Flower Turbines, Inc.
A Delaware Corporation

Consolidated Financial Statements and Independent Auditor's Report
December 31, 2022 and 2021

Flower Turbines, Inc.

TABLE OF CONTENTS

FLOWER TURBINES, INC.
CONSOLIDATED BALANCE SHEETS
As of December 31, 2022 and 2021

	2022	2021
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 252,441	$ 2,350,678
Prepaid expenses	18,309	78,224
Accounts receivable	123,909	133,151
Other assets	-	131,097
Inventory	438,364	139,230
Investments	487,226	-
Funds held in escrow	-	2,332,322
Total Current Assets	1,320,249	5,164,702
Non-Current Assets:		
Property and equipment, net	162,519	40,580
Intangible assets	87,452	-
Right of use asset	99,434	-
Total Non-Current Assets	349,405	40,580
TOTAL ASSETS	$ 1,669,654	$ 5,205,282
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Current Liabilities:		
Accounts payable	$ 98,444	$ 281,651
Deferred revenue	239,864	146,912
Right of use liability - current	49,605	-
Accrued expenses	46,899	64,240
Notes payable - current	3,962	3,676
Total Current Liabilities	438,774	496,479
Long-Term Liabilities:		
Notes payable - net of current	40,785	53,258
Right of use liability - net of current	65,874	-
Total Long-Term Liabilities	106,659	53,258
Total Liabilities	545,433	549,737
Stockholders' Equity:		
Common stock, $0.0001 par, 20,000,000 shares authorized, 9,975,566 and 9,971,680 shares issued and outstanding as of December 31, 2022 and 2021, respectively.	998	998
Additional paid-in capital	10,395,467	10,223,395
Accumulated deficit	(9,222,540)	(5,513,164)
Accumulated other comprehensive loss	(49,704)	(55,684)
Total Stockholders' Equity	1,124,221	4,655,545
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,669,654	$ 5,205,282

See Independent Auditor's Report and accompanying notes, which are an integral part of these consolidated financial statements.

FLOWER TURBINES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME/(LOSS)
For the years ended December 31, 2022 and 2021

	2022	2021
Net revenues	$ 247,208	$ 338,643
Cost of net revenues	(573,805)	(477,995)
Gross profit/(loss)	(326,597)	(139,352)
Operating Expenses:		
General & administrative	2,555,294	2,654,919
Sales & marketing	18,500	12,754
Research and development	789,919	330,537
Total Operating Expenses	3,363,713	2,998,210
Loss from operations	(3,690,310)	(3,137,562)
Other Income/(Expense):		
Interest expense	(4,902)	(4,469)
Interest income	-	423
Other expense	(14,164)	(58)
Total Other Income/(Expense)	(19,066)	(4,104)
Net loss	(3,709,376)	(3,141,666)
Foreign currency translation gain/(loss)	5,980	(40,133)
Other comprehensive loss	$ (3,703,396)	$ (3,181,799)
Basic and diluted net loss per share	$ (0.37)	$ (0.33)
Weighted average shares outstanding - basic and diluted	9,973,623	9,464,027

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FLOWER TURBINES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the years ended December 31, 2022 and 2021

	Common Stock					
	Number of Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance at January 1, 2021	8,947,960	$ 900	$ 2,464,674	$ (2,371,498)	$ (15,551)	$ 78,525
Issuance of shares - Regulation A	903,960	90	8,065,207	-	-	8,065,297
Shares issued in exchange for cash	119,760	8	556,605	-	-	556,613
Offering costs	-	-	(863,091)	-	-	(863,091)
Net loss	-	-	-	(3,141,666)	(40,133)	$ (3,181,799)
Balance at December 31, 2021	9,971,680	998	10,223,395	(5,513,164)	(55,684)	4,655,545
Issuance of shares - Regulation A	3,886	-	199,252	-	-	199,252
Offering costs	-	-	(27,180)	-	-	(27,180)
Net loss	-	-	-	(3,709,376)	5,980	(3,703,396)
Balance at December 31, 2022	9,975,566	$ 998	$ 10,395,467	$ (9,222,540)	$ (49,704)	$ 1,124,221

