

2021 ANNUAL REPORT

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Tree House, "Cabins at Pine Haven"

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Jeep Traveling the Tams Trail, “Burning Rock Off-Road Park”



Coalfields Expressway from Overlook, “Burning Rock Off-Road Park”



Trail Maintenance Equipment, “Burning Rock Off-Road Park”



Beaver Coal Company Limited d/b/a Beaver Property Company, Limited

**919 Conestoga Road
Suite 214, Building 3
Rosemont, PA 19010**

**354 Log Cabin Road
Beaver, WV 25813**

June 3, 2022

Limited Partners

Beaver Coal Company, Limited d/b/a Beaver Property Company, Limited

Dear Limited Partner:

We are pleased to announce that Beaver Coal Company, Limited will henceforth be doing business as (d/b/a) Beaver Property Company, Limited ("BPC"). This new name better reflects our activities as a land company as we have never mined coal as part of company operations in our 133-year history. Also, given the perceived environmental concerns about hydrocarbons, and in particular coal, we think it is an appropriate change to lessen any stigma which may be associated with that commodity. Our LP units and all legal contracts will continue to be executed in the name of Beaver Coal Company, Limited but we will be known to the public as Beaver Property Company, Limited. The change will be evidenced in our advertising and public relations, printed materials and signage, and the website.

The accounting information for 2020, which we reference herein, was restated in the audited financial statements for FYE 2021 due to our adoption of the accrual basis of accounting in 2021. In prior years, we had been using the Modified Cash Basis of Accounting. The accrual basis of accounting is a Generally Accepted Accounting Principle (GAAP) put forth by the Financial Accounting Standards Board (FASB) which is the foundation for its comprehensive set of approved accounting methods and practices for business. Adopting GAAP accounting allows our shares to be listed on public markets, which should facilitate better liquidity in our partnership units.

For 2021, the overall financial performance of Beaver Coal Company, Limited (Beaver) materially strengthened, and our financial condition remains sound. Total revenue for Beaver increased 61.7% (\$3,785,640) to \$9,921,776 for the year due to significantly increased market pricing of our lessee's activities in coal, timber, and natural gas. Beaver derives its lease revenue from royalties on commodities extracted from our property and a substantial portion of that revenue relates to the market value of such commodities. In fact, coal production volume was down in 2021 while volumes for natural gas and timber were up but not substantially. Our net income for 2021 of \$7,345,214 was 114.2% (\$3,915,838) higher than 2020. The higher net income was principally due to the strong increase in revenues, particularly coal royalties tied to the higher market price for the commodity. Overall, operating costs increased during 2021 but at a far slower pace than revenues. As a result, our income per unit in 2021 was \$295.25. For the year, we distributed \$235.00 per unit to our limited partners, or 79.6% of net income. Due to scheduled principal payments on mortgage loans, we also retired debt, equivalent to \$3.12 per unit.

During 2021, coal revenue increased 105.9% to \$6,535,226 due to higher prices for metallurgical coal extracted and shipped from the active mines by our lessees. The increase in pricing was reflective of higher demand for this essential raw material in the production of steel as the global economy recovered from the sharp contraction at the earlier height of the COVID-19 pandemic. At the same time, several factors

worldwide dampened supply. Safety challenges and flooding affected domestic mines in China; border closures between Mongolia and China, as well as strikes in the United States, also curtailed trade in the commodity. In addition, the ongoing diplomatic tensions between China and Australia interrupted supply also contributing to higher prices.

Beaver owns deposits of the highest-grade metallurgical coal used as coking coal in the production of steel, not the lower-grade variety used in power plants. Metallurgical coal sells into the more resilient steel markets. We believe coking coal (for steel) will continue to have worldwide value, although specific pricing will be affected by the long-term contracts struck by our lessees, as influenced by market pricing. Should demand remain brisk in the face of supply constraints, and if governments and banks around the world continue to limit capital available for new coal mines, including for coking coal, long term pricing for the commodity could remain high. We believe that for a number of reasons, the steel industry may pursue new “greener” technologies, such as hydrogen-based direct reduced iron, to manage their costs and allow for increased volumes of production. We believe that such a scenario is not a near term concern for Beaver, however, as the transformation of the global steel industry away from metallurgical coal is unlikely in the short term and unknown over the longer term.

