

MORO CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

MORO CORPORATION AND SUBSIDIARIES CONTENTS

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MORO CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2018 AND DECEMBER 31, 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,384,162	\$ 2,010,274
Trade receivables, net	3,280,126	3,502,421
Accounts receivable on contracts (including retentions)	9,794,862	9,288,651
Inventory	3,693,584	3,575,716
Costs and estimated earnings in excess of billings on uncompleted contracts	1,805,752	1,494,856
Prepaid and other current assets	403,772	1,158,482
Prepaid Taxes	122,525	-
Assets of discontinued operations	206,403	206,403
Total current assets	20,691,186	21,236,803
Property and equipment, net	1,092,289	1,135,031
Other assets	2,725	2,725
Deferred income taxes	223,040	223,040
Goodwill	1,502,805	1,447,805
	\$ 23,512,045	\$ 24,045,404
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Line of credit	\$ 5,180,918	\$ 6,540,803
Current portion of long-term debt	99,869	97,882
Trade accounts payable	4,130,500	2,793,663
Accrued expenses	1,675,471	1,734,101
Income taxes payable	-	822,883
Billings in excess of costs and estimated earnings on uncompleted contracts	589,206	747,137
Liabilities of discontinued operations	128,805	306,197
Total current liabilities	11,804,769	13,042,666
Long-Term Liabilities		
Long-term debt	127,704	130,491
Subordinated debentures	2,350,000	2,425,000
	2,477,704	2,555,491
STOCKHOLDERS' EQUITY		
Preferred stock, \$.001 par value, authorized 5,000,000 shares; none issued or outstanding		
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	8,359,997	7,577,672
	9,329,572	8,547,247
Treasury stock, at cost, 250,000 shares	(100,000)	(100,000)
	9,229,572	8,447,247
	\$ 23,512,045	\$ 24,045,404

MORO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Construction material sales, net	\$ 10,342,568	\$ 12,749,579
Construction contracts revenue earned	<u>31,259,045</u>	<u>32,170,582</u>
	<u>41,601,613</u>	<u>44,920,161</u>
COST OF REVENUES		
Cost of goods sold	8,909,462	8,886,908
Cost of mechanical contracts revenue earned	<u>21,970,334</u>	<u>23,417,639</u>
	<u>30,879,796</u>	<u>32,304,547</u>
GROSS PROFIT	10,721,817	12,615,614
OPERATING EXPENSES		
Selling, general, and administrative expenses	<u>9,014,626</u>	<u>10,462,790</u>
INCOME FROM OPERATIONS	<u>1,707,191</u>	<u>2,152,824</u>
OTHER INCOME (EXPENSE)		
Interest income	191	884
Interest expense	(377,714)	(403,603)
Bad debt expense	(75,394)	(77,469)
Gain (loss) on sale of property and equipment	6,788	(719)
Other income (expense)	<u>55,998</u>	<u>(10,245)</u>
	<u>(390,131)</u>	<u>(491,152)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES	1,317,060	1,661,672
PROVISION FOR INCOME TAXES	<u>403,018</u>	<u>709,730</u>
INCOME FROM CONTINUING OPERATIONS	914,042	951,942
DISCONTINUED OPERATIONS		
Loss from operations of discontinued division (less applicable tax benefit of \$44,784 and \$70,563 for 2018 and 2017, respectively)	<u>(131,717)</u>	<u>(90,172)</u>
NET INCOME	<u>\$ 782,325</u>	<u>\$ 861,770</u>
NET INCOME PER SHARE, BASIC & DILUTED	<u>\$ 0.13</u>	<u>\$ 0.14</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 STATEMENTS OF INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER 30, 2017

