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# **AZURE PRINTED HOMES, INC.**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2023**  
**AND**  
**DECEMBER 31, 2022**

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## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

(AUDITED)

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10586 W Pico Blvd, Suite 224, Los Angeles, CA 90064  
[www.setapartfinancial.com](http://www.setapartfinancial.com)  
213-814-2809

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Azure Printed Homes, Inc.  
Gardena, California

### **Opinion**

We have audited the consolidated financial statements of Azure Printed Homes, Inc., which comprise the consolidated balance sheets as of December 31, 2023 and December 31, 2022, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Azure Printed Homes, Inc. as of December 31, 2023 and December 31, 2022, and the result of its consolidated operations and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Azure Printed Homes, Inc.'s ability to continue as a going concern for period of twelve months from the date of issuance of these financial statements.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

In performing an audit in accordance with GAAS, 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 Azure Printed Homes, Inc.'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 Azure Printed Homes, Inc.'s ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged 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.

*Set Apart FS*

April 8, 2024  
Los Angeles, California

**AZURE PRINTED HOMES INC.**  
**CONSOLIDATED BALANCE SHEET**  
**(AUDITED)**

| <b>As of December 31,</b><br>(USD \$ in Dollars)  | <b>2023</b>         | <b>2022</b>        |
|---|---------------------|--------------------|
| <b>ASSETS</b>   |                     |                    |
| <b>Current Assets:</b>  |                     |                    |
| Cash & Cash Equivalents   | \$ 385,537          | \$ 59,225          |
| Inventory   | 87,057              | -                  |
| Accounts Receivable, net  | 86,638              | 112,448            |
| Due from Related Parties  | -                   | -                  |
| Other Current Assets  | 88,516              | 50,393             |
| <b>Total Current Assets</b>   | <b>647,748</b>      | <b>222,066</b>     |
| Property and equipment, net   | 1,700,017           | 302,314            |
| Intangibles   | 36,636              | 21,501             |
| <b>Total Assets</b>   | <b>\$ 2,384,402</b> | <b>\$ 545,881</b>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                     |                    |
| <b>Current Liabilities:</b>   |                     |                    |
| Accounts Payable  | \$ 76,302           | \$ 55,013          |
| Current Portion of Loans  | 82,224              | 374,403            |
| Other Current Liabilities   | 1,430               | 8,192              |
| <b>Total Current Liabilities</b>  | <b>159,957</b>      | <b>437,608</b>     |
| SAFEs   | 4,360,066           | 953,449            |
| Loans   | 614,601             | 700,929            |
| <b>Total Liabilities</b>  | <b>5,134,623</b>    | <b>2,091,985</b>   |
| <b>STOCKHOLDERS' EQUITY</b>   |                     |                    |
| Common Stock, \$0.001 par, 10,000,000 shares authorized, 2,020,000 and 2,020,000 shares issued and outstanding as of December 31, 2023 and 2022 | 2,020               | 2,020              |
| Additional Paid In Capital  | 13,977              | 18,052             |
| Retained Earnings/(Accumulated Deficit)   | (2,766,219)         | (1,566,177)        |
| <b>Total Stockholders' Equity</b>   | <b>(2,750,222)</b>  | <b>(1,546,104)</b> |
| <b>Total Liabilities and Stockholders' Equity</b>   | <b>\$ 2,384,402</b> | <b>\$ 545,881</b>  |
| <i>See accompanying notes to financial statements.</i>  |                     |                    |

**AZURE PRINTED HOMES INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(AUDITED)**

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| <b>For Fiscal Year Ended December 31,</b><br>(USD \$ in Dollars) | <b>2023</b>           | <b>2022</b>         |
|--|-----------------------|---------------------|
| Net Revenue  | \$ 4,278,762          | \$ 3,977,272        |
| Cost of Goods Sold   | 1,646,333             | 3,223,046           |
| Gross profit   | 2,632,429             | 754,226             |
| Operating expenses   |                       |                     |
| General and Administrative                                       | 2,847,956             | 1,603,320           |
| Sales and Marketing  | 73,183                | 7,137               |
| Total operating expenses   | 2,921,138             | 1,610,458           |
| Operating Income/(Loss)  | (288,709)             | (856,231)           |
| Interest Expense   | (320,399)             | (233,433)           |
| Other Income/(Loss)  | (590,934)             | 271,472             |
| Income/(Loss) before provision for income taxes                  | (1,200,042)           | (818,193)           |
| Provision/(Benefit) for income taxes                             | -                     | -                   |
| <b>Net Income/(Net Loss)</b>                                     | <b>\$ (1,200,042)</b> | <b>\$ (818,193)</b> |

