

SOUTHERN REALTY CO.  
Comparative Financial Statements  
For the Years Ended  
December 31, 2023 and December 31, 2022  
Independent Auditors' Report

SOUTHERN REALTY CO.  
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# RUSSELL INGLEDEW CPA, INC.

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Southern Realty Co.  
La Jolla, California

We have audited the accompanying financial statements of Southern Realty Co. (a California corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Southern Realty Co. 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 audit in accordance with auditing standards generally accepted in the United States of America. 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 Southern Realty Co. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Southern Realty Co.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **INDEPENDENT AUDITOR'S REPORT** **(Continued)**

### **Auditor's Responsibility 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 generally accepted auditing standards 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 judgement made by a reasonable user based on the financial statements.

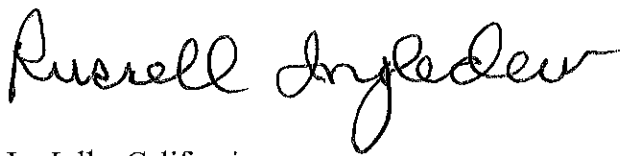
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Southern Realty Co.'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.
- Concluding whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southern Realty Co.'s ability to continue as a going concern for a reasonable period of time.

**INDEPENDENT AUDITOR'S REPORT**  
**(Continued)**

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.

A handwritten signature in black ink that reads "Russell Ingledew". The signature is written in a cursive style with a large, prominent initial "R".

La Jolla, California  
March 10, 2024

SOUTHERN REALTY CO.  
Comparative Balance Sheet  
As of December 31, 2023 and 2022

<b>ASSETS</b>		
	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 709,967	\$ 94,483
Accrued Interest Receivable	-	-
Prepaid Expenses	438	38
Prepaid Federal and State Income Tax	-	<u>23,372</u>
Total Current Assets	710,405	117,893
<b>FIXED ASSETS</b>		
Office Equipment	950	950
Less Accumulated Depreciation	<u>(712)</u>	<u>(522)</u>
Net Fixed Assets	238	428
<b>OTHER ASSETS</b>		
Investments (Note 3)	619,916	706,033
Other Assets	<u>142</u>	<u>142</u>
Net Other Assets	620,058	706,175
Total assets	<u>\$ 1,330,701</u>	<u>\$ 824,496</u>
<b>LIABILITIES AND MEMBER'S DEFICIT</b>		
	<u>2023</u>	<u>2022</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 243,421	\$ 1,478
<b>LONG TERM LIABILITIES</b>		
Deferred Income Tax	50,579	64,311
<b>STOCKHOLDERS' EQUITY</b>		
Common Stock, \$0.50 Par Value, 115,000 Shares		
Authorized, Issued and Outstanding	57,500	57,500
Additional Paid-In-Capital	172,500	172,500
Retained Earnings	<u>806,701</u>	<u>528,707</u>
Total Stockholders' Equity	1,036,701	758,707
Total Liabilities and Stockholders' Equity	<u>\$ 1,330,701</u>	<u>\$ 824,496</u>

See Accompanying Notes and Independent Accountant's Audit Report

SOUTHERN REALTY CO.  
Comparative Statement of Income  
For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>REVENUE</b>		
Solar Project Income	\$ 918,885	\$ -
Land Rent	-	300
Total Revenue	918,885	300
<b>EXPENSES</b>		
Bank and Investment Fees	324	324
Depreciation	190	190
Directors' Fees and Expenses	9,643	7,431
Dues and Subscriptions	-	-
Filing Fees - OTC Markets	5,760	5,500
Insurance	12,288	12,296
Office Expense	763	1,524
Professional Fees	16,580	28,190
Taxes and Licenses	115	228
Transfer Agent Fees	12,066	14,169
Total Expenses	57,729	69,852
<b>OTHER INCOME</b>		
Interest	21,993	1,007
Dividends	20,409	22,466
Net Unrealized Gains (Losses) on Securities (Note 2 and 4)	(19,555)	(84,400)
Net Realized Gains (Losses) on Sale of Securities	23	86,567
Total Other Income (Loss)	22,870	25,640
Net Income Before Provision for Income Tax	884,026	(43,912)
Provision for Income Taxes (Note 6)		
Current	266,793	11,323
Deferred	(5,761)	(5,090)
	261,032	6,233
<b>NET INCOME (LOSS)</b>	<b>\$ 622,994</b>	<b>\$ (50,145)</b>
Income Per Share of Common Stock	\$ 5.42	\$ (0.44)