Coal royalties remain the largest segment of our business (65.9% of total revenue in 2021). We have been making headway transitioning the company to obtain a larger percentage of revenue from surface leasing activities. These activities represent more predictable income streams, which we believe will help offset the effect of market price fluctuations in commodity products: metallurgical coal, timber, and natural gas.

For the year, rentals and other income increased 3.6% to \$2,685,502. This is attributable to higher occupancy and increased pricing at The Cabins at Pine Haven, increased activity and rent from Burning Rock Off Road Park, higher commercial rents from our business tenants, offset by a slight reduction in rent from residential leases. Our operating formula is to rent commercial property to businesses that will construct their own buildings, thereby simplifying our role to that of a land-lessor. Overall, rentals and other income comprise 27.1% of total revenue in 2021.

Royalties from an inactive stone quarry has been included in “Other Income” in 2021 and in prior periods because we received only a small (\$25,000) annual minimum royalty from our former tenant which chose to keep the quarry closed. We obtained a new tenant in 2019 who has succeeded in acquiring the necessary operating permits and ramping up production. As a result, in 2022 we anticipate receiving increased royalties which we will reflect in a new category of revenue, “Stone Royalties” for 2022.

Timber revenue increased 84.4% during 2021 to \$590,905 due to increased volumes extracted at significantly higher prices. This growth reverses a four-year trend of reduced timber royalties from our 2016 high of \$1,178,200. Timber, like coal, is a commodity-based revenue stream that reflects market pricing. In periods of low demand and consequent soft market pricing, we choose to limit cutting to maximize the long-term value of our timber holdings.

During 2021, we took advantage of an opportunity to purchase 675 acres of additional timber land in Nicholas County, WV at favorable pricing. The acreage is proximate to our existing operations and the initial sustainable cut will pay back almost the entirety of the investment, and we have great proximity to local sawmills. In addition to the long-term benefit of having increased timber assets, timber pricing can sometimes act as a counterbalance to the cyclical pricing in other of our commodity businesses. Timber represented 6.0% of total revenue in 2021.

Natural gas revenue grew 121.8% to \$110,143 in 2021, primarily due to higher pricing and production volume for this commodity due a market price recovery from the earlier COVID-19 pandemic. The last gas well on Beaver property was drilled in 2006 and since then, 7 wells have reached their useful life and have been plugged. At the end of 2021, we had 123 producing wells, but this number is expected to diminish over time due to more wells reaching the end of their useful life, and the fact that new wells are primarily being drilled in other areas of the country appropriate for hydraulic fracturing. Countering this trend, we have entered into agreements with a methane gas elimination firm that is flaring methane from several active coal mines thereby preventing the adverse environmental consequences of venting the gas during the coal extraction process. This activity, which generates environmentally related elimination (tax) credits will provide royalties for Beaver from the sale of those credits to third parties, starting in 2022. We will account for this as Natural Gas revenue. Overall, natural gas makes up 1.1% of Beaver's total 2021 revenue.

In terms of non-recurring items for 2021, the \$120,617 gain relates to the sale of an office building in Beckley, WV.

Operating expenses increased 8.9% to \$2,244,851 in 2021 primarily due to higher salary and benefit costs for our West Virginia personnel as well as higher insurance costs across all categories.