*See accompanying notes to financial statements.*

**AZURE PRINTED HOMES INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(AUDITED)**

| (in , \$US)                      | Common Stock     |                 | Preferred Stock |        | Additional Capital | Paid-In Capital | earnings/(Accumulated Deficit) | Total Shareholder Equity |
|----------------------------------|------------------|-----------------|-----------------|--------|--------------------|-----------------|--------------------------------|--------------------------|
|                                  | Shares           | Amount          | Shares          | Amount |                    |                 |                                |                          |
| <b>Balance—December 31, 2021</b> | <b>2,000,000</b> | <b>\$ 8,678</b> | -               | \$ -   | \$ -               | \$ (747,984)    | \$ (739,306)                   |                          |
| Issuance of common shares        | 20,000           | (6,658)         | -               | -      | 6,658              | -               | -                              | -                        |
| Sahe based compensation expense  | -                | -               | -               | -      | 11,394             | -               | -                              | 11,394                   |
| Net Income/(Loss)                | -                | -               | -               | -      | -                  | (818,193)       | (818,193)                      |                          |
| <b>Balance—December 31, 2022</b> | <b>2,020,000</b> | <b>\$ 2,020</b> | -               | \$ -   | \$ 18,052          | \$ (1,566,177)  | \$ (1,546,104)                 |                          |
| Sahe based compensation expense  | -                | -               | -               | -      | (4,076)            | -               | -                              | (4,076)                  |
| Net Income/(Loss)                | -                | -               | -               | -      | -                  | (1,200,042)     | (1,200,042)                    |                          |
| <b>Balance—December 31, 2023</b> | <b>2,020,000</b> | <b>\$ 2,020</b> | -               | \$ -   | \$ 13,977          | \$ (2,766,219)  | \$ (2,750,222)                 |                          |

*See accompanying notes to financial statements.*

**AZURE PRINTED HOMES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(AUDITED)**

| <b>For Fiscal Year Ended December 31,</b><br>(USD \$ in Dollars)                                | <b>2023</b>           | <b>2022</b>        |
|---|-----------------------|--------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |                       |                    |
| Net income/(loss)   | \$ (1,200,042)        | \$ (818,193)       |
| <i>Adjustments to reconcile net income to net cash provided/(used) by operating activities:</i> |                       |                    |
| Fair value adjustment - SAFEs   | 262,047               | 73,342             |
| Share based compensation expense  | (4,076)               | 11,394             |
| Amortization expense  | 7,415                 | 4,300              |
| Depreciation expense  | 228,639               | 27,708             |
| Changes in operating assets and liabilities:  |                       |                    |
| Accounts Receivable, net  | 25,811                | (112,448)          |
| Due from Related Parties  | -                     | 104,513            |
| Other Current Assets  | (38,124)              | (50,393)           |
| Accounts Payable  | 21,289                | (32,417)           |
| Inventory   | (87,057)              | -                  |
| Construction In Progress  | -                     | (249,114)          |
| Other Current Liabilities   | (6,762)               | 685                |
| <b>Net cash provided/(used) by operating activities</b>   | <b>(790,859)</b>      | <b>(1,040,623)</b> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>  |                       |                    |
| Purchases of Property and Equipment   | (1,626,342)           | (330,022)          |
| Purchases of Intangible Assets  | (22,550)              | (25,801)           |
| <b>Net cash provided/(used) in investing activities</b>   | <b>(1,648,892)</b>    | <b>(355,823)</b>   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>  |                       |                    |
| Repayment of Loans  | (378,507)             | 526,958            |
| SAFE investments  | 33,503                | 880,106            |
| <b>Net cash provided/(used) by financing activities</b>   | <b>(345,004)</b>      | <b>1,407,065</b>   |
| Change in Cash  | (2,784,754)           | 10,619             |
| Cash—beginning of year  | 59,225                | 48,606             |
| <b>Cash—end of year</b>   | <b>\$ (2,725,529)</b> | <b>\$ 59,225</b>   |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>   |                       |                    |
| Cash paid during the year for interest  | \$ (320,399)          | \$ (233,433)       |
| Cash paid during the year for income taxes  | \$ -                  | \$ -               |
| <b>OTHER NONCASH INVESTING AND FINANCING ACTIVITIES AND SUPPLEMENTAL DISCLOSURES</b>            |                       |                    |
| Purchase of property and equipment not yet paid for   | \$ -                  | \$ -               |
| Issuance of equity in return for note   | -                     | -                  |
| Issuance of equity in return for accrued payroll and other liabilities                          | -                     | -                  |