See Accompanying Notes and Independent Accountant's Audit Report

SOUTHERN REALTY CO.  
 STATEMENTS OF STOCKHOLDERS' EQUITY  
 For the Years Ended December 31, 2023 and 2022

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Total</u>
	Shares	Amounts	Paid-In	Earnings	Stockholders'
			Capital		Equity
Balance - December 31, 2021	115,000	\$ 57,500	\$ 172,500	\$ 808,852	\$ 1,038,852
Net Loss				(50,145)	(50,145)
Dividends Paid Out				(230,000)	(230,000)
Balance - December 31, 2022	115,000	\$ 57,500	\$ 172,500	\$ 528,707	\$ 758,707
Net Income				622,994	622,994
Dividends Paid Out				(345,000)	(345,000)
Balance - December 31, 2023	115,000	<u>\$ 57,500</u>	<u>\$ 172,500</u>	<u>\$ 806,701</u>	<u>\$ 1,036,701</u>

See Accompanying Notes and Independent Accountant's Audit Report

SOUTHERN REALTY CO.  
Statement of Cash Flows  
For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (Loss) Income	\$ 622,994	\$ (50,145)
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Unrealized (Gain) Loss on Investments	26,528	42,369
 (Increase) decrease in assets:		
Accrued Interest Receivable	-	-
Depreciation	190	190
Prepaid Expenses	(400)	3,712
Prepaid Federal and State Income Tax	23,372	(11,454)
 Increase (decrease) in liabilities:		
Accounts Payable and Accrued Liabilities	241,943	(3,671)
Deferred Income Tax Liability	(13,732)	(37,597)
 Total adjustments	277,901	(6,451)
 Cash Provided (Used) by Operations	900,895	(56,596)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Securities	(175,388)	(117,969)
Proceeds from Sale of Securities	234,977	248,530
 Cash Provided (Used) by Investing activities	59,589	130,561
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends Paid Out	(345,000)	(230,000)
 Cash Provided (Used) by Financing Activities	(345,000)	(230,000)
 NET INCREASE (DECREASE) IN CASH	615,484	(156,035)
 CASH - BEGINNING OF YEAR	94,483	250,518
 CASH - END OF YEAR	\$ 709,967	\$ 94,483
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash Paid for Income Taxes	\$ -	\$ 34,695

See Accompanying Notes and Independent Accountant's Audit Report

**SOUTHERN REALTY CO.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 1 - NATURE OF BUSINESS AND OWNERSHIP SUMMARY**

Southern Realty Co. (Company) was incorporated in 1949 and holds title to nearly 40,000 gross (17,800 net) acres of oil, gas and mineral rights, most of which are located in California's Central Valley. In the past the Company leased such rights to third parties contemplating drilling for oil and gas. The Company expects that revenues related to mineral rights in the near future will come from solar projects.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Company prepares the financial statements on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

The Company considers all securities with an original maturity of three months or less to be cash equivalents, which are valued at amortized cost and approximate fair value. The Company maintains its cash in commercial banks in the United States and has no cash equivalents as of December 31, 2023.

Concentration of Credit Risk

The Company maintains its cash in a commercial bank in the United States, which is insured by the Federal Deposit Insurance Corporation (FDIC). At times and as of December 31, 2023, such cash balances may exceed the Federal Deposit Insurance Corporation limit of \$250,000. Management of the Company believes that no significant concentration of credit risk exists with respect to these cash balances due to assessment of the creditworthiness and financial viability of the respective financial institutions. December 31, 2023 cash deposits at this bank did exceed the FDIC insured limit of \$250,000.

Equipment

The Company purchased office equipment in 2020 and is stated at cost and related accumulated depreciation using the straight-line method over the estimated useful life of the assets. Depreciation expense for the years ended December 31, 2023 and December 31, 2022 were \$190 and \$190, respectively.

Revenue Recognition

Revenues for agreements waiving surface drilling rights for solar projects are recognized upon execution of the waiver agreement and payment therefor.

**SOUTHERN REALTY CO.**  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2023

Investment Valuation and Income Recognition

The Company's investments, which consist primarily of shares in common stocks are reported at fair market value, as described in Note 4.

Net realized gains or losses consists of the net realized gains or losses from executed trades. Unrealized gains or losses are presented in the statements of income, based on the increase or decrease in the current fair value of the investment.

Income Taxes

As a corporation, the Company is subject to federal and state income taxes. Deferred income taxes are recognized for temporary differences in the tax basis of assets and liabilities for financial statement and income tax reporting that arises from using different methods and periods to calculate such basis.

