)	(406,216)
<b>Loss before taxes</b>	<b>(537,481)</b>	<b>(818,562)</b>	<b>(1,356,043)</b>
Current income tax benefit	(112,459)	(182,407)	(294,866)
Deferred income tax benefit	(15,721)	-	(15,721)
<b>Net Loss</b>	<b>\$ (409,301)</b>	<b>\$ (636,155)</b>	<b>\$ (1,045,456)</b>

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

In 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.

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.

During 2023, there has been a significant general improvement in pandemic-related conditions related to recovery from the pandemic, and a reduction of adverse effects from it. COVID-19 related factors or factors related to future pandemics could still 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.

**(20) 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.



## MORO CORPORATION AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### (20) **Casualty Loss and Insurance Recoveries (continued)**

The Company maintains business property and business interruption insurance. The Company has filed claims with its business property and business interruption insurance carriers, and through December 31, 2023 has received payments and advances in excess of the casualty losses recorded in its results of operations. If any of the Company's casualty loss claims are settled in future periods at lesser amounts than what has already been advanced, there could be a negative impact on the Company's future results of operations and financial condition.

Fire casualty losses incurred as of December 31, 2023	\$ (601,394)
Less insurance recoveries, net of deductibles	<u>934,121</u>
Gain from insurance recoveries, net of casualty loss	<u><u>\$ 332,727</u></u>

If the Company receives additional payments from its insurance claims, any gain would be recognized in the future period when the additional gain is realized by the Company, in accordance with ASC 450-30-50-1.

The Company and Ahle are in the process of fixing and replacing damaged or destroyed equipment, inventory and property in order to return Ahle's operations to pre-fire levels. However, in view of ongoing supply chain issues for said equipment and inventory and labor shortages, there can be no assurance that Ahle will be able to restore affected areas in a timely or cost-effective manner, which could have an adverse impact on the Company's business, operations and financial results going forward.

#### (21) **Subsequent Events**

Management has evaluated the accompanying consolidated financial statements for subsequent events through March 22, 2024, 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.

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