Through the first five months of 2022, coal revenue is significantly higher than last year due to firmer market prices and increased production by our lessees. We currently expect that full year coal revenues will be greater than in 2021, due to slightly increased aggregate production at continued high metallurgical coal prices. Concerning natural gas revenue, we feel our revenues will increase due to increases in market pricing of this commodity and the contribution of royalties related to methane elimination. Timber revenue should also increase due to a 2022 cutting plan which reflects more board feet to be cut than in 2021 at current prices including the new acreage in Nicholas County, WV. For the year, we expect revenue from our residential and business leases to increase due to the overall economic impact of the recovery from the COVID-19 pandemic. We are excited about the emergence of Stone Royalties as a new revenue category for 2022 and anticipate revenue in the low six figures for this activity. We will continue to monitor operating expenses which remain low compared with other land companies. We are very focused on maintaining our overall operating margin and are driven to provide consistent limited partner distributions.

We believe in the conservative long-term management of our commodity assets through the retention of good operators under lease to Beaver. This, combined with the prudent development of our surface property and timber holdings, will create a consistent and diversified lease income stream for the long-term benefit of our limited partners. Development, however, will not cause us to rapidly grow administrative expenses or to assume business risk which is best undertaken by tenants under lease.

At all times, we will maintain a conservative balance sheet with adequate reserves and liquidity, and limited use of borrowed money, so that all obligations will be met, and timely opportunities may be pursued. We remain committed to distributing a large percentage of net income to our partners, as we have in the past.

We are optimistic about the long-term prospects for Beaver due to our capable staff and bountiful property and look forward to a sound economy and stronger results in 2022.

Thank you for your support,

Sincerely,



William B. McNamara,
President, Beaver Management Corporation

Beaver Management Corporation

Directors:

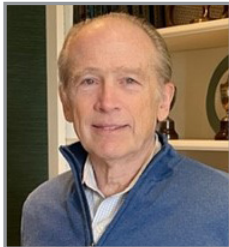
Junius S. Morgan
William C. Bullitt
William B. McNamara
Harry R. Madeira, Jr.
J. Thomas Moore
James A. Beers

Officers:

William B. McNamara, President
William C. Bullitt, Vice President and Secretary
Harry R. Madeira, Jr., Vice President and Treasurer



James A. Beers



William C. Bullitt



Harry R. "Gary" Madeira, Jr.,



William B. McNamara



Junius S. Morgan



J. Thomas Moore

BEAVER COAL COMPANY, LIMITED
Consolidated Financial Statements
December 31, 2021 and 2020
With Independent Auditor's Report

Beaver Coal Company, Limited
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December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Beaver Management Corporation and Limited Partners of Beaver Coal Company, Limited:

Opinion

We have audited the consolidated financial statements of Beaver Coal Company, Limited (the "Partnership"), which comprise the consolidated balance sheet as of December 31, 2021, and the related consolidated statements of income, equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Partnership as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Partnership 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.

Prior Period Financial Statements

We performed a compilation engagement with respect to the 2020 consolidated financial statements and our report thereon, dated September 22, 2021, stated that we did not audit or review those consolidated financial statements and, accordingly, express no opinion or other form of assurance on them.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Partnership'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Partnership'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.