Provision is made for income taxes due on current taxable income and for deferred taxes on the temporary differences. Deferred assets are reduced by a valuation allowance when, in the opinion of management's, it is more likely than not that some portion of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and tax rates on the date of enactment (note 6).

The Company has not taken any unsubstantiated tax positions that would require provision of a liability under ASC (Accounting Standards Codification) 740, "Income Taxes." The Company does not believe there are any material uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties and Customer Concentrations

The Company invests in various investment securities. Investment Securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near-term and that such changes could materially affect the amounts reported in the balance sheet, statement of income, stockholders' equity and cash flow.

The Company's primary source of revenue consists of lease payments received for oil, gas, mineral rights, and surface rights. The total number of potential customers is limited and there are many market conditions that limit the number of contracts entered in to in any given year.

**SOUTHERN REALTY CO.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 3 – INVESTMENTS**

Investments, which are valued at fair market value, consist of common stocks and corporate bonds as of December 31, 2022 and 2021. Interest and dividend income for the year ended December 31, 2022 and 2021 was \$23,473 and \$26,050, respectively. Management and custodial fees incurred for the years ended December 31, 2022 and 2021 were \$300 each year, respectively. Information on market values and cost used as a basis for calculating unrealized gains and losses as of December 31, 2022 and 2021 are as follows:

	<u>As of December 31, 2023</u>		<u>As of December 31, 2022</u>	
	Cost	Market Value	Cost	Market Value
Common Stocks	\$356,767	\$560,722	\$356,808	\$587,875
Corporate Bonds	58,380	59,194	117,969	118,158
	-----	-----	-----	-----
	\$415,147	\$619,916	\$474,777	\$706,033
	=====	=====	=====	=====

**NOTE 4 – FAIR VALUE MEASUREMENT**

In accordance with ASC 820, Fair Value Measurement and disclosures, the Company's investments are reported at fair value in the accompanying balance sheet. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date.

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full-term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liability'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.

**SOUTHERN REALTY CO.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 4 – FAIR VALUE MEASUREMENT (CONTINUED)**

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy. There have been no changes in the methodologies used during the years ended December 31, 2023 and 2022.

Common Stocks: The fair value of the common stocks is based on quoted market prices for identical securities in an active market.

Corporate bonds: The fair value of the corporate bonds is based on quoted market prices for identical bonds in an active market.

The classification of investments by level within the valuation hierarchy as of December 31, 2023 and 2022 is as follows:

Assets at Fair Value Measurements as of December 31, 2023. Utilizing:

	Quote Market Price Inputs (Level 1)	Total Fair Value
Common Stocks	\$560,722	\$560,722
Corporate Bonds	59,194	59,194
	-----	-----
	\$619,916	\$619,916
	=====	=====

Assets at Fair Value Measurements as of December 31, 2022. Utilizing:

	Quote Market Price Inputs (Level 1)	Total Fair Value
Common Stocks	\$587,875	\$587,875
Corporate Bonds	118,158	118,158
	-----	-----
	\$706,033	\$ 706,033
	=====	=====

Realized gains (losses) on sales of equity investments were \$23 and \$86,567 for the year ended December 31, 2023 and 2022, respectively. Unrealized gains (losses) on investments were (\$19,555) and (\$84,400) for the years ended December 31, 2023 and 2022, respectively.

**SOUTHERN REALTY CO.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2023**

**NOTE 5 – EARNED REVENUE**

In August and September of 2023, the Company entered into two long term limited surface rights waiver agreements with Developers of solar projects. Those Developers plan to construct, install, operate, and maintain large solar farms which will capture and convert solar energy into electricity for battery storage and sale. The Company received one time only payments of \$918,885 from the Developers in 2023. Through reservations of drilling sites on each project, the Company retains the rights for exploring, developing and producing any of the minerals under the solar farms.

**NOTE 6 – INCOME TAXES**

Certain income and expense items are recognized in different time periods for financial reporting and income tax purposes. Provisions for deferred income taxes are made in recognition of these timing differences. The deferred income tax liability as of December 31, 2023 and 2022 is \$50,579 and \$64,311, respectively is calculated at Federal and state tax rates of 21% and 8.84% respectively. Total income tax expense for the years ended December 31, 2023 and December 31, 2022 was \$266,793 and \$11,323, respectively. The calculations for the deferred tax liability require the use of estimates and is subject to different tax rates from year to year.

**NOTE 7 – SUBSEQUENT EVENTS**

Company management has reviewed and evaluated the results of operations for the period of time from its year-end December 31, 2023 through March 10, 2024, the date, these financial statements were available to be issued, and have been determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.