*See accompanying notes to financial statements.*

**AZURE PRINTED HOMES INC.**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022**

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**1. NATURE OF OPERATIONS**

Azure Printed Homes Inc. was incorporated on March 28, 2022, in the state of Delaware. The consolidated financial statements of Azure Printed Homes Inc. (which may be referred to as the "Company", "we", "us", or "our") are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Company's headquarters are located in Culver City, California. Azure Printed Homes, Inc. owns 100% shares of Azure Construction, Inc.

Azure Construction Inc. was incorporated on August 19, 2019, in the state of California. It is a construction company primarily building new residential homes, remodeling existing homes, adding Accessory Dwelling Units (ADUs), and building backyard studios in Los Angeles, Ventura, and Riverside Counties.

Azure Printed Homes Inc. 3D-prints homes, ADUs and backyard studios with a material consisting primarily of recycled polymers.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America ("US GAAP"). The Company has adopted the calendar year as its basis of reporting.

**Basis of Consolidation**

The Company's consolidated financial statements include the accounts of subsidiaries over which the Company exercises control. All significant intercompany transactions and accounts have been eliminated.

**Use of Estimates**

The preparation of consolidation financial statements in conformity with United States GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include all cash in banks. The Company's cash is deposited in demand accounts at financial institutions that management believes are creditworthy. The Company's cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of December 31, 2023, and December 31, 2022, the Company's cash and cash equivalents were not exceed FDIC insured limits.

**Concentration of Credit Risk**

The Company is subject to concentrations of credit risks primarily from cash, cash equivalents, accounts receivable, and notes receivable. At various times during the years, the Company may have bank deposits in excess of Federal Deposit Insurance Corporation insurance limits. Management believes any credit risk is low due to the overall financial strength

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of the financial institutions. Accounts receivable consist of uncollateralized receivables from customers/clients primarily located throughout the United States of America.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are carried net of allowance for expected credit losses. The allowance for expected credit losses is increased by provision charged to expense and reduced by accounts charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the balance of current economic conditions, changes in character and size of the balance, past and expected future loss experience and other pertinent factors.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instrument – Credit Losses.". This ASU, and the related ASUs issued subsequently by the FASB introduce a new model for recognizing credit loss on financial assets not accounted for at fair values through net income, including loans, debt securities, trade receivables, net investment in leases and available-for-sale debt securities. The new ASU broadens the information that an entity must consider in developing estimates of expected credit losses and requires an entity to estimate credit losses over the life of an exposure based on historical information, current information and reasonable supportable forecasts.

The Company adopted this ASU on January 1, 2023, using the modified retrospective approach. The adoption of this ASU did not have a material impact on financial statements as Company's customers are direct consumers and pay at the time of purchase. As of December 31, 2023 and 2022, the Company determined an allowance for expected credit loss of \$0 and \$0, respectively.

**Inventories**

Inventories are valued at the lower cost and net realizable value. Costs related to raw materials, packaging and finished goods which are determined using a FIFO method.

**Property and Equipment**

Property and equipment are stated at cost. Normal repairs and maintenance costs are charged to earnings as incurred and additions and major improvements are capitalized. The cost of assets retired or otherwise disposed of, and the related depreciation are eliminated from the accounts in the period of disposal and the resulting gain or loss is credited or charged to earnings.