WithumSmith+Brown, PC

May 23, 2022

Beaver Coal Company, Limited
Consolidated Balance Sheets
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u> (unaudited) (as restated)
Assets		
Cash and cash equivalents	\$ 3,493,842	\$ 2,092,655
Accounts receivable	1,103,952	597,789
Prepaid expenses	156,753	140,545
Unbilled rental income	261,695	201,767
Other assets	115,668	43,725
Coal lands	3,021,447	3,021,447
Property and equipment, net	<u>7,769,038</u>	<u>8,197,194</u>
	<u>\$ 15,922,395</u>	<u>\$ 14,295,122</u>
Liabilities and Partnership Capital		
Liabilities		
Note payable	\$ 591,118	\$ 668,643
Accounts payable and accrued expenses	134,477	105,872
Deferred revenue	134,209	122,794
Withholdings on distributions	<u>472,466</u>	<u>302,394</u>
Total liabilities	<u>1,332,270</u>	<u>1,199,703</u>
Partnership capital		
General partner - Beaver Management Corporation	5,000	5,000
Limited partners - 24,878 shares of interest	2,694,546	2,694,546
Undistributed earnings	<u>11,809,441</u>	<u>10,309,243</u>
Partnership capital - controlling interest	14,508,987	13,008,789
Noncontrolling interest	<u>81,138</u>	<u>86,630</u>
Total partnership capital	<u>14,590,125</u>	<u>13,095,419</u>
	<u>\$ 15,922,395</u>	<u>\$ 14,295,122</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Beaver Coal Company, Limited
Consolidated Statements of Income
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u> (unaudited) (as restated)
Revenues		
Coal royalties	\$ 6,415,226	\$ 3,164,718
Minimum rental charges from coal lessees	120,000	10,000
Gas royalties from lessees	110,143	49,668
Timber royalties	590,905	320,515
Rentals and other income	<u>2,685,502</u>	<u>2,591,235</u>
	<u>9,921,776</u>	<u>6,136,136</u>
Expenses		
Salaries and other administrative expenses, including fees paid to Beaver Management Corporation (\$225,000 in 2021 and \$229,000 in 2020)	2,049,945	1,863,232
Real property taxes, less amounts charged to lessees (\$866,107 in 2021 and \$804,832 in 2020)	<u>194,906</u>	<u>198,175</u>
	<u>2,244,851</u>	<u>2,061,407</u>
Operating income	7,676,925	4,074,729
Other income (expense)		
Depreciation and amortization	(413,710)	(427,706)
Gain (loss) on disposal of property and equipment	120,617	(175,835)
Interest expense	<u>(22,852)</u>	<u>(26,729)</u>
Consolidated net income	7,360,980	3,444,459
Income allocable to noncontrolling interest	<u>15,766</u>	<u>15,083</u>
Income allocable to controlling interest	<u>\$ 7,345,214</u>	<u>\$ 3,429,376</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Beaver Coal Company, Limited
Consolidated Statements of Equity
Years Ended December 31, 2021 and 2020

	Partnership Capital		Undistributed Earnings	Noncontrolling Interest	Total
	General Partner	Limited Partners			
January 1, 2020, unaudited, as previously reported	\$ 5,000	\$ 2,694,546	\$ 10,589,501	\$ 88,879	\$ 13,377,926
Prior period adjustments	-	-	152,098	(280)	151,818
January 1, 2020, unaudited, as restated	5,000	2,694,546	10,741,599	88,599	13,529,744
Net income, unaudited, as restated	-	-	3,429,376	15,083	3,444,459
Distributions, unaudited	-	-	(3,861,732)	(17,052)	(3,878,784)
December 31, 2020, unaudited, as restated	5,000	2,694,546	10,309,243	86,630	13,095,419
Net income	-	-	7,345,214	15,766	7,360,980
Distributions	-	-	(5,845,016)	(21,258)	(5,866,274)
December 31, 2021	\$ 5,000	\$ 2,694,546	\$ 11,809,441	\$ 81,138	\$ 14,590,125

The Notes to Consolidated Financial Statements are an integral part of these statements.

Beaver Coal Company, Limited
Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u> (unaudited) (as restated)
Operating activities		
Net income	\$ 7,360,980	\$ 3,444,459
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	413,710	427,706
(Gain) loss on disposal of property and equipment	(120,617)	175,835
Changes in operating assets and liabilities		
Accounts receivable	(506,163)	4,278
Prepaid expenses	(16,208)	(18,572)
Unbilled rental income	(59,928)	(49,950)
Accounts payable and accrued expenses	28,605	19,949
Deferred revenue	11,415	(2,549)
Withholdings on distributions	<u>170,072</u>	<u>(50,918)</u>
Net cash provided by operating activities	<u>7,281,866</u>	<u>3,950,238</u>
Investing activities		
Purchase of property and equipment	(55,590)	(116,236)
Proceeds from sale of property and equipment	185,053	-
Deposit on land purchase	<u>(66,343)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>63,120</u>	<u>(116,236)</u>
Financing activities		
Distributions to limited partners	(5,834,154)	(3,854,567)
Distributions to general partner	(10,862)	(7,165)
Capital draws by noncontrolling interest	(21,258)	(20,166)
Repayments of note payable	<u>(77,525)</u>	<u>(73,648)</u>
Net cash used in financing activities	<u>(5,943,799)</u>	<u>(3,955,546)</u>
Net change in cash and cash equivalents	1,401,187	(121,544)
Cash and cash equivalents		
Beginning of year	<u>2,092,655</u>	<u>2,214,199</u>
End of year	<u>\$ 3,493,842</u>	<u>\$ 2,092,655</u>
Supplemental disclosure of cash flow information		
Interest paid	<u>\$ 22,852</u>	<u>\$ 26,729</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Beaver Coal Company, Limited
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

1. THE PARTNERSHIP

Pursuant to the plan of liquidation of Beaver Coal Corporation as of December 29, 1967, the shareholders of the Corporation contributed assets, principally cash and coal lands, to Beaver Coal Company, Limited, a Pennsylvania limited partnership. The limited partnership agreement expired but was renewed in accordance with the agreement as of October 31, 1988 and October 31, 2009. The current limited partnership, also named Beaver Coal Company, Limited (the "Partnership"), will continue until October 31, 2030, unless previously terminated under a section of the agreement. The sole general partner of the Partnership is Beaver Management Corporation ("Beaver Management"). The Partnership derives its revenue principally from royalties and rents received from leased land located in West Virginia. The Partnership also owns an entity, Airport Road Mini-Storage, LLC, for which it has a 91% interest, for the purpose of building and maintaining mini-storage facilities. The Partnership also owns a wholly owned subsidiary, Woodlands Amenities, LLC, for the purpose of building and renting cabins and the construction of Country Club Village for the sale of residential real estate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Partnership and its majority-owned subsidiary, Airport Road Mini-Storage, LLC, and the Partnership's wholly owned subsidiary, Woodlands Amenities, LLC. All intercompany accounts and transactions have been eliminated.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Concentrations of Credit Risk

The Partnership maintains cash deposits at financial institutions located in Pennsylvania and West Virginia. These deposits may, at times, be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit or not covered by the FDIC.

Two customers accounted for 61% (41% and 20%, respectively) of the Partnership's revenues during the year ended December 31, 2021. As of December 31, 2021, two customers accounted for 81% (43% and 38%, respectively) of the Partnership's outstanding receivables.

Two customers accounted for 53% (31% and 22%, respectively) of the Partnership's revenues during the year ended December 31, 2020. As of December 31, 2020, three customers accounted for 75% (35%, 30% and 10%, respectively) of the Partnership's outstanding receivables.

Cash and Cash Equivalents

The Partnership considers all highly liquid investments with maturities of three months or less when purchased to be cash and cash equivalents.

Beaver Coal Company, Limited
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Accounts Receivable

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Customer account balances with invoices dated over 60 days old are considered delinquent. Unpaid accounts receivable do not bear interest. Accounts receivable are stated at the amount billed to the customer. Payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Management individually reviews all accounts receivable balances that exceed 90 days from invoice date and, based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. At December 31, 2021 and 2020, management has reviewed its accounts receivable balances and has determined that an allowance for doubtful accounts is not required.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Buildings	40
Property improvements	20
Machinery and office equipment	5-10
Vehicles	5

Income Taxes

The Partnership is not a taxpaying entity for federal and state income tax purposes, and thus no income tax expense has been recorded in the consolidated financial statements. Income from the Partnership is taxed to the partners in their individual or trust returns. The Partnership files a Return of Partnership Income with the U.S. federal, Pennsylvania, and West Virginia tax jurisdictions. There are no pending income tax examinations by the federal or state tax authorities. Management has evaluated the tax positions taken within its tax returns and does not believe there are any significant uncertain positions taken on the returns. There was no significant interest or penalties incurred in 2021 or 2020.