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FLOWER TURBINES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Net loss	$(3,709,376)	$(3,141,666)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	30,858	11,322
Inventory reserve charge	344,362	-
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	9,242	(124,591)
(Increase)/Decrease in prepaid expenses	60,245	(42,940)
(Increase)/Decrease in other assets	131,097	(78,630)
(Increase)/Decrease in inventory	(643,496)	(98,250)
(Increase)/Decrease in right of use asset	(99,434)	-
Increase/(Decrease) in accounts payable	(183,205)	182,668
Increase/(Decrease) in accrued expenses	(17,342)	44,653
Increase/(Decrease) in deferred revenue	92,952	52,205
(Increase)/Decrease in right of use liability	115,479	-
Net Cash Used In Operating Activities	(3,868,618)	(3,195,229)
Cash Flows From Investing Activities		
Patent costs	(87,452)	(31,320)
Purchase of investments	(487,226)	-
Purchase of property of equipment	(152,797)	(40,772)
Net Cash Used In Investing Activities	(727,475)	(72,092)
Cash Flows From Financing Activities		
Payments on notes payable	(12,188)	(5,207)
Proceeds from issuance of stock	2,531,244	6,476,179
Offering costs	(27,180)	(863,091)
Net Cash Provided By Financing Activities	2,491,876	5,607,881
Cash effects of foreign currency translation loss	5,980	(40,133)
Net Change In Cash	(2,098,237)	2,300,427
Cash at Beginning of Period	2,350,678	50,251
Cash at End of Period	$ 252,441	$ 2,350,678
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 4,902	$ 4,469
Cash paid for income taxes	$ -	$ -

See Independent Auditor's Report and accompanying notes, which are an integral part of these consolidated financial statements.

NOTE 1: NATURE OF OPERATIONS

Flower Turbines, Inc. and subsidiary (collectively the "Company"), is a corporation formed under the laws of Delaware. The Company was originally incorporated as a New York limited liability company on September 25, 2013 under the name Flower Turbines, LLC. The LLC converted to a Delaware corporation on December 26, 2019. The Company develops unique designs for wind turbines. On March 27, 2019 Flower Turbines B.V. (the "Subsidiary") was formed in the Netherlands. Flower Turbines B.V. was a 96% owned subsidiary of the Company and was formed for the sale, installation, and development of sustainable energy solutions inside Europe. During 2022, the Company purchased the remaining 4% interest in the subsidiary and the Company is now the sole owner.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Basis for Consolidation

The Company prepares consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (GAAP). These consolidated financial statements include all accounts of Flower Turbines, Inc., along with its wholly owned subsidiary, Flower Turbines B.V. All transactions and balances between and among the aforementioned companies have been eliminated in consolidating the accounts for consolidated financial statement presentation. The accounting and reporting policies of the Company conform to GAAP. The Company adopted the calendar year as its basis of reporting.

Basis of Presentation

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

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Noncontrolling Interests

Noncontrolling interests represents minority owners' share of net income or losses and equity in the Company's majority-owned consolidated subsidiary. During 2019, the Company owned 88% of the subsidiary, in 2020, the Company acquired an additional 8% of the subsidiary, and in June 2022 acquired an additional 4% of the subsidiary, at which time it became a wholly owned subsidiary of the Company. The financial statements have been retrospectively adjusted to reflect the change, and that there was no impact on net loss for the period ended December 31, 2021.

Cash Equivalents

For the purpose of the statement of cash flows, cash equivalents include time deposits, certificate of deposits, and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. Accounts receivable are periodically evaluated for collectability based on past credit history with clients and other factors. Provisions for losses on accounts receivable are determined on the basis of loss experience, known and inherent risk in the account balance, and current economic conditions. As of December 31, 2022 and 2021, the Company carried receivables of $147,196 and $133,151 and allowances of $23,287 and $0 against such, all respectively.

Inventory & Shipping and Handling Costs

Inventory is stated at the lower of cost or market and accounted for using the specific identification method. As of December 31, 2022 and 2021, the Company had $0 and $64,448 of inventory in transit, respectively and the remainder consisted of finished goods held for sale.

Property and Equipment

The Company has a policy to capitalize expenditures with useful lives in excess of one year and costs exceeding $1,000 as property and equipment and depreciates such assets on a straight-line basis over estimated useful lives (5 years). The Company's property and equipment is assessed annually for indications of impairment. The Company's property and equipment are recorded at costs of $194,780 and $48,289 and are presented net of accumulated depreciation of $32,261 and $7,709 as of December 31, 2022 and 2021, respectively. Depreciation expense of $30,858 and $11,322 were recorded for the years ended December 31, 2022 and 2021, respectively.

Deferred Offering Costs

The Company complies with the requirement of FASB ASC 340-10-S99-1. Prior to the completion of the offering these costs are capitalized as deferred offering costs on the balance sheet. The deferred offering costs are charged to stockholders' equity upon the completion of the offering. There were no deferred offerings costs capitalized to the balance sheet as of December 31, 2022 and 2021, respectively.

Fair Value of Financial Instruments

Financial Accounting Standards Board ("FASB") guidance specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are as follows:

> Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 primarily consists of financial instruments whose value is based on quoted market prices such as exchange-traded instruments and listed equities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (e.g., quoted prices of similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active).

Level 3 - Unobservable inputs for the asset or liability. Financial instruments are considered Level 3 when their fair values are determined using pricing models, discounted cash flows or similar techniques and at least one significant model assumption or input is unobservable.

	Total	Level 1	Level 2	Level 3
Investment in equity securities	$ 78,754	$ 78,754	$ -	$ -
Total	$ 78,754	$ 78,754	$ -	$ -

The Company holds domestic municipal bonds totaling $408,472 and is classified as held to maturity and the Company reviews the investments on an annual basis to determine possible impairments. No impairment was recorded for the year ended December 31, 2022.

The Company holds investments in equity securities totaling $78,754, the Company records the assets at fair value and reviews the investments on an annual basis to determine possible impairments. No impairment was recorded for the year ended December 31, 2022.

The carrying amounts reported in the balance sheets approximate their fair value.

Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist of its cash. The Company will place its cash and cash equivalents with financial institutions of high credit-worthiness and has a policy to not carry a balance in excess of FDIC insurance limits.

Basic Income/(Loss) per Common Share

Basic income (loss) per share is calculated by dividing the Company's net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the Company's net loss available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity.

Company's management plans to assess the financial strength and credit worthiness of any parties to which it extends funds, and as such, it believes that any associated credit risk exposures are limited. As of December 31, 2022, the Company did not hold funds in excess of FDIC insurance limits.

Revenue Recognition

ASC Topic 606, "Revenue from Contracts with Customers" establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers.

Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements: 1) identify the contract with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to performance obligations in the contract; and 5) recognize revenue as the performance obligation is satisfied.

Revenue is recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the period between customer payment and the transfer of goods or services is expected to be one year or less.

Each product sold to a customer typically represents a distinct performance obligation. The Company satisfies its performance obligation and revenue is recorded at the point in time when products are installed as the Company has determined that this is the point that control transfers to the customer. The Company invoices customers upon delivery of the products, and payments from such customers are due upon invoicing.

75% and 46% of revenue came from 6 and 2 customers during the year ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, $239,864 and $146,912 of deferred revenue were recorded, respectively. The $146,912 of deferred revenue was recognized as revenue in the year ended December 31, 2022. Revenues are recognized on these arrangements after the units are produced and fulfilled to the customers, and all other revenue recognition criteria are achieved. Substantially, all revenue recorded for the years ended December 31, 2022 and 2021 were for sales through the subsidiary.

Research and Development

The Company expenses research and development costs when incurred.

Advertising Costs

The Company's policy regarding advertising is to expense advertising when incurred.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the consolidated financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will be realized.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy is to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the consolidated financial statements. The Company has determined that there are no material uncertain tax positions.

The Company accounts for income taxes with the recognition of estimated income taxes payable or refundable on income tax returns for the current period and for the estimated future tax effect attributable to temporary differences and carryforwards. Measurement of deferred income items is based on enacted tax laws including tax rates, with the measurement of deferred income tax assets being reduced by available tax benefits not expected to be realized in the immediate future.

From its inception until December 26, 2019, at which time the LLC was converted to a corporation, the Company was subject to taxation as a limited liability company, and therefore was treated as a partnership for federal and state income tax purposes with all income tax liabilities and/or benefits of the Company being passed through to the members. As such, no recognition of federal or state income taxes for the Company have been provided for in the accompanying consolidated financial statements during that period.

For the period after the December 26, 2019 conversion to a corporation, the Company was taxed as a corporation. The Company estimates it will have a net operating loss carryforward of $4,725,420 as of December 31, 2022. The Company pays federal and New York income taxes at a combined effective rate of approximately 26% and has used this effective rate to derive a net deferred tax asset of $1,228,609 as of December 31, 2022, resulting from its net operating loss carryforward. Due to uncertainty as to the Company's ability to generate sufficient taxable income in the future to utilize the net operating loss carryforwards, the Company has recorded a full valuation allowance to reduce the net deferred tax asset to zero, there was no net operating loss recorded for December 31, 2022. The 2022 tax returns have not yet been filed as of the issuance of these consolidated financial statements. All tax periods since inception remain open to examination by the taxing jurisdictions to which the Company is subject.

Foreign Currency

The consolidated financial statements are presented in United States Dollars, ("USD"), which is the reporting currency and the functional currency of the Company's U.S. operations. The functional currency for the Subsidiary is its local currency. In accordance with ASC 830, *Foreign Currency Matters*, foreign denominated monetary assets and liabilities are translated to their USD equivalents using foreign exchange rates which prevailed at the balance sheet date. Non-monetary assets and liabilities are translated at exchange rate prevailing at the transaction date. Revenue and expenses were translated at the prevailing rate of exchange at the date of the transaction. Related translation adjustments are reported as a separate component of stockholders' equity, whereas gains or losses resulting from foreign currency transactions are included in results of operations. At December 31, 2022 and 2021, the foreign currency translation gain/(loss) was $5,981 and ($40,133), respectively.

Leases

On January 1, 2022, the Company adopted ASC 842, *Leases*, as amended, which supersedes the lease accounting guidance under Topic 840, and generally requires lessees to recognize operating and finance lease liabilities and corresponding right-of-use (ROU) assets on the balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from lease arrangements. The Company adopted the new guidance using a modified retrospective method. Under this method, the Company elected to apply the new accounting standard only to the most recent period presented, recognizing the cumulative effect of the accounting change, if any, as an adjustment to the beginning balance of net assets. Accordingly, prior periods have not been restated to reflect the new accounting standard. The cumulative effect of applying the provisions of ASC 842 had no material impact on net assets.

The Company elected transitional practical expedients for existing leases which eliminated the requirements to reassess existing lease classification, initial direct costs, and whether contracts contain leases. Also, the Company elected to present the payments associated with short-term leases as an expense in statements of operations. Short-term leases are leases with a lease term of 12 months or less. The adoption of ASC 842 had no impact on the Company's balance sheet as of January 1, 2022.

NOTE 3: GOING CONCERN

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is a business that has not yet generated profits since inception, has sustained losses of $3,709,376 and $3,141,666 for the years ended December 31, 2022 and 2021, respectively, and has negative cash flows from operations for the years ended December 31, 2022 and 2021, respectively and the Company is reliant on continual financing.

The Company's ability to continue as a going concern in the next twelve months is dependent upon its ability to utilize existing fundraising capital to increase sales and obtain capital financing from investors sufficient to meet current and future obligations and deploy such capital to produce profitable operating results. Management has evaluated these conditions and plans to raise capital as needed to satisfy it liquidity needs through its Regulation A offering in 2023 and increasing its sales. No assurance can be given that the Company will be successful in these efforts. The balance sheet does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 4: STOCKHOLDERS' EQUITY

Capital Structure

The Company was originally incorporated as a New York limited liability company. The membership interests in such and associated members' equity were applied to stockholders' equity and the members were issued common stock in the corporation in exchange for their membership interests in the LLC. Upon conversion to a Delaware corporation in December 2019, the Company authorized 2,500,000 shares of common stock at $0.0001 par value. During 2021, the Company executed a 10-1 stock split and amended it's Articles of Incorporation increasing its authorized shares to 20,000,000. As of December 31, 2022 and 2021, 9,975,566 and 9,971,680 shares of common stock were issued and outstanding, respectively.

Stock and Membership Units

In 2022, the Company had raised $199,252 through issuance of its common stock pursuant to an offering under Regulation A, where 3,886 shares were issued at $51.27 per share. In 2021, the Company had raised $8,065,297 through issuance of its common stock pursuant to an offering under Regulation A, where 903,960 shares were issued at $8.92 per share. In 2021, the Company raised $556,613 through issuance of its common stock, where 119,760 shares were issued at $4.65 per share. As of December 31, 2022 and 2021, there was $0 and $2,332,322 of funds held in escrow, respectively, related to these issuances. Direct offering costs related to its financing activities totaled $27,180 and $863,091 for the years ended December 31, 2022 and 2021, respectively.