Depreciation is computed over the estimated useful lives of the related asset type or term of the operating lease using the straight-line method for financial statement purposes. The estimated service lives for property and equipment are as follows:

| <b>Category</b>        | <b>Useful Life</b> |
|------------------------|--------------------|
| Equipment              | 5 years            |
| Leasehold Improvements | 5 years            |

**Impairment of Long-lived Assets**

Long-lived assets, such as property and equipment and identifiable intangibles with finite useful lives, are periodically evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We look for indicators of a trigger event for asset impairment and pay special attention to any adverse change in the extent or manner in which the asset is being used or in its physical condition. Assets are grouped and evaluated for impairment at the lowest level of which there are identifiable cash flows, which is generally at a

**AZURE PRINTED HOMES INC.**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022**

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location level. Assets are reviewed using factors including, but not limited to, our future operating plans and projected cash flows. The determination of whether impairment has occurred is based on an estimate of undiscounted future cash flows directly related to the assets, compared to the carrying value of the assets. If the sum of the undiscounted future cash flows of the assets does not exceed the carrying value of the assets, full or partial impairment may exist. If the asset carrying amount exceeds its fair value, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. Fair value is determined using an income approach, which requires discounting the estimated future cash flows associated with the asset.

**Intangible Assets**

The Company capitalizes its patent and filing fees and legal patent and prosecution fees in connection with internally developed pending patents. When pending patents are issued, patents will be amortized over the expected period to be benefitted, not to exceed the patent lives, which may be as long as five years.

**Income Taxes**

The Company is taxed as a C corporation for income tax purposes. The Company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. The Company records interest, net of any applicable related income tax benefit, on potential income tax contingencies as a component of income tax expense. The Company records tax positions taken or expected to be taken in a tax return based upon the amount that is more likely than not to be realized or paid, including in connection with the resolution of any related appeals or other legal processes. Accordingly, the Company recognizes liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority. The Company recognizes interest and/or penalties related to unrecognized tax benefits as a component of income tax expense.

**Revenue Recognition**

The Company recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. In determining when and how revenue is to be recognized from contracts with customers, the Company performs the following five step analysis laid under Accounting Standard Codification ("ASC") 606, Revenue from Contracts with Customers: (1) identification of contract with customers, (2) determination of performance obligations, (3) measurement of the transaction price, (4) allocation of transaction price to the performance obligations, and (5) recognition of revenue when or as the company satisfies each performance obligation.

Revenue is recognized over time as the work on contracts with customers progress towards completion using an output method. Under the output method, progress is measured based on achievement of specific milestones or events under contract. Milestones may include the completion of certain project phases, delivery of key deliverables, or attainment of specified performance metrics. Revenue recognized to date is calculated based on achievement of these specific milestones.

The Company earns revenues from construction services provided.

**AZURE PRINTED HOMES INC.**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022**

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**Cost of sales**

Costs of goods sold include cost of labor, raw materials and ingredients, commissions, distribution services, federal excise tax, freight, delivery, packing materials, and cost of retail product.

**Advertising and Promotion**

Advertising and promotional costs are expensed as incurred. Advertising and promotional expenses for the years ended December 31, 2023, and December 31, 2022 amounted to \$73,183 and \$7,137, which is included in sales and marketing expenses.

**Stock Based Compensation**

The Company accounts for stock-based compensation to both employee and non-employees in accordance with ASC 718, Compensation - Stock Compensation. Under the fair value recognition provisions of ASC 718, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense ratably over the requisite service period, which is generally the option vesting period. The Company uses the Black-Scholes option pricing model to determine the fair value of stock options.

**Fair Value of Financial Instruments**

The carrying value of the Company's financial instruments included in current assets and current liabilities (such as cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to the short-term nature of such instruments).

The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority, are described below:

***Level 1***—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

***Level 2***—Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

***Level 3***—Unobservable inputs reflecting the Company's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

**Recently Issued and Adopted Accounting Pronouncements**

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

**Lease Accounting**

The Company determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Company has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future

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**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
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minimum lease payments over the lease term using the rate implicit in the lease or the Company's incremental borrowing rate. The incremental borrowing rate is defined as the rate of interest the Company would have to pay to borrow on a collateralized basis over a similar term in an amount equal to the lease payments in a similar economic environment. The Company's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option.

The lease right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use-asset. Certain leases contain escalation clauses, which are factored into the right-of-use asset where appropriate. Lease expense for minimum lease payments is recognized on straight-line basis over the lease term.