	<u>2018</u>	<u>2017</u>
REVENUES		
Construction material sales, net	\$ 3,794,240	\$ 4,263,379
Construction contracts revenue earned	<u>11,651,056</u>	<u>11,217,052</u>
	<u>15,445,296</u>	<u>15,480,431</u>
COST OF REVENUES		
Cost of goods sold	3,207,985	2,973,424
Cost of mechanical contracts revenue earned	<u>8,523,593</u>	<u>8,152,468</u>
	<u>11,731,578</u>	<u>11,125,892</u>
GROSS PROFIT	3,713,718	4,354,539
OPERATING EXPENSES		
Selling, general, and administrative expenses	<u>2,915,404</u>	<u>3,543,558</u>
INCOME FROM OPERATIONS	<u>798,314</u>	<u>810,981</u>
OTHER INCOME (EXPENSE)		
Interest income	26	57
Interest expense	(131,360)	(144,737)
Bad debt Expense	(29,026)	(77,469)
Gain on sale of property and equipment	9,063	-
Other income (expense)	<u>4,996</u>	<u>(7,591)</u>
	<u>(146,301)</u>	<u>(229,740)</u>
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES	652,013	581,241
PROVISION FOR INCOME TAXES	<u>191,351</u>	<u>246,103</u>
INCOME FROM CONTINUING OPERATIONS	460,662	335,138
DISCONTINUED OPERATIONS		
Loss from operations of discontinued division (less applicable tax benefit of \$30,336 and \$9,093 for 2018 and 2017, respectively)	<u>(89,223)</u>	<u>(11,622)</u>
NET INCOME	<u>\$ 371,439</u>	<u>\$ 323,516</u>
NET INCOME PER SHARE, BASIC & DILUTED	<u>\$ 0.06</u>	<u>\$ 0.05</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

NINE MONTHS ENDED SEPTEMBER 30, 2018

	Common Stock		Additional Paid-in Capital		Retained Earnings		Treasury Stock		Total Stockholders' Equity	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance, December 31, 2017,	6,369,337	\$ 6,370	963,205	\$ 963,205	7,577,672	\$ 7,577,672	250,000	\$ (100,000)	250,000	\$ 8,447,247
Net Income					782,325	782,325				782,325
Balances September 30, 2018	<u>6,369,337</u>	<u>\$ 6,370</u>	<u>963,205</u>	<u>\$ 963,205</u>	<u>8,359,997</u>	<u>\$ 8,359,997</u>	<u>250,000</u>	<u>\$ (100,000)</u>	<u>250,000</u>	<u>\$ 9,229,572</u>

MORO CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2018 AND SEPTEMBER, 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 782,325	\$ 861,770
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	341,419	430,679
Abandonment of leasehold improvements	-	76,293
(Gain) or Loss on sale of property and equipment	(6,788)	(481)
Bad debt expense	-	-
Changes in operating assets and liabilities:		
Trade receivables	222,295	487,714
Accounts receivable on contracts	(506,211)	(1,034,855)
Inventory	(117,868)	(277,305)
Costs and estimated earnings in excess of billings on uncompleted contracts	(310,896)	96,402
Prepaid income taxes	(122,525)	-
Prepays and other current assets	754,710	112,991
Deferred Financing	-	-
Other assets	-	(15,613)
Trade accounts payable	1,304,339	292,467
Accrued expenses	(203,524)	257,198
Income taxes payable	(822,883)	89,422
Billings in excess of costs and estimated earnings on uncompleted contracts	(157,931)	60,570
	<u>1,156,462</u>	<u>1,437,252</u>
Net cash provided by operating activities		
	<u>1,156,462</u>	<u>1,437,252</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Business		-
Proceeds from sale of property and equipment	34,344	12,196
Capital expenditures	(303,085)	(258,603)
Increase in goodwill	(55,000)	(6,000)
	<u>(323,741)</u>	<u>(252,407)</u>
Net cash used in investing activities		
	<u>(323,741)</u>	<u>(252,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of lines of credit	(1,359,885)	(1,980,001)
Proceeds from subordinated debentures	-	-
Principal payments of subordinated debentures	(75,000)	(50,000)
Proceeds from long-term debt	75,000	39,025
Principal payments of long-term debt	(98,948)	(163,536)
	<u>(1,458,833)</u>	<u>(2,154,512)</u>
Net cash used in financing activities		
	<u>(1,458,833)</u>	<u>(2,154,512)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(626,112)	(969,667)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,010,274</u>	<u>2,668,754</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,384,162</u>	<u>\$ 1,699,087</u>
SUPPLEMENTARY DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 348,339	\$ 363,956
Cash paid for taxes	640,473	117,392