

# WINDROCK

— LAND CO. —

ESTABLISHED 1872

February 16, 2024

To Our Shareholders:

We are pleased to report increased revenues and earnings for 2023 as follows:

	2023	2022	Change
Revenues:	\$ 13,907,450	\$ 12,561,428	\$ 1,346,022
Earnings:	\$ 4,691,068	\$ 2,899,931	\$ 1,791,137
EPS:	\$ 50.28	\$ 31.07	\$ 19.21
EPS*:	\$ 45.79	\$ 38.11	\$ 7.68

\*(Excluding Net Unrealized Gain/Loss on Marketable Securities and related tax effects)

Regular dividends of \$12.00 per share were declared and paid to shareholders.

Construction of a new 5,000 square foot campground office and check-in facility began in December with a scheduled completion date of July 2024. This facility will include an expanded guest registration area, administrative offices and storage for furniture, equipment and supplies in connection with lodging operations.

Completion of the 31 new luxury RV sites was delayed due to equipment shortages and began being placed into service in December. Five (5) new tiny cabins located in the campground area are also placed into service during the first quarter of this year.

Recreational income continues to drive the growth of the Company as land use permits increased 6% while campground related revenues increased 13% and General Store revenues increased 36%.

Windrock Bike Park operations changed hands from Sean Leader, one of the original founders, to Aaron Gwin and his wife, Lauren. Aaron is a Red Bull sponsored professional downhill mountain bike racer and five-time World Cup overall champion who lives and trains in Oliver Springs, TN. Aaron and Lauren are completing exterior and interior work on the new Bike Park facility constructed by the Company and are expanding trail offerings to include more moderate trail options. The Bike Park offers rentals, lessons, equipment and merchandise sales along with a shuttle service to the trailheads.

Carbon Offset Credit revenue totaled \$2,982,678 in 2023.

Revenue from timber operations increased 38% to \$986,020 last year compared to \$714,955 in 2022. 3,668,041 million board feet of timber was harvested in 2023 vs. 2,213,818 million board feet harvested in 2022. While prices remain fairly stable, industry labor shortages continue to negatively impact timber harvesting.

Oil and gas revenue decreased significantly to \$318,841 due to decreased pricing.

The financial condition of the Company remains strong and management continues to actively seek new revenue streams.

At a meeting held February 15, 2024 the Board of Directors declared a quarterly dividend of \$3.00 per share and a special dividend of \$2.00 per share.

The annual shareholders' meeting will be held May 16, 2024 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, 2023 and 2022 are available for download at [www.otcmartket.com](http://www.otcmartket.com) under the disclosure section.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Lewis S. Howard, Jr.', with a long horizontal flourish extending to the right.

Lewis S. Howard, Jr.  
CEO/President

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**Knoxville, Tennessee**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2023 and 2022**



**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Windrock Land Company and its subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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, 2023 and 2022, 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.

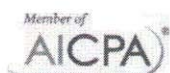
### Responsibilities of Management for the Financial Statements

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.



**TSCPA**  
 Members of the Tennessee Society  
 Of Certified Public Accountants

RSM US Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Members of RSM US Alliance have access to RSM International resources through RSM US LLP but are not member firms of RSM International.

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 12, 2024

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

	As of December 31,	2023	2022
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash		\$ 410,759	\$ 553,214
Accounts Receivable		1,029,763	154,786
Refundable Income Taxes		588,458	106,478
Prepaid Expenses		300,267	257,654
Inventories		298,418	355,409
<b>Total Current Assets</b>		<u>2,627,665</u>	<u>1,427,541</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>			
Land and Land Improvements		9,407,950	6,948,407
Building and Building Improvements		9,542,600	9,085,687
Other Equipment		2,983,023	2,464,244
		<u>21,933,573</u>	<u>18,498,338</u>
Less: Accumulated Depreciation		6,339,269	5,811,026
		<u>15,594,304</u>	<u>12,687,312</u>
Construction In Progress		850,856	1,116,927
<b>Property, Plant and Equipment, Net</b>		<u>16,445,160</u>	<u>13,804,239</u>
<b>OTHER NONCURRENT ASSETS</b>			
Marketable Equity Securities		5,733,896	4,821,335
Other Assets		4,040	8,978
<b>Total Other Noncurrent Assets</b>		<u>5,737,936</u>	<u>4,830,313</u>
<b>Total Noncurrent Assets</b>		<u>22,183,096</u>	<u>18,634,552</u>
<b>TOTAL ASSETS</b>		<u>\$ 24,810,761</u>	<u>\$ 20,062,093</u>