Variable lease expenses include payments related to the usage of the leased asset (utilities, real estate taxes, insurance, and variable common area maintenance) and are expensed as incurred. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

**Subsequent Events**

The Company considers events or transactions that occur after the balance sheet date, but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through April 8, 2024, which is the date the financial statements were available to be issued.

**3. DETAILS OF CERTAIN ASSETS AND LIABILITIES**

Other current assets consist of the following items:

| <b>As of Year Ended December 31,</b> | <b>2023</b>      | <b>2022</b>      |
|--------------------------------------|------------------|------------------|
| Deposits                             | 88,516           | 50,393           |
| <b>Total Other Current Assets</b>    | <b>\$ 88,516</b> | <b>\$ 50,393</b> |

Other current liabilities consist of the following items:

| <b>As of Year Ended December 31,</b>   | <b>2023</b>     | <b>2022</b>     |
|--|-----------------|-----------------|
| Payroll Liabilities                    | 1,430           | 8,192           |
| <b>Total Other Current Liabilities</b> | <b>\$ 1,430</b> | <b>\$ 8,192</b> |

**AZURE PRINTED HOMES INC.**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2023 AND DECEMBER 31, 2022**

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**4. PROPERTY AND EQUIPMENT**

As of December 31, 2023, and December 31, 2022, property and equipment consists of:

| <b>As of Year Ended December 31,</b> | <b>2023</b>         | <b>2022</b>       |
|--------------------------------------|---------------------|-------------------|
| Equipment                            | \$ 1,840,452        | \$ 255,992        |
| Leasehold Improvements               | 115,911             | 74,030            |
| <b>Fixed assets, at Cost</b>         | <b>1,956,363</b>    | <b>330,022</b>    |
| Accumulated depreciation             | (256,347)           | (27,708)          |
| <b>Fixed assets, Net</b>             | <b>\$ 1,700,017</b> | <b>\$ 302,314</b> |

Depreciation expenses for property and equipment for the fiscal year ended December 31, 2023, and 2022 were in the amount of \$228,639 and \$27,708, respectively.

**5. INTANGIBLE ASSETS**

As of December 31, 2023, and December 31, 2022, intangible asset consist of:

| <b>As of Year Ended December 31,</b> | <b>2023</b>      | <b>2022</b>      |
|--------------------------------------|------------------|------------------|
| Patents&Trademarks                   | \$ 48,352        | \$ 25,801        |
| Intangible assets, at cost           | <b>48,352</b>    | <b>25,801</b>    |
| Accumulated amortization             | (11,715)         | (4,300)          |
| <b>Intangible assets, Net</b>        | <b>\$ 36,636</b> | <b>\$ 21,501</b> |

Amortization expenses for trademarks and patents for the fiscal year ended December 31, 2022, and 2021 were in the amount of \$7,415 and \$4,300 respectively.

The following table summarizes the estimated amortization expense relating to the Company's intangible assets as of December 31, 2023:

| <b>Period</b> | <b>Amortization<br/>Expense</b> |
|---------------|---------------------------------|
| 2024          | \$ 9,670                        |
| 2025          | 9,670                           |
| 2026          | 9,670                           |
| 2027          | 7,625                           |
| Thereafter    | -                               |
| <b>Total</b>  | <b>\$ 36,636</b>                |

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**6. CAPITALIZATION AND EQUITY TRANSACTIONS**

**Common Stock**

The Company is authorized to issue 10,000,000 shares of Common Stock with a \$0.001 par value. As of December 31, 2023, and December 31, 2022, 2,020,000 shares of Common Stock have been issued and are outstanding.

**Preferred Stock**

The Company is authorized to issue 10,000,000 shares of Preferred Stock with a \$0.001 par value. As of December 31, 2023, and December 31, 2022, 0 shares of Preferred Stock have been issued and are outstanding.

**7. SHAREBASED COMPENSATION**

During 2022, the Company authorized the Stock Option Plan (which may be referred to as the “Plan”). The Company reserved 300,000 shares of its Common Stock pursuant to the Plan, which provides for the grant of shares of stock options, stock appreciation rights, and stock awards (performance shares) to employees, non-employee directors, and non-employee consultants. The option exercise price generally may not be less than the underlying stock's fair market value at the date of the grant and generally have a term of four years. The amounts granted each calendar year to an employee or nonemployee is limited depending on the type of award.