U.S. GAAP requires management to evaluate tax positions taken by the Partnership and to recognize a tax liability if the Partnership has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management evaluated the Partnership's tax positions and concluded that the Partnership had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

Advertising

Advertising costs are expensed as incurred. Total advertising expenses were \$20,363 and \$17,061 for the years ended December 31, 2021 and 2020, respectively.

Beaver Coal Company, Limited
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606). This new standard replaces all previous accounting guidance on this topic and eliminates all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine how revenue is recognized. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In doing so, companies need to use more judgement and make more estimates than under prior guidance. Judgements include identifying performance obligations in the contract, estimating the amount of consideration to include in the transaction price, and allocating the transaction price to each performance obligation.

The Partnership adopted the requirements of Topic 606 in connection with its adoption of U.S. GAAP as their basis of accounting, which applied to all new contracts initiated on or after January 1, 2020 and for all open contracts that have remaining obligations as of that date. Prior period amounts are not adjusted and continue to be reported in accordance with the modified cash basis of accounting, which was the Partnership's historical method of accounting. There was no cumulative effect adjustment to partnership capital on the date of adoption.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Partnership performs the following steps: (i) identify contracts with customers; (ii) identify performance obligation(s); (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) the Partnership satisfies each performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of accounting in Topic 606.

Beaver Coal Company, Limited derives its revenue principally from coal, gas, and timber royalties and rents received from leased land located in West Virginia. Airport Road Mini-Storage, LLC derives its revenue from rents received from mini-storage facility rentals. Woodlands Amenities, LLC derives its revenue primarily from rents received from cabin rentals.

The royalty revenue's performance obligation includes providing the lessee the right to mine and sell coal over the lease term. Revenue is recognized on a production basis by deferring the minimums until recoupment occurs through production and recognizing the excess royalties when received.

Rental revenue derived from leases is recognized upon transfer of control to the customer, which is typically upon when the customer is given the right to use the component under lease. No separate performance obligations are present within these contracts. The Partnership recognizes revenue from the lease agreements on a straight-line basis under the accrual basis of accounting. Any rental payments received prior to the rental period when earned are recorded as a liability (deferred revenue), and any rental income that is earned but not yet paid is recorded as an asset (unbilled rental income).

Pending Accounting Pronouncement

In February 2016, the FASB issued ASU 2016-02, *Leases* ("Topic 842"), which supersedes existing lease accounting standards. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The updated standard will be effective for annual reporting periods beginning after December 15, 2021. The Partnership has not yet selected a transition method and is currently evaluating the effect the updated standard will have on the consolidated financial statements.

Beaver Coal Company, Limited
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Restatement

The Partnership has restated its previously issued 2020 unaudited consolidated financial statements to reflect corrections of errors related mainly to accounts receivable, unbilled rental income and the corresponding equity, revenue, and expense accounts as shown in the table below. Prior period adjustments were also recorded at January 1, 2020 to the undistributed earnings account in the amount of \$152,098 and to the noncontrolling interest account in the amount of \$(280) to reflect corrections of errors related mainly to accounts receivable, unbilled rental income and the corresponding equity, revenue, and expense accounts as shown in the consolidated statements of equity.