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

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS (Continued)**

	As of December 31,	2023	2022
		<u>2023</u>	<u>2022</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$	499,694	\$ 132,960
Lines of Credit		151,000	0
Property Taxes Payable		368,298	343,271
Other Accrued Expenses		99,973	103,937
Deferred Revenue		906,802	694,358
Current Portion of Long-Term Debt		<u>32,950</u>	<u>31,660</u>
<b>Total Current Liabilities</b>		2,058,717	1,306,186
<b>LONG-TERM LIABILITIES</b>			
Long-Term Debt, Less Current Portion		482,348	515,000
Deferred Income Taxes		<u>1,449,037</u>	<u>976,650</u>
<b>Total Liabilities</b>		<u>3,990,102</u>	<u>2,797,836</u>
<b>STOCKHOLDERS' EQUITY</b>			
Common Stock - No Par Value, \$10 Stated Value; 500,000 Shares Authorized, 93,298 and 93,328 Shares Issued and Outstanding at December 31, 2023 and 2022, respectively		932,980	933,280
Capital in Excess of Stated Value		1,378,809	1,379,252
Retained Earnings		<u>18,508,870</u>	<u>14,951,725</u>
<b>Total Stockholders' Equity</b>		<u>20,820,659</u>	<u>17,264,257</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$	<u><u>24,810,761</u></u>	\$ <u><u>20,062,093</u></u>

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

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF INCOME**

	For the Years Ended December 31,	2023	2022
<b>REVENUES</b>			
Rental Income	\$	3,058,632	\$ 2,680,717
Recreational Income		3,448,489	3,291,461
General Store Income		2,571,862	1,877,152
Carbon Offset Credits		2,982,678	2,425,278
Gas and Oil Royalties		318,841	1,087,156
Timber Sales		986,020	714,955
Tower Site Lease Income		203,074	201,968
Wind Power Site Lease Income		86,027	83,929
Miscellaneous Revenue		251,827	198,812
<b>Total Revenues</b>		13,907,450	12,561,428
<b>OPERATING EXPENSES</b>		8,920,435	7,872,895
<b>OPERATING INCOME</b>		4,987,015	4,688,533
<b>OTHER INCOME (EXPENSE)</b>			
Interest and Dividend Income		143,854	92,655
Interest Expense		(38,575)	(40,032)
Net Realized Gain (Loss) on Marketable Equity Securities		351,540	0
Net Unrealized Gain (Loss) on Marketable Equity Securities		533,744	(875,860)
<b>Total Other Income (Expense)</b>		990,563	(823,237)
<b>NET INCOME BEFORE INCOME TAXES</b>		5,977,578	3,865,296
<b>PROVISION FOR INCOME TAX EXPENSE</b>			
Current		814,123	1,191,826
Deferred		472,387	(226,461)
<b>Net Provision for Income Tax</b>		1,286,510	965,365
<b>NET INCOME</b>	\$	4,691,068	\$ 2,899,931
<b>NET INCOME PER SHARE</b>	\$	50.28	\$ 31.07

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

**WINDROCK LAND COMPANY  
SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**For the Years Ended December 31, 2023 and 2022**

	Common Stock	Capital in Excess of Stated Value	Retained Earning	Total
<b>BALANCES, January 1, 2022</b>	\$ 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)
<b>BALANCES, December 31, 2022</b>	933,280	1,379,252	14,951,725	17,264,257
Purchase and Retirement of Common Stock	(300)	(443)	(14,257)	(15,000)
Net Income	0	0	4,691,068	4,691,068
Dividends Paid	0	0	(1,119,666)	(1,119,666)
<b>BALANCES, December 31, 2023</b>	<u>\$ 932,980</u>	<u>\$ 1,378,809</u>	<u>\$ 18,508,870</u>	<u>\$ 20,820,659</u>

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

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended December 31,	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income	\$ 4,691,068	\$ 2,899,931
Adjustments to Reconcile Net Income to Net Cash		
Provided by (Used in) Operating Activities:		
Depreciation and Amortization	769,960	649,038
Net Realized (Gain) Loss on Sales of Marketable Equity Securities	(351,540)	0
Net Unrealized (Gain) Loss on Sales of Marketable Equity Securities	(533,744)	875,860
(Gain) Loss on Sales of Equipment	(14,460)	(9,832)
Deferred Income Tax Expense	472,387	(226,461)
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(874,977)	(57,732)
Refundable Income Taxes	(481,980)	(106,478)
Prepaid Expenses	(42,613)	58,236
Inventories	56,991	(133,563)
Accounts Payable and Other Accrued Expenses	367,708	29,751
Property Taxes Payable	25,027	(3,820)
Income Taxes Payable	0	(52,146)
Deferred Revenue	212,444	(199,505)
<b>Net Cash Provided by Operating Activities</b>	<u>4,296,271</u>	<u>3,723,279</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Property, Plant and Equipment	87,350	83,000
Purchases of Property, Plant and Equipment	(3,483,771)	(5,063,906)
Proceeds from Sales of Marketable Equity Securities	752,023	0
Purchases of Marketable Equity Securities	(779,300)	(31,379)
<b>Net Cash Used in Investing Activities</b>	<u>(3,423,698)</u>	<u>(5,012,285)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (Repayment) Borrowings on Lines of Credit	151,000	0
Principal Payments on Long-Term Debt	(31,362)	(30,113)
Purchase and Retirement of Common Stock	(15,000)	0
Dividends Paid	(1,119,666)	(1,679,904)
<b>Net Cash Used in Financing Activities</b>	<u>(1,015,028)</u>	<u>(1,710,017)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(142,455)	(2,999,023)
<b>CASH AT BEGINNING OF YEAR</b>	<u>553,214</u>	<u>3,552,237</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 410,759</u>	<u>\$ 553,214</u>
<b>Supplemental Cash Flow Disclosures</b>		
Income Taxes Paid	\$ 1,367,000	\$ 1,240,000
Interest Paid	\$ 38,575	\$ 40,032

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

**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2023 and 2022**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of Windrock Land Company and its wholly owned subsidiary Windrock Park, LLC (collectively referred to as the "Company"). Windrock Resources, Inc, previously a wholly owned subsidiary of Windrock Land Company, 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. 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 Plan** - 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 \$84,681 in 2023 and \$71,768 in 2022 to the plan.

**Advertising Costs** - Advertising costs are expensed as incurred and totaled \$316,948 in 2023 and \$335,670 in 2022.

**Income per Share** - Income per share has been computed on the average number of shares outstanding during the year of 93,298 and 93,328 for 2023 and 2022, respectively.

**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.

**Adoption of New Accounting Standards** - In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The FASB has also since issued several updates to ASU 2016-13. The ASU requires financial assets measured at amortized cost (including loans and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company has adopted ASU 2016-13 and management has determined that its effects on the financial statements are not material.

**Subsequent Events** - Management has evaluated subsequent events through February 12, 2024, 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:

	2023	2022
Common Stocks	\$ 1,094,570	\$ 1,648,688
Mutual Funds	1,394,959	1,325,622
Exchange-Traded Funds	3,244,367	1,847,025
Total Marketable Equity Securities at Fair Value	<u>\$ 5,733,896</u>	<u>\$ 4,821,335</u>

### 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, 2023, are as follows:

2024	\$ 188,818
2025	158,183
2026	127,442
2027	129,958
2028	127,332
Thereafter	0
Total	<u>\$ 731,733</u>

### 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 \$2,982,678 and \$2,425,278 as of December 31, 2023 and 2022, respectively, and the associated expenses were \$720,223 and \$644,175, 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 \$151,000 and \$0, outstanding as of December 31, 2023 and 2022, respectively. Borrowings under this line of credit bear interest at the LIBOR rate plus 1.25% (6.69% at December 31, 2023), 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 \$515,298 and \$546,660 outstanding on this note payable as of December 31, 2023 and 2022, 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 \$758,579 as of December 31, 2023.

Future aggregate maturities of long-term debt are as follows at December 31, 2023:

2024	\$	32,950
2025		34,292
2026		<u>448,056</u>
Total	\$	<u><u>515,298</u></u>

## 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:

	2023	2022
Tax Over Book Depreciation	\$ 731,590	\$ 208,779
Unrealized Gain on Securities Available for Sale	674,979	700,533
Other	<u>42,468</u>	<u>67,338</u>
Net Deferred Tax Liabilities	<u><u>\$ 1,449,037</u></u>	<u><u>\$ 976,650</u></u>

## NOTE 7 - INCOME TAXES (Continued)

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

	<u>2023</u>	<u>2022</u>
Current:		
Federal	\$ 607,896	\$ 888,083
State	<u>206,227</u>	<u>303,743</u>
Total Current	<u>814,123</u>	<u>1,191,826</u>
Deferred:		
Federal	385,420	(257,483)
State	<u>86,967</u>	<u>31,022</u>
Total Deferred	<u>472,387</u>	<u>(226,461)</u>
Net Provision for Income Tax Expense	<u>\$ 1,286,510</u>	<u>\$ 965,365</u>

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 \$60,000 for the years ended December 31, 2023 and 2022, 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 \$191,177 and \$184,101 for the years ended December 31, 2023 and 2022, respectively.



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## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors  
Windrock Land Company and Subsidiary  
Knoxville, TN

We have audited the consolidated financial statements of Windrock Land Company and its subsidiary (the Company) as of and for the years ended December 31, 2023 and 2022 and have issued our report thereon dated February 12, 2024, 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 12, 2024



**TSCPA**  
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Of Certified Public Accountants

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**WINDROCK LAND COMPANY  
AND SUBSIDIARY**

**CONSOLIDATED DETAILS OF OPERATING EXPENSES**

	2023	2022
Salaries	\$ 2,752,282	\$ 2,348,005
General Store Cost of Sales	1,174,157	875,531
Administration and Accounting	31,325	29,700
Advertising	316,948	335,670
Carbon Offset Credits	720,223	644,175
Consultant Fees	68,208	83,001
Depreciation, Amortization and Gain on Sales of Equipment	755,501	639,206
Directors' Fees and Expenses	191,177	184,101
Employee Retirement Plan	84,681	71,768
Insurance	654,325	606,344
Legal Services	60,000	60,000
Maintenance	180,003	176,333
Miscellaneous	47,000	83,666
OHV Events	294,686	311,969
Recreational Use Expense	55,902	62,555
Supplies	510,559	474,631
Taxes	665,057	559,626
Telephone and Internet	81,653	66,336
Travel	72,341	67,468
Utilities	204,407	192,810
Total Operating Expenses	\$ <u>8,920,435</u>	\$ <u>7,872,895</u>