Flower Turbines B.V. was a party to an Employment Agreement with Mr. Osinga. The employment agreement has a term of one year, which commenced January 1, 2020, and provides for a monthly base salary of €6,000. The Company also agreed that Mr. Osinga shall receive a commission equal to 5% of the total revenue generated in Europe, above €150,000. The Company agreed that if they were able to generate €500,000 or more in revenue in Europe during 2020, the Company shall issue Mr. Osinga an additional number of shares of Flower Turbines B.V. equal to 3% of the outstanding share capital. The employment agreement was terminated in June 2022 and his shares were purchased by the Company.

Options

During the year ended December 31, 2021, the Company issued 800,000 options that had no intrinsic value, and as such, no expense was recorded. 100,000 of those were for Mr. Osinga, who is no longer entitled to them as of June 2022 by leaving the Company.

NOTE 5: OPERATING LEASES

Effective July 2017, the Company entered into a lease agreement for a car. The lease term commenced July 2017 and expired in June 2022. Monthly lease obligations under the lease were $271 per month. The lease was paid off in 2021.

The Company entered into a lease agreement for office space. The lease term commenced November 1, 2019 and expired on October 31, 2020. Monthly lease obligations under the lease were $1,039 per month. Lease expense for the years ended December 31, 2022 and 2021 totaled $0 and $80,797, respectively.

On March 1, 2022, the Company entered into a 36-month lease agreement for office space. The lease requires escalating monthly lease payments ranging from $2,955 to $3,076. Lease expense for the year ended December 31, 2022 totaled $27,680.

The following is a schedule of operating lease liability as of December 31, 2022:

2023	$	49,605
2024		50,348
2025		16,932
2026		10,224
2027		1,704
Total undiscounted cash flows		128,813
Unamortized interest		(13,334)
Present value of operating lease liability	$	115,479

Operating lease liability, current	$	49,605
Operating lease liability, non-current		65,874
Present value of operating lease liability	$	115,479

NOTE 6: RELATED PARTY TRANSACTIONS

During 2019, the Company advanced funds to the founder of the Company, these funds were paid back in 2020. As of December 31, 2022 and 2021, the balance due from the stockholder under the arrangement was $0 and $0, respectively. The advance bore no interest and had no maturity date, but was fully returned. The founder of the Company was paid $0 and $10,000 for consultant services for the year ended December 31, 2022 and 2021, respectively.

NOTE 7: LOANS PAYABLE

On November 4, 2019 the Subsidiary entered into a loan agreement with a bank for total principal of $56,134. Loan A is for principal of $28,068 and bears interest at 7.5%. The loan requires monthly interest payments for 84 months with a final balloon payment on the maturity date. Loan B is for principal of $28,067, bears interest at a 7.5% fixed rate. The loan requires interest only payments for the first 24 months, followed by principal and interest payments of $468 for the next 60 months, followed by a balloon payment on the last day of the loans. Loans A and B are unsecured. Interest expense for these loans totaled $4,902 and $4,469 the years ending December 31, 2022 and 2021, respectively. Accrued interest payable totaled $0 for the years ended December 31, 2022 and 2021. Total unpaid principal balance was $44,746 and $55,934 as of December 31, 2022 and 2021, respectively.

Future minimum principal payments under the loans are as follows as of December 31:

2023	3,962
2024	4,269
2025	4,601
2026	4,850
2027	4,955
Therafter	22,110
Total	$ 44,747

NOTE 8: RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted this standard during the current period.

Management does not believe that any recently issued, but not yet effective, accounting standards could have a material effect on the accompanying consolidated balance sheet. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

NOTE 9: COMMITMENTS, CONTINGENCIES, AND CONCENTRATIONS

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matter will have a material adverse effect on its business, financial condition or results of operations. The Company also has unknown impacts from the ongoing COVID-19 pandemic.

NOTE 10: SUBSEQUENT EVENTS

Management's Evaluation

The Company has evaluated subsequent events through May 31, 2023, the date the consolidated financial statements were available to be issued. Based on the evaluation, no additional material events were identified which require adjustment or disclosure other than those below.

The Company has raised $1.4 million of proceeds from stock issued in 2023.