WINDROCK

LAND CO.

ESTABLISHED 1872

150th Anniversary

ANNUAL REPORT

2022

WINDROCK LAND COMPANY
Water's Edge
614 Mabry Hood Road, Suite 301
Knoxville, TN 37932

2022

DIRECTORS

THOMAS M. AYRES .... Knoxville, Tennessee

ALLEN J. BUSH .... Blytheville, Arkansas

ANDREW J. BUSH .... Sevierville, Tennessee

MILES E. CULLOM, JR. .... Knoxville, Tennessee

LAWRENCE M. GILPIN .... Linden, Virginia

LEWIS S. HOWARD, JR. .... Knoxville, Tennessee

GEORGE A. ROZANSKI .... Columbia, Maryland

OFFICERS

LEWIS S. HOWARD, JR.
Chief Executive Officer/President .... Knoxville, Tennessee

CLAUDIA P. DEPEW,
Chief Operating Officer .... Maryville, Tennessee

KRISTEE N. ATCHLEY,
Chief Financial Officer/Corporate Secretary .... Seymour, Tennessee

February 22, 2023

To Our Shareholders:

We are pleased to report revenues and earnings for 2022. Revenues totaled $12,561,428, an increase of $3,031,687 over 2021 revenues of $9,529,741. Earnings decreased to $2,899,931 or $31.07 per share from $3,573,040 or $38.28 per share reported last year. (Excluding Net Unrealized and Realized Gain/Loss on Marketable Securities and related tax effects, earnings for 2022 were $38.11 per share vs $26.55 per share in 2021). Regular dividends of $12.00 per share and a special dividend of $6.00 per share were declared and paid to shareholders.

Windrock Park celebrated the grand opening of the new 10,000 square foot General Store in October and five new cabins were completed and placed in service. 30 new luxury RV sites are being completed and will be operational by Spring. Recreational income continues to drive the growth of the Company. While land use permits were down approximately 5%, campground related revenues increased 8% and general store revenues increased 14%.

Windrock Bike Park operations relocated to a new, larger facility with expanded rental and retail space, additional parking and an expanded shuttle service area. The Company engaged a third-party consultant to study potential expansion of the bike park trail and lift operations.

Revenue from timber operations decreased to $714,955 last year compared to $926,500 in 2021. 2,213,818 million board feet of timber was harvested in 2022 vs. 2,707,283 million board feet harvested in 2021. While prices remain fairly strong, industry labor shortages continue to negatively impact timber harvesting.

In 2021, the Company entered into agreements with Finite Carbon Corporation and BP Products of North America, Inc. for the development and sale of carbon offset credits on approximately 69,000 acres of forest property which will provide cash flow over an 8 year period while maintaining sustainable forest management practices. The initial cash flow from this project began in Q4 2022 and the majority of cash flow will be realized during the next 4 fiscal years.

Due to a transitory increase in energy prices, oil and gas revenue increased 133% to exceed $1,000,000 for the first time in many years.

The financial condition of the Company remains strong with no debt other than the corporate office facility.

At a meeting held February 17, 2023 the Board of Directors declared a quarterly dividend of $3.00 per share.

The annual shareholders' meeting will be held May 18, 2023 at the offices of the Company. We welcome shareholder attendance and participation. A further notice of such meeting and proxy will be mailed to all shareholders.

Audited consolidated financial statements of the company for years ended December 31, 2022 and 2021 will follow.

Effective November 17, 2022, Allen J. Bush resigned from the Board after decades of service to the Company. Allen initially was a Director of Poplar Creek Coal & Iron Company which merged with The Coal Creek Mining & Manufacturing Company in 1982. Allen's grandfather, B. Rule Stout, previously served as a Director and President of the Company. Allen chaired the Board's Investment Committee for many years as well as the Proxy Committee. Allen's sincere and passioned commitment and long service to the Company is deeply appreciated and will be greatly missed. Bill Lyon, who retired last year as COO, was selected by the Board to fill the position previously held by Mr. Bush.

2022 marked the sesquicentennial (150th) anniversary of the Company and to commemorate that event, a book detailing the history of the Company and surrounding area was commissioned through the Knoxville History Project, a local nonprofit, and written by Paul F. Brown, an award-winning writer whose family is from the Oliver Springs, Tennessee area. *WINDROCK LAND COMPANY, 150 Years of Coal Fortune, Tragedy, Renewal and Recreation in the Cumberland Mountains,* is available for purchase at the General Store. We have included a number of vintage photographs in this report as well.

Sincerely,

Lewis S. Howard, Jr.
CEO/President

PUGH CPAs

PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Windrock Land Company and Subsidiaries
Knoxville, Tennessee

Opinion

We have audited the consolidated financial statements of Windrock Land Company and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2022 and 2021, the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years 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 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 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 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 issued or available to be issued.

Auditor's Responsibilities 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 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 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 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 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 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.

Pugh & Company, P.C.

Certified Public Accountants
Knoxville, Tennessee
February 8, 2023

WINDROCK LAND COMPANY
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31,	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 553,214	$ 3,552,237
Accounts Receivable	154,786	97,054
Refundable Income Taxes	106,478	0
Prepaid Expenses	257,654	315,890
Inventories	355,409	221,846
Total Current Assets	1,427,541	4,187,027
PROPERTY, PLANT AND EQUIPMENT		
Land and Land Improvements	6,948,407	6,948,407
Building and Building Improvements	9,085,687	5,452,999
Other Equipment	2,464,244	2,212,034
	18,498,338	14,613,440
Less: Accumulated Depreciation	5,811,026	5,386,346
	12,687,312	9,227,094
Construction In Progress	1,116,927	235,445
Property, Plant and Equipment, Net	13,804,239	9,462,539
OTHER NONCURRENT ASSETS		
Marketable Equity Securities	4,821,335	5,665,816
Other Assets	8,978	15,853
Total Other Noncurrent Assets	4,830,313	5,681,669
Total Noncurrent Assets	18,634,552	15,144,208
TOTAL ASSETS	$ 20,062,093	$ 19,331,235

WINDROCK LAND COMPANY
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

As of December 31,	2022	2021
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	$ 132,960	$ 91,536
Property Taxes Payable	343,271	347,091
Income Taxes Payable	0	52,146
Other Accrued Expenses	103,937	122,485
Deferred Revenue	694,358	893,863
Current Portion of Long-Term Debt	31,660	30,421
Total Current Liabilities	1,306,186	1,537,542
LONG-TERM LIABILITIES		
Long-Term Debt, Less Current Portion	515,000	546,352
Deferred Income Taxes	976,650	1,203,111
Total Liabilities	2,797,836	3,287,005
STOCKHOLDERS' EQUITY		
Common Stock - No Par Value, $10 Stated Value; 500,000 Shares Authorized, 93,328 Shares Issued and Outstanding at December 31, 2022 and 2021	933,280	933,280
Capital in Excess of Stated Value	1,379,252	1,379,252
Retained Earnings	14,951,725	13,731,698
Total Stockholders' Equity	17,264,257	16,044,230
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 20,062,093	$ 19,331,235

The accompanying notes are an integral part of these financial statements.

WINDROCK LAND COMPANY
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31,	2022	2021
REVENUES		
Rental Income	$ 2,680,717	$ 2,483,589
Recreational Income	3,291,461	3,270,830
General Store Income	1,877,152	1,636,135
Carbon Offset Credits	2,425,278	0
Gas and Oil Royalties	1,087,156	469,459
Timber Sales	714,955	926,500
Tower Site Lease Income	201,968	196,527
Wind Power Site Lease Income	83,929	91,782
Miscellaneous Revenue	198,812	454,919
Total Revenues	12,561,428	9,529,741
OPERATING EXPENSES	7,872,895	6,320,897
OPERATING INCOME	4,688,533	3,208,844
OTHER INCOME (EXPENSE)		
Interest and Dividend Income	92,655	150,022
Interest Expense	(40,032)	(29,968)
Net Realized Gain (Loss) on Marketable Equity Securities	0	1,933,716
Net Unrealized Gain (Loss) on Marketable Equity Securities	(875,860)	(380,137)
Total Other Income (Expense)	(823,237)	1,673,633
NET INCOME BEFORE INCOME TAXES	3,865,296	4,882,477
PROVISION FOR INCOME TAX EXPENSE		
Current	1,191,826	1,352,216
Deferred	(226,461)	(42,779)
Net Provision for Income Tax	965,365	1,309,437
NET INCOME	$ 2,899,931	$ 3,573,040
NET INCOME PER SHARE	$ 31.07	$ 38.28

The accompanying notes are an integral part of these financial statements.

WINDROCK LAND COMPANY
SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Years Ended December 31, 2022 and 2021

	Common Stock	Capital in Excess of Stated Value	Retained Earning	Total
BALANCES, January 1, 2021	$ 933,280	$ 1,379,252	$ 11,465,250	$ 13,777,782
Net Income	0	0	3,573,040	3,573,040
Dividends Paid	0	0	(1,306,592)	(1,306,592)
BALANCES, December 31, 2021	933,280	1,379,252	13,731,698	16,044,230
Net Income	0	0	2,899,931	2,899,931
Dividends Paid	0	0	(1,679,904)	(1,679,904)
BALANCES, December 31, 2022	$ 933,280	$ 1,379,252	$ 14,951,725	$ 17,264,257

The accompanying notes are an integral part of these financial statements.

WINDROCK LAND COMPANY
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 2,899,931	$ 3,573,040
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities:		
Depreciation and Amortization	649,038	631,223
Net Realized (Gain) Loss on Sales of Marketable Equity Securities	0	(1,933,716)
Net Unrealized (Gain) Loss on Sales of Marketable Equity Securities	875,860	380,137
(Gain) Loss on Sales of Equipment	(9,832)	53,012
Deferred Income Tax Expense	(226,461)	(42,779)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(57,732)	44,523
Refundable Income Taxes	(106,478)	209,320
Prepaid Expenses	58,236	(99,221)
Inventories	(133,563)	(69,154)
Accounts Payable and Other Accrued Expenses	29,751	(52,259)
Property Taxes Payable	(3,820)	9,020
Income Taxes Payable	(52,146)	52,146
Deferred Revenue	(199,505)	(109,648)
Net Cash Provided by Operating Activities	3,723,279	2,645,644
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Property, Plant and Equipment	83,000	44,077
Purchases of Property, Plant and Equipment	(5,063,906)	(783,646)
Proceeds from Sales of Marketable Equity Securities	0	3,284,974
Purchases of Marketable Equity Securities	(31,379)	(413,106)
Net Cash Provided by (Used in) Investing Activities	(5,012,285)	2,132,299
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Repayment) Borrowings on Lines of Credit	0	(800,337)
Principal Payments on Long-Term Debt	(30,113)	(28,923)
Dividends Paid	(1,679,904)	(1,306,592)
Net Cash Used in Financing Activities	(1,710,017)	(2,135,852)
NET INCREASE (DECREASE) IN CASH	(2,999,023)	2,642,091
CASH AT BEGINNING OF YEAR	3,552,237	910,146
CASH AT END OF YEAR	$ 553,214	$ 3,552,237
Supplemental Cash Flow Disclosures		
Income Taxes Paid	$ 1,240,000	$ 1,066,000
Interest Paid	$ 40,032	$ 29,968

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Windrock Land Company and its wholly owned subsidiaries, Windrock Resources, Inc. and Windrock Park, LLC (collectively referred to as the “Company”). Windrock Resources, Inc. was dissolved effective December 31, 2022. All intercompany transactions and balances have been eliminated.

Description of Business - The Company owns over 73,000 acres in East Tennessee and generates revenue from its land holdings. The Company has agreements with customers for gas and oil production and has agreements with other customers for timber harvesting. The Company generates income from these customers based on a percentage of revenues derived from the customer’s operations. The Company also has operating lease agreements with certain customers for communication tower and wind power sites. Additionally, the Company provides outdoor recreational opportunities and the operation of rental cabins, a campground, a general store, and over 300 miles of off-road trails for ATVs and other off-road vehicles.

Revenue Recognition - The Company recognizes revenue when it satisfies performance obligations as evidenced by the transfer of products or services to customers, in an amount that reflects the consideration the Company expects to be entitled to receive in exchange for those products or services.

In accordance with contract terms, revenue for timber sales, gas, and oil royalties is recognized in the period product is harvested or produced by the customer. The Company has recreational fee revenue for ATVs and other off-road vehicles through land usage permits that are issued for periods of up to one year. The revenue generated from these fees are recognized on a straight-line basis over the period of the land usage permit. Rental income is primarily derived from the short-term rental of cabins, campsites, and ATV vehicles and is recognized over the rental period. The Company owns a general store and has revenues from the sale of goods, which are recognized at the time of the sale. Revenue from the operating lease agreements for communication tower and wind power sites is recognized based on the lease payments received, which approximates the lease payments recognized on a straight-line basis over the term of the lease.

Accounts Receivable - Accounts receivable are generated from the production of gas and oil by customers or contractors who harvest timber on the Company’s property. Accounts are determined to be past due based on contractual terms. It is the Company’s policy not to require collateral on accounts receivable. Accounts are charged to bad debt expense as they are determined to be uncollectible based upon a review of aging and collections. Credit losses, when realized, have historically not been significant.

Deferred Revenue - The Company routinely receives advance gas and oil royalty payments. The Company also receives upfront payments for ATV and other off-road vehicles for land usage permits for use up to one year. The amounts for which payments received have not yet been recognized in revenue have been recorded as deferred revenue in the accompanying consolidated balance sheets.

Inventories - Inventories consist primarily of clothing, food products and supplies in the Company’s retail general store and are valued at the lower of cost or net realizable value using the average cost method.

Property, Plant and Equipment - Property, plant and equipment is recorded at cost. Maintenance and repairs are expensed as incurred, and replacements and improvements are capitalized. Depreciation is determined using the straight-line method over the estimated useful lives of the related assets.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement Plans - The Company sponsors a 401(k) retirement plan covering all eligible employees. This plan allows the Company to make a discretionary matching and profit sharing contribution. The Company made contributions of $71,768 in 2022 and $70,923 in 2021 to the plan.

Advertising Costs - Advertising costs are expensed as incurred and totaled $335,670 in 2022 and $276,294 in 2021.

Income per Share - Income per share has been computed on the average number of shares outstanding during the year.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications - Some items in the 2021 financial statements have been reclassified to conform with the 2022 financial statements.

Subsequent Events - Management has evaluated subsequent events through February 8, 2023, which is the date the consolidated financial statements were available for issuance, and has determined that there are no subsequent events that require disclosure.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash accounts with certain U.S. financial institutions. The Company may periodically have cash deposited in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. The cash accounts are insured by FDIC up to $250,000 per legal ownership.

NOTE 3 - MARKETABLE EQUITY SECURITIES AND FAIR VALUE MEASUREMENTS

FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures,* established a framework for measuring fair value, which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 Quoted prices in active markets for identical assets.

Level 2 Significant other observable inputs.

Level 3 Significant unobservable inputs.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. All of the Company's marketable equity securities are valued based on quoted market prices of identical assets on active exchanges (Level 1). The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

NOTE 3 – MARKETABLE EQUITY SECURITIES AND FAIR VALUE MEASUREMENTS (Continued)

The following table sets forth the fair value of the Company's marketable equity securities within the fair value hierarchy (all Level 1), as of December 31:

	2022	2021
Common Stocks	$ 1,648,688	$ 1,691,555
Mutual Funds	1,325,622	1,484,073
Exchange-Traded Funds	1,847,025	2,490,188
Total Marketable Equity Securities at Fair Value	$ 4,821,335	$ 5,665,816

NOTE 4 - OPERATING LEASES

The Company has operating lease agreements with customers for tower and wind power sites, which expire at various dates through 2028. These leases generally contain renewal options.

Future minimum lease payments to be received under noncancelable operating leases (with initial or remaining terms over one year) as of December 31, 2022, are as follows:

2023	$ 193,227
2024	160,378
2025	140,183
2026	121,442
2027	102,158
Thereafter	97,332
Total	$ 814,720

NOTE 5 - CARBON OFFSETS

The Company's forested land consists of acreage capable of producing carbon offsets that may be monetized under a voluntary program administered by the American Carbon Registry ("ACR").

On July 21, 2021, the Company entered into a Carbon Offset Transaction Terms Agreement ("Carbon Agreement") providing for the sale by the Company of carbon offset credits. Under the terms of the Carbon Agreement, the buyer is obligated to purchase a specified volume of carbon offset credits at an agreed-upon price, delivered over a period of five reporting cycles. During these five reporting cycles, the buyer may also purchase additional excess carbon offset credits within 180 days of the credit issuance by the ACR. After expiration of the first five reporting cycles, the buyer may purchase optional credits, also within 180 days of the credit issuance, for a period of three additional reporting cycles. If, after 180 days of issuance, the buyer does not purchase optional credits, the Company may sell them to a third party on an open trade market.

Revenues recognized from transactions under the Carbon Agreement were $2,425,278 and $0 as of December 31, 2022 and 2021, respectively, and the associated expenses were $644,175 and $0, respectively.

NOTE 6 - LINE OF CREDIT AGREEMENTS AND LONG-TERM DEBT

The Company has a demand line of credit with a financial institution for borrowings up to a maximum of $6,500,000. The credit available to the Company under the line of credit agreement may fluctuate and is determined by the financial institution based on the value of eligible collateral pledged to support the line of credit. The Company had borrowings under this line of credit of $0 outstanding as of December 31, 2022 and 2021, respectively. Borrowings under this line of credit bear interest at the LIBOR rate plus 1.25% (6.71% at December 31, 2022), with this rate subject to change at the financial institution's discretion. The line of credit is secured by the Company's marketable equity securities.

The Company previously borrowed $728,000 from a financial institution under a note payable agreement to finance the purchase of a building. The Company had $546,660 and $576,773 outstanding on this note payable as of December 31, 2022 and 2021, respectively. This note bears interest at an annual rate of 4% and is due in monthly payments through April 2026. This note is secured by the building purchased, which has a carrying amount of $790,736 as of December 31, 2022.

The Company had a revolving line of credit agreement with a financial institution providing for maximum borrowings of $1,500,000. The agreement expired on July 15, 2021 and was not renewed.

Future aggregate maturities of long-term debt are as follows at December 31, 2022:

2023	$ 31,660
2024	32,950
2025	34,292
2026	447,758
Total	$ 546,660

NOTE 7 - INCOME TAXES

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.

Significant components of the Company's net deferred income tax liabilities are as follows at December 31:

	2022	2021
Tax Over Book Depreciation	$ 208,779	$ 191,685
Unrealized Gain on Securities Available for Sale	700,533	929,440
Other	67,338	81,986
Net Deferred Tax Liabilities	$ 976,650	$ 1,203,111

NOTE 7 - INCOME TAXES (Continued)

Significant components of the provision for income tax expense (benefit) are as follows for the years ended December 31:

	2022	2021
Current:		
Federal	$ 888,083	$ 1,016,010
State	303,743	336,206
Total Current	1,191,826	1,352,216
Deferred:		
Federal	(257,483)	(62,285)
State	31,022	19,506
Total Deferred	(226,461)	(42,779)
Net Provision for Income Tax Expense	$ 965,365	$ 1,309,437

The provision for income taxes recognized differs from the amount that would result from applying federal statutory rates to income before income taxes due primarily to permanent differences and state income taxes.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Company incurred expenses of $60,000 and $80,000 for the years ended December 31, 2022 and 2021, respectively, for legal services provided by a law firm, a member of which serves as a director of the Company. The Company paid directors' fees of $184,101 and $180,511 for the years ended December 31, 2022 and 2021, respectively.

NOTE 9 - EMPLOYEE STOCK PURCHASE PLAN

Effective January 1, 2015, the Company established an employee stock purchase plan that covers all full-time employees with at least one year of employment with the Company prior to the commencement of the plan. Up to 1,000 shares were authorized under this plan which had a term of one year. Under the terms of the plan, the purchase price shall be 80% of the closing share price at specified dates, as defined. The stock purchased under this plan is subject to certain restrictions and cannot be sold unless these restrictions are satisfied and eliminated. These restrictions include stock buyback provisions, at the Company's option, if the employee terminates employment with the Company for any reason other than normal retirement, death, total disability or approved early retirement. These restrictions will be removed upon the employee attaining the age of 65 or on the fifth anniversary of the stock purchase date. All restricted stock issuances have vested and all compensation costs related to the restricted stock have been recognized.

PUGH & COMPANY, P.C.
315 NORTH CEDAR BLUFF ROAD, SUITE 200
KNOXVILLE, TENNESSEE 37923
TELEPHONE 865-769-0660
FAX 865-769-1660
www.pughcpas.com

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Windrock Land Company and Subsidiaries
Knoxville, TN

We have audited the consolidated financial statements of Windrock Land Company and its subsidiaries (the Company) as of and for the years ended December 31, 2022 and 2021 and have issued our report thereon dated February 8, 2023, which contains an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Pugh & Company, P.C.
Certified Public Accountants
Knoxville, Tennessee
February 8, 2023

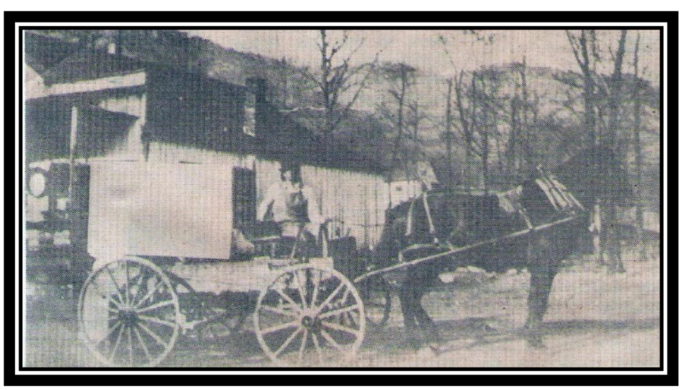
WINDROCK LAND COMPANY
AND SUBSIDIARIES

CONSOLIDATED DETAILS OF OPERATING EXPENSES

	2022	2021
Salaries	$ 2,348,005	$ 2,140,874
General Store Cost of Sales	875,531	716,003
Administration & Accounting	29,700	28,960
Advertising	335,670	276,294
Carbon Offset Credits	644,175	0
Consultant Fees	83,001	76,462
Depreciation, Amortization and Gain on Sales of Equipment	639,206	684,235
Directors' Fees and Expenses	184,101	180,511
Employee Retirement Plan	71,768	70,923
Insurance	606,344	546,575
Legal Services	60,000	82,500
Maintenance	176,333	203,195
Miscellaneous	83,666	27,254
OHV Events	311,969	11,651
Recreational Use Expense	62,555	77,289
Supplies	474,631	368,983
Taxes	559,626	559,488
Telephone	66,336	49,680
Travel	67,468	47,828
Utilities	192,810	172,192
Total Operating Expenses	$ 7,872,895	$ 6,320,897

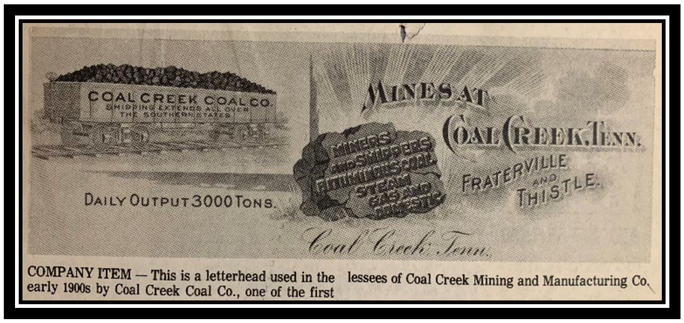
Windrock Land Company

Reservoir



Horse Drawn Carriage in Front of Store

Windrock Land Company



Letterhead from the 1900's

Former Windrock Store

Windrock Land Company

Hiking Group in Coal Cars

Upper Windrock Incline

Windrock Land Company

Coal and Coke Store

Local School Children 1950

NOTES