The accompanying consolidated financial statements as of and for the year ended December 31, 2020 have been restated as follows to reflect the above change in basis of accounting:

<u>Account</u>	<u>2020 As Previously Reported (unaudited)</u>	<u>Adjustments</u>	<u>2020 As Restated (unaudited)</u>
Accounts receivable	\$ 537,478	\$ 60,311	\$ 597,789
Unbilled rental income	-	201,767	201,767
Undistributed earnings	10,046,885	262,358	10,309,243
Partnership capital - controlling interest	12,746,431	262,358	13,008,789
Noncontrolling interest	86,910	(280)	86,630
Rentals and other income	2,459,166	132,069	2,591,235
Salaries and other administrative expenses	1,841,423	21,809	1,863,232
Operating income	3,360,928	713,801	4,074,729
Consolidated net income	3,334,199	110,260	3,444,459
Income allocable to controlling interest	3,319,116	110,260	3,429,376

3. CASH EQUIVALENTS

At December 31, 2021 and 2020, the Partnership has invested \$49,400 and \$50,398, respectively, in uninsured money market funds which have a weighted average interest rate of less than 1%. Additionally, the Partnership has invested in a government money market mutual fund which earned dividends of \$122 and \$6,785 during the years ended December 31, 2021 and 2020, respectively. The balance was \$1,338,340 and \$1,038,218 as of December 31, 2021 and 2020, respectively.

4. COAL LANDS

The Partnership holds fee and mineral rights to approximately 40,000 acres of coal-bearing lands and additionally holds approximately 9,600 acres without coal rights in Raleigh County, West Virginia. The property is recorded at cost. Depletion of coal lands is not recognized for financial reporting purposes until such time as the carrying value of the property exceeds its estimated net realizable value.

Beaver Coal Company, Limited
Notes to Consolidated Financial Statements
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5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Buildings	\$ 5,727,676	\$ 5,851,743
Property improvements	6,694,050	6,659,873
Machinery and office equipment	773,387	771,419
Vehicles	<u>258,513</u>	<u>258,513</u>
	13,453,626	13,541,548
Less: Accumulated depreciation and amortization	<u>5,684,588</u>	<u>5,344,354</u>
	<u>\$ 7,769,038</u>	<u>\$ 8,197,194</u>

Depreciation and amortization expense was \$413,710 and \$427,706 for the years ended December 31, 2021 and 2020, respectively.

6. NOTE PAYABLE

The Partnership has a term loan outstanding that matures in August 2028. This loan bears interest at 3.75% per annum and is due in monthly installments of interest and principal of \$8,365. The term loan is secured by real estate, assignment of rents, and leases. The principal due at December 31, 2021 and 2020 was \$591,118 and \$668,643, respectively.

Maturities of the note payable for each of the next five years and thereafter are as follows:

2022	\$ 79,574
2023	82,610
2024	85,761
2025	89,033
2026	92,430
Thereafter	<u>161,710</u>
	<u>\$ 591,118</u>

7. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Noncash investing activities consisted of an increase of \$5,600 in other receivable within other assets on the consolidated balance sheet as of December 31, 2021 in connection with the sale of property during the year ended December 31, 2021.

8. COMMITMENTS

The coal leases specify minimum levels of production. If this minimum level is not achieved through production, the deficiency must be satisfied through payment of a minimum rental charge. Revenues received through production are classified as coal royalties, whereas revenues received as a result of satisfying the deficiency are classified as minimum rental charges. Subject to certain limitations, royalties paid for coal mined above the minimum levels paid in 2021 for all leases may reduce future production royalties in excess of the yearly minimum by \$1,668,344.

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Minimum rentals and royalty payments to be received from these lessees and from business and residential leases for each of the five years subsequent to December 31, 2021 are as follows:

2022	\$ 2,596,889
2023	2,663,721
2024	2,683,871
2025	2,412,551
2026	2,426,146
	<u>\$ 12,783,178</u>

9. EMPLOYEE BENEFITS

401(k) Savings Plan

The Partnership has a defined contribution 401(k) savings plan covering substantially all employees meeting, on a nondiscretionary basis, the service requirements as specified in the plan document. The Partnership, at its discretion, will match participating employees' contributions for up to the maximum allowed by Internal Revenue Service regulations. The Partnership's matching contribution was \$41,588 and \$25,374 in 2021 and 2020, respectively.

10. CONTINGENCIES

The Partnership is subject to litigation in the normal course of business; however, there is no material litigation at this time. The Partnership is of the opinion that, based on information currently available, the resolution of any such legal matters would not have a material adverse effect on the consolidated financial statements.

11. MANAGEMENT FEE

The Partnership pays management fees to Beaver Management approximately equal to the expenses disbursed by Beaver Management during the year. Management fees amounted to \$225,000 and \$229,000 for the years ended December 31, 2021 and 2020, respectively. In addition, the Partnership pays distributions to Beaver Management equal to Beaver Management's proportionate interest as general partner of Beaver Coal Company, Limited.

12. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events through May 23, 2022, which is the date the consolidated financial statements were available to be issued. Based on this evaluation, the Partnership has determined that no subsequent events have occurred, except for the below, which require disclosure in or adjustment to the consolidated financial statements.

On January 14, 2022, the Partnership purchased a parcel of land in West Virginia for a price of \$475,000 with the intention to harvest the timber on the land. As of December 31, 2021, an earnest money deposit and environmental surveying costs are recorded in other assets on the consolidated balance sheet in the amount of \$66,343 and will be included as part of the cost of the land.

LIMITED PARTNERSHIP UNIT TRANSFER: In order to transfer or re-register the unit(s) of a limited partnership interest in Beaver Coal Company, Limited, the following steps should be taken:

The reverse side (“Assignment Section”) of the original Certificate of Interest must be completed in full by the owner/assignor. Also, the signature of the assignor must be medallion guaranteed by a bank or trust company. After the Assignment Section of the Certificate of Interest is fully completed and signed by both owner/ assignor and purchaser/ assignee, the Certificate of Interest should be forwarded to Beaver Coal Company, Limited, 106 Bay Drive, Stevensville, MD 21666 for authentication and re-registration. If the assignor is not the person who is named on the face of the Certificate of Interest, such as an executor, attorney in fact, trustee, etc., please also include documentation that the assignor is authorized to sign on behalf of the assigning entity, typically an entity board resolution and/or certificate of incumbency.

Under the provisions of the Beaver Coal Company Limited Partnership Agreement, the assignment is not effective unless and until the general partner, Beaver Management Corporation, consents thereto, and the general partner has the sole right to admit or deny new limited partners. After such consent is given, a new Certificate of Interest will be issued to the assignee/purchaser and sent to their address of record.

LIMITED PARTNERSHIP UNIT PURCHASE AND SALE: Beaver Coal Company, Limited is not involved in the purchase or sale of limited partnership units. The unit holder needs to complete those transactions privately or through a securities broker. Not all brokerage firms will agree to execute a purchase and sale agreement because Beaver Coal Company, Limited is a “non-reporting” limited partnership.

If a purchase or sale is done privately, Certificate of Interest holders/sellers should set the unit price privately with the willing buyer and refer to the process outlined in the above Unit Transfer section to complete the transaction and obtain a new Certificate of Interest for the new limited partner.

For purchases or sales completed with the assistance of a securities broker, the first step is to re-register the units into the “street” name of the securities broker being used for the sale, the process for which is outlined in the above Unit Transfer section. The next step is for the seller and buyer to agree, with the broker acting as intermediary, to set a sales price, pending Certificate of Interest transfer, and re-registration into the name of the purchaser.

Once the price has been set and funds have been exchanged, the next step is for the securities broker’s authorized representative to a) complete the Assignment Section as assignor, b) have the signature medallion guaranteed, and c) for the Assignment Section to be signed by the assignee/purchaser. The Certificate of Interest will then be sent to Beaver Coal Company, Limited for authentication and re-registration into the name of the assignee. Once the units are re-registered into the name of the assignee, the transaction can be considered complete.



*Log Landing for Timber Harvesting Operation,
"Riffe Branch"*

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Clean Coal Conveyor, Affinity Mine, "Pocahontas Coal Company"