*Stock Options*

The Company granted stock options. The stock options were valued using the Black-Scholes pricing model with a range of inputs indicated below:

| <b>As of Year Ended December 31,</b> | <b>2023</b> |
|--------------------------------------|-------------|
| Expected life (years)                | 10.00       |
| Risk-free interest rate              | 4.41%       |
| Expected volatility                  | 75%         |
| Annual dividend yield                | 0%          |

The risk-free interest rate assumption for options granted is based upon observed interest rates on the United States government securities appropriate for the expected term of the Company's stock options.

The expected term of stock options is calculated using the simplified method which takes into consideration the contractual life and vesting terms of the options.

The Company determined the expected volatility assumption for options granted using the historical volatility of comparable public company's Common Stock. The Company will continue to monitor peer companies and other relevant factors used to measure expected volatility for future stock option grants, until such time that the Company's Common Stock has enough market history to use historical volatility.

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The dividend yield assumption for options granted is based on the Company's history and expectation of dividend payouts. The Company has never declared or paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

Management estimated the fair value of Common Stock based on recent sales to third parties. Forfeitures are recognized as incurred.

A summary of the Company's stock options activity and related information is as follows:

|  | <b>Number of Awards</b> | <b>Weighted Average Exercise</b> | <b>Weighted Average Contract Term</b> |
|--|-------------------------|----------------------------------|---------------------------------------|
| Outstanding at December 31, 2021         | -                       | \$ -                             | -                                     |
| Exercisable Options at December 31, 2021 | -                       | \$ -                             | -                                     |
| Granted                                  | 50,000                  | \$ -                             | -                                     |
| Exercised                                | -                       | -                                | -                                     |
| Expired/Cancelled                        | -                       | -                                | -                                     |
| Outstanding at December 31, 2022         | 50,000                  | \$ 2.07                          | 9.02                                  |
| Exercisable Options at December 31, 2022 | 50,000                  | \$ 2.07                          | 9.02                                  |
| Granted                                  | 10,000                  | -                                | -                                     |
| Exercised                                | -                       | -                                | -                                     |
| Expired/Cancelled                        | (40,000)                | -                                | -                                     |
| Outstanding at December 31, 2023         | 20,000                  | \$ 1.93                          | 6.03                                  |
| Exercisable Options at December 31, 2023 | 20,000                  | \$ 1.93                          | 6.03                                  |

Stock option expenses for the year ended December 31, 2023, and December 31, 2022, were \$(4,076) and \$11,394 respectively.

## 8. DEBT

### Loans

During the years presented, the Company entered into promissory notes & loans agreements. The details of the Company's loans, notes, and the terms are as follows:

| Debt Instrument Name    | Principal Amount | Interest Rate | Borrowing Period | Maturity Date | For the Year Ended December 2023 |                  |                  |                     |                    | For the Year Ended December 2022 |                  |                   |                     |                     |
|-------------------------|------------------|---------------|------------------|---------------|----------------------------------|------------------|------------------|---------------------|--------------------|----------------------------------|------------------|-------------------|---------------------|---------------------|
|                         |                  |               |                  |               | Interest Expense                 | Accrued Interest | Current Portion  | Non-Current Portion | Total Indebtedness | Interest Expense                 | Accrued Interest | Current Portion   | Non-Current Portion | Total Indebtedness  |
| Paul Loan               | \$ 150,000       | no set        | 8.26.2022        | 3.31.2023     | \$ 69,193                        | \$ -             | \$ -             | \$ -                | \$ 69,193          | \$ 23,064                        | \$ -             | \$ 70,299         | \$ -                | \$ 70,299           |
| New Col Loan            | 175,000          | no set        | 3.28.2022        | 10.1.2023     | 52,935                           | -                | -                | -                   | -                  | 35,290                           | -                | 34,754            | -                   | 34,754              |
| Smart Loan              | 75,000           | no set        | 11.17.2022       | 1.31.2023     | 28,308                           | -                | -                | -                   | -                  | 3,539                            | -                | 42,838            | -                   | 42,838              |
| Funbox Loan             | 121,000          | no set        | 6.22.2022        | 12.22.2023    | 27,447                           | -                | -                | -                   | -                  | 13,723                           | -                | 37,985            | -                   | 37,985              |
| ENGS Loan               | 216,994          | 7.31%         | 4.19.2022        | 4.19.2027     | 6,776                            | -                | 60,648           | 121,295             | 181,943            | 3,952                            | -                | 40,986            | 167,024             | 208,009             |
| Flash Loan              | 150,000          | no set        | 11.15.2022       | 8.31.2024     | 37,520                           | -                | -                | -                   | -                  | 9,380                            | -                | 114,701           | -                   | 114,701             |
| Envision Loan           | 38,997           | 15.00%        | 8.3.2022         | 8.3.2027      | 5,315                            | -                | 5,840            | 24,073              | 29,913             | 2,773                            | -                | 5,840             | 29,590              | 35,430              |
| SBA EDIL                | 504,315          | 3.75%         | 5.25.2020        | 5.23.2050     | 18,912                           | 34,648           | 15,737           | 469,233             | 484,970            | 15,737                           | 15,737           | -                 | 504,315             | 504,315             |
| Sara Line               | 7,000            | 6.00%         | 11.39.2022       | 1.19.2023     | -                                | -                | -                | -                   | -                  | -                                | -                | -                 | 7,000               | 7,000               |
| SBA PPP                 | 95,300           | 1.00%         | 12.7.1905        | 17.7.1905     | -                                | -                | -                | -                   | -                  | -                                | -                | -                 | -                   | -                   |
| Wall Funding            | 210,000          | no set        | 6.24.2021        | 3.31.2023     | -                                | -                | -                | -                   | -                  | 82,973                           | -                | -                 | -                   | -                   |
| Bluevine Line of Credit | 167,500          | -             | -                | 2021          | -                                | -                | -                | -                   | -                  | 32,684                           | -                | -                 | -                   | -                   |
| <b>Total</b>            |                  |               |                  |               | <b>\$ 246,824</b>                | <b>\$ 34,648</b> | <b>\$ 82,224</b> | <b>\$ 624,601</b>   | <b>\$ 696,825</b>  | <b>\$ 223,115</b>                | <b>\$ 15,787</b> | <b>\$ 374,403</b> | <b>\$ 70,929</b>    | <b>\$ 1,075,322</b> |

The summary of the future maturities is as follows:

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| <b>As of Year Ended December 31, 2023</b> |           |                |
|---|-----------|----------------|
| 2024                                      | \$        | 82,224         |
| 2025                                      |           | 82,224         |
| 2026                                      |           | 82,224         |
| 2027                                      |           | 82,224         |
| 2028                                      |           | 1,737          |
| Thereafter                                |           | 366,191        |
| <b>Total</b>                              | <b>\$</b> | <b>696,825</b> |

**SAFE(s)**

The details of the Company's Simple Agreements for Future Equity ("SAFE") and the terms are as follows:

| SAFE(s)                                  | Principal Amount    | Borrowing Period | Valuation Cap | Discount | <b>As of Year Ended December 31,</b> |                   |
|--|---------------------|------------------|---------------|----------|--------------------------------------|-------------------|
|  |                     |                  |               |          | <b>2023</b>                          | <b>2022</b>       |
| 2022 SAFE                                | \$ 608,806          | Fiscal year 2022 | \$ 24,000,000 | 90%      | \$ 608,806                           | \$ 608,806        |
| 2022 SAFE                                | 150,000             | Fiscal year 2022 | \$ 20,000,000 | 90%      | 150,000                              | \$ 150,000        |
| 2022 SAFE                                | 111,300             | Fiscal year 2022 | \$ 28,000,000 | 90%      | 111,300                              | \$ 111,300        |
| 2022 SAFE                                | 10,000              | Fiscal year 2022 | \$ 25,000,000 | 90%      | 10,000                               | \$ 10,000         |
| 2023 SAFE                                | 2,865,495           | Fiscal year 2023 | \$ 12,000,000 | 90%      | 2,865,495                            | -                 |
| 2023 SAFE                                | 245,572             | Fiscal year 2023 | \$ 32,000,000 | 90%      | 245,572                              |                   |
| 2023 SAFE                                | 33,503              | Fiscal year 2023 | \$ 28,000,000 | 90%      | 33,503                               | -                 |
| Change in fair value of SAFE obligations |                     |                  |               |          | 335,390                              | 73,342            |
| <b>Total SAFE(s)</b>                     | <b>\$ 4,024,676</b> |                  |               |          | <b>\$ 4,360,066</b>                  | <b>\$ 953,448</b> |

If there is an Equity Financing before the expiration or termination of this instrument, the Company will automatically issue to the Investor either: (1) a number of shares of Standard Preferred Stock equal to the Purchase Amount divided by the price per share of the Standard Preferred Stock, if the pre-money valuation is less than or equal to the Valuation Cap; or (2) a number of shares of SAFE Preferred Stock equal to the Purchase Amount divided by the SAFE Price, if the pre-money valuation is greater than the Valuation Cap. If there is a Liquidity Event before the expiration or termination of this instrument, the Investor will, at its option, either a) receive a cash payment equal to the Purchase Amount (subject to the following paragraph) or b) automatically receive from the Company a number of shares of Common Stock equal to the Purchase Amount divided by the Liquidity Price, if the Investor fails to select the cash option. If there is a Dissolution Event before this instrument expires or terminates, the Company will pay an amount equal to the Purchase Amount, due and payable to the Investor immediately prior to, or concurrent with, the consummation of the Dissolution Event. The SAFE will expire and upon either the issuance of stock to the investor pursuant to above or payment. Since the SAFEs are potentially settleable in cash, the Company has decided to classify them as a liability.

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**9. INCOME TAXES**

The provision for income taxes for the year ended December 31, 2023, and December 31, 2022 consists of the following:

| <b>As of Year Ended December 31,</b> | <b>2023</b>  | <b>2022</b>  |
|--------------------------------------|--------------|--------------|
| Net Operating Loss                   | \$ (442,445) | \$ (211,305) |
| Valuation Allowance                  | 442,445      | 211,305      |
| <b>Net Provision for income tax</b>  | <b>\$ -</b>  | <b>\$ -</b>  |

Significant components of the Company's deferred tax assets and liabilities on December 31, 2023, and December 31, 2022 are as follows:

| <b>As of Year Ended December 31,</b> | <b>2023</b>  | <b>2022</b>  |
|--------------------------------------|--------------|--------------|
| Net Operating Loss                   | \$ (781,457) | \$ (442,445) |
| Valuation Allowance                  | 781,457      | 442,445      |
| <b>Total Deferred Tax Asset</b>      | <b>\$ -</b>  | <b>\$ -</b>  |

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. On the basis of this evaluation, the Company has determined that it is more likely than not that the Company will not recognize the benefits of the federal and state net deferred tax assets, and, as a result, full valuation allowance has been set against its net deferred tax assets as of December 31, 2023, and December 31, 2022. The amount of the deferred tax asset to be realized could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

For the fiscal year ending December 31, 2023, the Company had net operating loss ("NOL") carryforwards of approximately \$2,766,219. Utilization of some of the federal and state NOL carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the carryforwards. Under the provisions of the Internal Revenue Code, the NOLs and tax credit carryforwards are subject to review and possible adjustment by the IRS and state tax authorities. NOLs and tax credit carryforwards may become subject to an annual limitation in the event of certain cumulative changes in the ownership interest of significant stockholders over a three-year period in excess of 50%, as defined under Sections 382 and 383 of the Internal Revenue Code, as well as similar state provisions. This could limit the amount of tax attributes that can be utilized annually to offset future taxable income or tax liabilities. The amount of the annual limitation is determined based on the value of the Company immediately prior to the ownership change. The Company has not performed a comprehensive Section 382 study to determine any potential loss limitation with regard to the NOL carryforwards and tax credits.

The Company recognizes the impact of a tax position in the consolidated financial statements if that position is more likely than not to be sustained on a tax return upon examination by the relevant taxing authority, based on the technical merits of the position. As of December 31, 2023, and December 31, 2022, the Company had no unrecognized tax benefits.

The Company recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2023, and December 31, 2022, the Company had no accrued interest and penalties related to uncertain tax positions.

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**10. RELATED PARTY**

There are no other related party transactions.

**11. COMMITMENTS AND CONTINGENCIES**

**Contingencies**

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations.

**Litigation and Claims**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2023, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations.