WINLAND HOLDINGS CORPORATION

A Minnesota Corporation

424 North Riverfront Drive, Suite 200, Mankato, MN 56001
(507) 625-7231
www.winland.com
investors@winland.com

SIC Code: 3823

Annual Report
For the Period Ending: December 31, 2022 **(the "Reporting Period")**

Outstanding Shares
The number of shares outstanding of our Common Stock was:

4,618,063 as of December 31, 2022

4,600,783 as of December 31, 2021

Shell Status
Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control
Indicate by check mark whether a Change in Control of the company has occurred over this reporting period:

Yes: ☐ No: ☒

1) Name and address(es) of the issuer and its predecessors (if any)

Winland Holdings Corporation
(Formerly known as Winland Electronics, Inc. Name change effective January 1, 2018.)

Issuer is a corporation incorporated in the State of Minnesota on October 18, 1972. Current standing: Active.

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors: *None.*

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months: *None.*

Issuer's principal executive office and place of business address is: 424 North Riverfront Drive, Suite 200, Mankato, MN 56001

The address(es) of the issuer's principal place of business:
☒ *Check if principal executive office and principal place of business are the same address*

Has the issuer or any of its predecessors ever been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐

2) Security Information

Transfer Agent

Name:	Computershare
Phone:	800-368-5948
Email:	web.queries@computershare.com
Address:	150 Royall Street, Canton, MA 02021

Trading symbol:	WELX	
Exact title and class of securities outstanding:	Common Stock	
CUSIP:	97424Q106	
Par or stated value:	$0.01	
Total shares authorized:	19,940,000	as of date: December 31, 2022
Total shares outstanding:	4,618,063	as of date: December 31, 2022
Total number of shareholders of record:	252	as of date: December 31, 2022

Is the Transfer Agent registered under the Exchange Act? Yes: ☒ No: ☐

Security Description:

1. For common equity, describe any dividend, voting and preemption rights.
Holders of the Company's common stock are entitled to one vote per share. Holders of the Company's common stock have identical rights. Holders of the Company's common stock will be entitled to share equally, on a per share basis, in any dividends that our Board of Directors may determine to issue from time to time.

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions. *Not applicable*

3. Describe any other material rights of common or preferred stockholders. *Not applicable*

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report. *Not applicable*

3) Issuance History

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☐ Yes: ☒ (If yes, you must complete the table below)

Number of Shares outstanding as of January 1, 2021	Opening Balance: Common: 4,504,869 Preferred: 0								
Date of Transaction	**Transaction type (e.g. new issuance, cancellation, shares returned to treasury)**	**Number of Shares Issued (or cancelled)**	**Class of Securities**	**Value of shares issued ($/per share) at Issuance**	**Were the shares issued at a discount to market price at the time of issuance? (Yes/No)**	**Individual/ Entity Shares were issued to (entities must have individual with voting / investment control disclosed).**	**Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)**	**Restricted or Unrestricted as of this filing?**	**Exemption or Registration Type?**
2/16/2021	New Issuance	26,333	Common	$4.95	No	Lorin E. Krueger	Options Exercised	Unrestricted	Securities Act Section 4(a)(2)
3/2/2021	New Issuance	17,021	Common	$4.70	No	Thomas J. Brady	Options Exercised	Unrestricted	Securities Act Section 4(a)(2)
9/8/2021	New Issuance	52,560	Common	$4.14	No	FRMO Corporation/ Steven M. Bregman	Acquisition	Restricted	Securities Act Section 4(a)(2)
3/31/2022	New Issuance	17,280	Common	$3.75	No	Thomas J. Brady	Options Exercised	Restricted	Securities Act Section 4(a)(2)
Shares Outstanding on December 31, 2022:	Ending Balance: Common: 4,618,063 Preferred: 0								

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance ($)	Principal Amount at Issuance ($)	Interest Accrued ($)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder	Reason for Issuance (e.g. Loan, Services, etc.)
____	____	____	____	____	____	____	____

4) Issuer's Business, Products and Services

Winland Holdings Corporation ("Winland" or the "Company") is the holding company for Winland Electronics, Inc. ("Winland Electronics"), Winland Capital Corporation ("Winland Capital Corp."), and Winland Mining LLC ("Winland Mining"), all wholly-owned subsidiaries of the Company. The contact information for the Company and subsidiaries is as follows:

424 North Riverfront Drive, Suite 200
Mankato, MN 56001
800-635-4269
investors@winland.com

Winland Electronics is an industry leader in critical condition monitoring devices. Products including EnviroAlert Professional, EnviroAlert, WaterBug, and TempAlert are designed in-house to monitor critical conditions and protect against loss of assets due to damage from water, excess humidity, extremes of temperature, and loss of power, among others, across industries including health and medical, grocery and food services, commercial and industrial, as well as agriculture and residential. Winland Electronics markets and sells its line of proprietary critical condition monitoring hardware and subscription service products primarily through a global network of distributors, dealers, security installers and integrators. Winland Electronics' products are compatible with any hardwired or wireless alarm system. Winland Electronics also offers a critical environment monitoring solution called INSIGHT, an automated, cloud-based platform that provides early alerting, reporting, and logging services designed to ensure regulatory compliance.

Winland Capital Corp. is the holding company for the Company's investment operations and includes wholly-owned subsidiaries Winland Credit Partners LLC ("Winland Credit") and Winland Capital Management LLC ("Winland Capital").

Winland Mining is the Company's cryptocurrency mining business and currently operates approximately 200 Bitmain S19 95 TH/S and 32 Canaan Avalon Miner 1246 90 TH/S cryptocurrency miners. Winland Mining has entered into a services agreement with Horizon Kinetics LLC to engage with cryptocurrency mining hosting facilities on Winland Mining's behalf and to support its cryptocurrency mining operations by performing certain services from time to time.

The Company continues to explore various alternatives to enhance shareholder value that utilize the expertise of management and the Board of Directors. Such alternatives may include establishing new ventures, acquiring existing businesses, and other investment opportunities, including investments in private credit, various rights to payment (including bankruptcy claims), marketable securities, and cryptocurrency-related assets.

5) Issuer's Facilities

The Company currently occupies 1,033 square feet of office space at 424 North Riverfront Drive, Suite 200, Mankato, MN, which is leased from Fisher Exchange LLC. The property is in good condition and suitable for the Company's current use. See Note 7.

6) Officers, Directors, and Control Persons

Name of Officer/Director and Control Person	Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Note
Matthew D. Houk	Chairman, Chief Executive Officer, and Chief Financial Officer	New Vernon, NJ	673,037	Common	14.6%	(1)
Thomas J. Brady	Director	Maple Grove, MN	55,799	Common	1.2%	(2)
Lorin E. Krueger	Director	Mankato, MN	120,240	Common	2.6%	(3)
Steven M. Bregman	Director	Dobbs Ferry, NY	1,435,736	Common	31.1%	(4)

1) According to Matthew D. Houk, as of December 31, 2022, he beneficially owns and has sole power to vote or to dispose of 477,799 shares. Mr. Houk shares power to vote or to dispose of 195,238 shares beneficially owned by David B. Houk. The address for Mr. Houk is c/o Horizon Kinetics LLC, 470 Park Avenue South, 4th Floor, New York, NY 10016.
2) According to Thomas J. Brady, as of December 31, 2022, he beneficially owns and has sole power to vote or to dispose of 53,644 shares. Mr. Brady shares power to vote or to dispose of 2,155 shares held by Mr. Brady's spouse.
3) According to Lorin E. Krueger, as of December 31, 2022, he beneficially owns and has sole power to vote or dispose of 120,240 shares.
4) According to Steven M. Bregman, as of December 31, 2022, 1,428,760 shares are beneficially owned by FRMO Corp., which has sole power to vote or to dispose of such shares. 6,976 shares are beneficially owned by Horizon Common, Inc., which has sole power to vote or to dispose of such shares. Mr. Bregman, President, CFO, and Director and an owner of more than 5% of FRMO Corp., is designated as the control person. Mr. Bregman, President and Director and an owner of more than 5% of Horizon Common, Inc., is designated as the control person. The address for FRMO Corp. is One North Lexington Ave., Suite 12C, White Plains, NY 10601. The address for Horizon Common, Inc. is One North Lexington Ave., Suite 12C, White Plains, NY 10601.

<u>Name of Control Person</u>
FRMO Corporation, which acquired greater than 5% of the Company's outstanding common stock on November 14, 2014. Steven M. Bregman, President, CFO, and Director and an owner of more than 5% of FRMO Corporation, is designated as the control person.

Matthew D. Houk, who acquired greater than 5% of the Company's outstanding common stock on October 9, 2012.

7) Legal/Disciplinary History

A. Please identify whether any of the persons listed above have, in the past 10 years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);
None.

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;
None.

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or
None.

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred, suspended, or otherwise limited such person's involvement in any type of business or securities activities.
None.

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.
None.

8) Third Party Providers

Please provide the name, address, telephone number and email address of each of the following outside providers:

Securities Counsel

Firm:	Fredrikson & Byron, P.A.
Nature of Services:	Counsel
Address 1:	200 South Sixth Street Suite 4000
Address 2:	Minneapolis, MN 55402-1425
Phone:	(612) 492-7000
Email:	rbrauer@fredlaw.com

Accountant or Auditor

Firm:	Baker Tilly US, LLP
Address 1:	225 South Sixth Street Suite 2300
Address 2:	Minneapolis, MN 55402-4661
Phone:	(612) 876-4500
Email:	cpa@bakertilly.com

9) Consolidated Financial Statements

A. The following consolidated financial statements were prepared in accordance with:

☒ U.S. GAAP
☐ IFRS

B. The consolidated financial statements for this reporting period were prepared by (name of individual):

Name: **Matthew D. Houk**
Title: **Chairman, CEO & CFO**
Relationship to Issuer: **Director & Officer of Issuer**
Describe the qualifications of the person or persons who prepared the financial statements: *Matthew D. Houk serves as Chief Executive Officer, Chief Financial Officer, and Chairman of the Board of Directors. He is a Portfolio Manager and Research Analyst at Horizon Kinetics LLC ("Horizon"), an investment management services firm. Mr. Houk has been with Horizon since August 2008. Mr. Houk is responsible for identifying, analyzing, and monitoring investment opportunities and portfolio companies for Horizon. Mr. Houk is also a Co-Portfolio Manager for several registered investment companies at Horizon. Previously, Mr. Houk was with Goldman, Sachs & Co., a global investment banking, securities, and investment management firm, which he joined in August 2005. Mr. Houk holds a B.A. in Economics and Political Science from Yale University. Through his work in investment management, Mr. Houk brings to the Company an ability to assess and oversee corporate and financial performance.*

INDEPENDENT AUDITORS' REPORT

To the Shareholders, Audit Committee and Board of Directors
Winland Holdings Corporation
Mankato, Minnesota

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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 Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated 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 auditors' 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 judgment 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 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 consolidated 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.

/s/ Baker Tilly US, LLP

Minneapolis, Minnesota
March 14, 2023

9) Consolidated Financial Statements (Continued)

WINLAND HOLDINGS CORPORATION
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share Data)

	December 31, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash and cash equivalents	$ 961	$ 1,492
Accounts receivable, less allowance for doubtful accounts of $8 as of both December 31, 2022 and December 31, 2021 (Note 2)	824	516
Inventories (Note 3)	615	438
Prepaid expenses and other assets	136	128
Total current assets	2,536	2,574
Property and Equipment, at cost		
Machinery and equipment	151	106
Data processing equipment	30	28
Office furniture and equipment	29	29
Cryptocurrency mining equipment	619	619
Total property and equipment	829	782
Less accumulated depreciation	527	298
Net property and equipment	302	484
Long-term investments (Note 15)	1	1
Long-term marketable securities (Note 12)	6	17
Long-term rights to payment (Note 16)	350	363
Operating lease right of use asset (Note 20)	11	19
Cryptocurrency (Note 19)	1,106	1,733
Total long-term assets	1,474	2,133
Total assets	$ 4,312	$ 5,191
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 533	$ 412
Operating lease liability (Note 20)	9	8
Accrued liabilities:		
Compensation	67	61
Other current liabilities	15	15
Total current liabilities	624	496
Long-Term Liabilities		
Operating lease liability (Note 20)	2	11
Total long-term liabilities	2	11
Total liabilities	626	507
Stockholders' Equity (Note 5)		
Common stock, par value $0.01 per share; authorized 19,940,000 shares; issued and outstanding 4,618,063 as of December 31, 2022 and 4,600,783 as of December 31, 2021	46	46
Additional paid-in capital	5,845	5,845
Accumulated deficit	(2,205)	(1,207)
Total stockholders' equity	3,686	4,684
Total liabilities and stockholders' equity	$ 4,312	$ 5,191

See Notes to Consolidated Financial Statements

9) Consolidated Financial Statements (Continued)

WINLAND HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,
(In Thousands, Except Share and Per Share Data)

	2022	2021
Net sales		
Product and services (Note 2 and 10)	**$ 3,964**	$ 4,106
Cryptocurrency (Note 19)	**882**	2,158
Total net sales	**4,846**	6,264
Cost of sales		
Product and services	**2,501**	2,629
Cryptocurrency	**637**	501
Total cost of sales	**3,138**	3,130
Gross profit	**1,708**	3,134
Operating expenses:		
General and administrative	**511**	483
Sales and marketing	**449**	394
Research and development	**560**	575
Total operating expenses	**1,520**	1,452
Operating income	**188**	1,682
Other expense (Note 13)	**(1,140)**	(200)
Income (loss) before income taxes	**(952)**	1,482
Income tax expense (Note 6)	**46**	2
Net income (loss)	**$ (998)**	$ 1,480
Income (loss) per common share data:		
Basic	**$ (0.22)**	$ 0.33
Diluted	**$ (0.22)**	$ 0.32
Weighted-average number of common shares outstanding:		
Basic	**4,613,850**	4,558,476
Diluted	**4,613,850**	4,582,402

See Notes to Consolidated Financial Statements

9) Consolidated Financial Statements (Continued)

WINLAND HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands, Except Share Data)

	Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance on December 31, 2020	**4,504,869**	**$ 45**	**$ 5,628**	**$ (2,687)**	**$ 2,986**
Issuance of stock for equipment (Note 19)	52,560	1	217	-	218
Exercise of stock options	43,354	-	-	-	-
Net income	-	-	-	1,480	1,480
Balance on December 31, 2021	**4,600,783**	**46**	**5,845**	**(1,207)**	**4,684**
Exercise of stock options	17,280	-	-	-	-
Net loss	-	-	-	(998)	(998)
Balance on December 31, 2022	**4,618,063**	**$ 46**	**$ 5,845**	**$ (2,205)**	**$ 3,686**

See Notes to Consolidated Financial Statements

9) Consolidated Financial Statements (Continued)

WINLAND HOLDINGS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands)

	2022	2021
Cash flows from operating activities		
Net income (loss)	$ (998)	$ 1,480
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	229	168
Extinguishment of PPP loan	-	(94)
Net unrealized loss (gain) from marketable securities	11	(8)
Net gain from rights to payment	(9)	(12)
Decrease in allowance for obsolete inventory	(64)	(25)
Changes in assets and liabilities:		
Accounts receivables	(286)	1
Inventories	(113)	66
Cryptocurrency	627	(1,484)
Prepaid expenses and other assets	(8)	(28)
Accounts payable	121	(92)
Unearned revenue	-	(70)
Accrued liabilities	6	(28)
Net cash used in by operating activities	(484)	(126)
Cash flows from investing activities		
Proceeds from rights to payment	-	8
Proceeds from investments	-	8
Purchases of property and equipment	(47)	(92)
Net cash used in investing activities	(47)	(76)
Net decrease in cash and cash equivalents	(531)	(202)
Cash and cash equivalents		
Beginning	1,492	1,694
Ending	$ 961	$ 1,492
Non-cash investing and financing activities:		
Issuance of common stock for equipment (Note 19)	$ -	$ 218
Extinguishment of PPP loan (Note 18)	-	94
Operating right of use asset obtained in exchange for lease obligation (Note 20)	-	24
Accounts receivable from right to payment (Note 16)	22	4

See Notes to Consolidated Financial Statements

9) Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies

Nature of Business:

Winland Holdings Corporation ("Winland" or the "Company") is the holding company for Winland Electronics, Inc. ("Winland Electronics"), Winland Capital Corporation ("Winland Capital Corp."), and Winland Mining LLC ("Winland Mining"), all wholly-owned subsidiaries of the Company.

Winland Electronics is an industry leader in critical condition monitoring devices. Products including EnviroAlert Professional, EnviroAlert, WaterBug, and TempAlert are designed in-house to monitor critical conditions and protect against loss of assets due to damage from water, excess humidity, extremes of temperature, and loss of power, among others, across industries including health and medical, grocery and food services, commercial and industrial, as well as agriculture and residential. Winland Electronics markets and sells its line of proprietary critical condition monitoring hardware and subscription service products primarily through a global network of distributors, dealers, security installers and integrators. Winland Electronics' products are compatible with any hardwired or wireless alarm system. Winland Electronics also offers a critical environment monitoring solution called INSIGHT, an automated, cloud-based platform that provides early alerting, reporting, and logging services designed to ensure regulatory compliance.

Winland Capital Corp. is the holding company for the Company's investment operations and includes wholly-owned subsidiaries Winland Credit Partners LLC ("Winland Credit") and Winland Capital Management LLC ("Winland Capital").

Winland Mining is the Company's cryptocurrency mining business and currently operates approximately 200 Bitmain S19 95 TH/S and 32 Canaan Avalon Miner 1246 90 TH/S cryptocurrency miners. Winland Mining has entered into a services agreement with Horizon Kinetics LLC to engage with cryptocurrency mining hosting facilities on Winland Mining's behalf and to support its cryptocurrency mining operations by performing certain services from time to time.

The Company continues to explore various alternatives to enhance shareholder value that utilize the expertise of management and the Board of Directors. Such alternatives may include establishing new ventures, acquiring existing businesses, and other investment opportunities, including investments in private credit, various rights to payment (including bankruptcy claims), marketable securities, and cryptocurrency-related assets.

The footnotes related to dollars are in thousands unless noted.

A summary of Winland's significant accounting policies follows:

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include allowances for obsolete inventories, warranties, valuation of long-lived assets, recoverability of rights to payment and doubtful accounts. Winland cannot assure that actual results will not differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include money market mutual funds and other highly liquid investments defined as maturities of three months or less from date of purchase. Winland maintains its cash in bank and brokerage deposit accounts which, at times, may exceed federally insured limits. Winland has not experienced any losses in such accounts.

Allowance for Doubtful Accounts: The Company generally requires no collateral from its customers with respect to trade accounts receivable. Invoices are generally due 30 days after presentation. Accounts receivable over 30 days are considered past due. No interest is charged on past due accounts. Winland evaluates its allowance for uncollectible accounts on a quarterly basis and reviews any significant customers with delinquent balances to determine future collectability. Winland bases its determinations on legal issues, past history, current financial and credit agency reports, and experience. Winland reserves for accounts deemed to be uncollectible in the year in which the determination is made. Management believes these values are estimates and may differ from actual results. Winland believes that, based on past history and credit policies, the net accounts receivable are of good quality. The Company writes off accounts receivable when they are deemed uncollectible and records recoveries of trade receivables previously written off when collected. The allowance for doubtful accounts was $8 as of both December 31, 2022 and 2021.

9) Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Inventory Valuation: Raw component and finished goods inventories are stated at the lower of cost, using the first-in, first-out (FIFO) method, or net realizable value. Winland estimates excess, slow moving and obsolete reserves for inventory on a quarterly basis based upon order demand and production requirements for its major customers and annual reviews for other customers. Management's estimated reserve for slow moving and obsolete finished goods inventories was $45 and $109 as of December 31, 2022 and 2021, respectively.

Depreciation: Depreciation is computed using the straight-line method based on the estimated useful lives of the various assets, as follows:

	Years
Machinery and equipment	5 - 7
Data processing equipment	3 - 7
Office furniture and equipment	3 - 7
Cryptocurrency mining equipment	3

Leases: The Company determines if an arrangement contains a lease at inception. The Company has elected the practical expedient to exclude short-term leases and month-to-month leases from their operating right-of-use ("ROU") assets, and operating lease liabilities in their Consolidated Balance Sheets.

Long-Lived Assets: Considerable management judgment is necessary in estimating future cash flows and other factors affecting the valuation of long-lived assets including the operating and macroeconomic factors that may affect them. The Company uses historical financial information, internal plans and projections, and industry information in making such estimates. While the Company currently believes the expected cash flows from these long-lived assets exceeds the carrying amount, materially different assumptions regarding future performance and discount rates could result in future impairment losses. Such impairment would adversely affect earnings. No impairment losses were recognized in 2022 or 2021.

Allowance for Rework and Warranty Costs: Winland provides a limited warranty for its products for a period of one year, which requires Winland to repair or replace defective product at no cost to the customer or refund the purchase price. Reserves are established based on historical experience and analysis for specific known and potential warranty issues. The reserve reflecting historical experience and potential warranty issues is determined based on experience factors including rate of return by item, average weeks outstanding from production to return, average cost of repair and relation of repair cost to original sales price. Any specific known warranty issues are considered individually. These are analyzed to determine the probability and the amount of financial exposure, and a specific reserve is established. The allowance for rework and warranty costs was $15 as of both December 31, 2022 and 2021. The product warranty liability reflects management's best estimate of probable liability under Winland's product warranties and may differ from actual results.

Income Taxes: Income taxes are accounted for in accordance with Financial Accounting Standards Board (FASB) Account Standard Codification (ASC) Topic 740 Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

9) Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

In assessing the realizability of deferred income tax assets, Winland considers whether it is "more likely than not," according to the criteria, that some portion or all of the deferred income tax assets will be realized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. In accordance with FASB ASC 740-10-25-5, Winland recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The Company recognizes interest accrued on uncertain tax positions as well as interest received from favorable tax settlements within interest expense. The Company recognizes penalties accrued on unrecognized tax benefits within general and administrative expenses.

Fair Value of Financial Instruments: The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these instruments.

Cryptocurrency: Winland Mining's primary revenue stream is related to the mining of digital currencies ("cryptocurrency"). We derive our revenue by solving "blocks" to be added to the blockchain and providing transaction verification services within the digital currency networks of cryptocurrency, commonly termed "cryptocurrency mining." In consideration for these services, we receive cryptocurrency. The cryptocurrency is recorded as revenue, using the spot price of the cryptocurrency on the date of receipt. The cryptocurrency is recorded on the balance sheet as an intangible asset valued at the lower of cost or net realizable value. Net realizable value adjustments, to adjust the value of cryptocurrency to market value, is included in other expense on our consolidated statement of operations. Further, any gain or loss on the sale of cryptocurrency would be recorded to other income or other expense. Cost of sales include hosting fees, equipment depreciation, and management fees.

There is currently no specific definitive guidance under GAAP or alternative accounting framework for the accounting for cryptocurrencies recognized as revenue or held, and management has exercised significant judgment in determining the appropriate accounting treatment. In the event authoritative guidance is enacted by the FASB, the Company may be required to change its policies, which could have an effect on the Company's consolidated financial position and results from operations.

Income per Common Share: Basic income per common share is computed by dividing the net income by the weighted-average number of common shares outstanding during the period. Diluted income per common share is computed by dividing the net income by the weighted-average number of common shares outstanding during the period, including potentially dilutive shares such as the options and warrants to purchase shares of common stock at various amounts per share (see Note 5).

For the year ended December 31, 2022, the basic loss per share was ($0.22) based on 4,613,850 shares outstanding. The diluted loss per share was ($0.22) for the year ended December 31, 2022 based on 4,613,850 shares outstanding. Potentially dilutive shares of 3,970 related to option shares outstanding were considered to be antidilutive due to the net loss for the year ended December 31, 2022.

For the year ended December 31, 2021, the basic income per share was $0.33 based on 4,558,476 shares outstanding. The diluted income per share was $0.32 for the year ended December 31, 2021 based on 4,582,402 shares outstanding, including 23,926 of dilutive options outstanding.

Revenue Recognition: See Note 10.

Employee Stock-Based Compensation Plans: At December 31, 2022, Winland had stock-based compensation plans, which are described more fully in Note 5. Winland accounts for these plans under FASB ASC Topic 718, Stock Compensation.

Advertising Expense: Advertising is expensed as incurred and was $25 and $10 for the years ended December 31, 2022 and 2021, respectively.

Research and Development Expense: The Company expenses research and development costs as incurred. Research and development expenses of $560 and $575 were charged to operations during the years ended December 31, 2022 and 2021, respectively.

9) Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Recent Accounting Pronouncements: During June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, November 2019 and March 2020, respectively, the FASB also issued ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses"; ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses"; ASU No. 2019-05 "Targeted Transition Relief"; ASU No. 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses"; and ASU No. 2020-03 "Codification Improvements to Financial Instruments." ASU No. 2018-19 clarifies the effective date for nonpublic entities and that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASU Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, and ASU Nos. 2019-11 and 2020-03 amend ASU No. 2016-13 to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its results of operations, financial position and cash flows.

Note 2. Major Customers

The Company has two customers that accounted for 10 percent (10%) or more of net sales for the years ended December 31, 2022 and 2021 as follows:

	For the Twelve Months Ended December 31,	
Sales percentage:	2022	2021
Customer A	46%	49%
Customer B	20%	19%

The Company had net receivables (as a percentage of total receivables) from the above customers as follows:

	December 31,	
Accounts receivable percentage:	2022	2021
Customer A	63%	40%
Customer B	26%	37%

Note 3. Inventories

The components of inventories were as follows, net of reserves:

	December 31, 2022	December 31, 2021
Raw materials	$ 45	$ 65
Finished goods	570	373
Total, net	$ 615	$ 438

Note 4. Revolving Credit Agreement

Winland Electronics has a revolving line of credit with BMO Harris Bank N.A. for up to $500 with no maturity date. The credit agreement bears interest at LIBOR plus 2.75% and is secured by substantially all assets of Winland Electronics. There was no outstanding balance as of December 31, 2022 or 2021. Subsequent to December 31, 2022, the interest rate was amended to 0.30% below the Prime rate, with a floor at 3.00%.

9) Consolidated Financial Statements (Continued)

Note 5. Stock-Based Awards

Stock Option Plans: As of December 31, 2022, Winland had one equity-based compensation plan, the 2013 Equity Incentive Plan, from which stock-based compensation awards can be granted to eligible employees, officers or directors. Previous to this plan, stock-based compensation awards were granted from the 2008 and 2005 Equity Incentive Plans. The plans are as follows:

2013 Equity Incentive Plan – This plan provides awards in the form of incentive stock options, nonqualified stock options, and restricted stock. Currently, this is the only plan under which awards are authorized for grant. As approved by the shareholders in May 2013, up to 350,000 shares are authorized for issuance under the plan. As of both December 31, 2022 and 2021, there were no awards under this plan. For any awards to be made under the plan, the exercise price is equal to the fair market value of Winland's common stock at the date of grant. Options generally vest over five years and have a contractual life up to ten years. Option awards provide for accelerated vesting if substantially all of Winland's assets are transferred through an acquisition, merger, reorganization or other similar change of control transaction. The Company issues new shares upon the exercise of options.

2008 Equity Incentive Plan – This plan provided grants in the form of incentive stock options, nonqualified stock options, and restricted stock. This plan was terminated as to future grants in May 2013. As of December 31, 2022 and 2021, there were 0 and 20,000 options outstanding under this plan of which 0 and 20,000, respectively are vested.

Winland uses the Black-Scholes option pricing model to estimate the fair value of stock-based awards. Winland calculates the expected life of awards using historical data to estimate option exercises and employee terminations. Expected volatility is based on daily historical fluctuations of Winland's common stock using the closing market value for the number of days of the expected term immediately preceding the grant. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant for a bond with a similar term. The dividend yield is based on the expectation that Winland will not pay dividends.

Winland receives a tax deduction for certain stock option exercises and disqualifying stock dispositions during the period the options are exercised or the stock is sold, generally for the excess of the price at which the shares are sold over the exercise prices of the options. In accordance with FASB ASC 718-10-50-1, Winland revised its presentation in the Statements of Cash Flows to report any tax benefit from the exercise of stock options as financing cash flows. For the years ended December 31, 2022 and 2021, there were no such stock option exercises and disqualifying stock dispositions. Options exercised were 20,000 and 50,000 for the years ended December 31, 2022 and 2021, respectively.

The following table represents stock option activity for the years ended December 31, 2022 and 2021:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contract Life	Aggregate Intrinsic Value
Outstanding options at January 1, 2021	70,000	$ 0.61		
Exercised	(50,000)	0.64		
Outstanding options at December 31, 2021	20,000	$ 0.51	0.5	$ 78
Exercisable at December 31, 2021	20,000	$ 0.51	0.5	$ 78
Exercised	(20,000)	0.51		
Outstanding options at December 31, 2022	-	$ -	0.0	$ -
Exercisable at December 31, 2022	-	$ -	0.0	$ -

The aggregate intrinsic value of options outstanding and options exercisable is based upon the Company's closing stock price on the last trading day of the fiscal year for the in-the-money options.

No shares vested during the years ended December 31, 2022 and 2021.

9) Consolidated Financial Statements (Continued)

Note 5. Stock-Based Awards (Continued)

At December 31, 2022, there was no unrecognized compensation cost, adjusted for estimated forfeitures, related to share-based payments.

At December 31, 2022, there were no stock options outstanding.

Note 6. Income Taxes

The statutory income tax rate reconciliation to the effective rate is as follows:

	December 31, 2022	December 31, 2021
Statutory U.S. income tax rate	21 %	21 %
Change in Valuation Allowance	(21)	(21)
Effective income tax benefit rate	- %	- %

Deferred tax assets (liabilities) consist of the following components:

	December 31, 2022	December 31, 2021
Deferred tax assets:		
Inventory	$ 10	$ 23
Allowance for doubtful accounts	2	1
Accrued expenses	11	12
Unrealized cryptocurrency loss	348	72
Net operating loss carryforward	1,457	1,618
Valuation allowance	(1,739)	(1,548)
	89	178
Deferred tax liabilities:		
Property and equipment	(60)	(100)
Marketable securities investments	-	(3)
Prepaid expenses	(12)	(8)
Investment	(17)	(67)
	(89)	(178)
Net deferred tax assets	$ -	$ -

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company records a tax valuation allowance when it is more likely than not that it will not be able to recover the value of its deferred tax assets. The tax effect of the Company’s valuation allowance for deferred tax assets is included in the annual effective tax rate. The net change in the total valuation allowance was an increase of $191 and a decrease $201 for the years ended December 31, 2022 and 2021, respectively. The full valuation allowance for deferred tax assets as of December 31, 2022 and 2021 was $1,739 and $1,548, respectively.

9) Consolidated Financial Statements (Continued)

Note 6. Income Taxes (Continued)

The Company calculates its income tax expense by estimating the annual effective tax rate and applying that rate to the year-to-date ordinary income (loss) at the end of the period. The Company provided a full valuation allowance on deferred tax assets. The Company had a tax expense of $46 on its $952 pre-tax loss for the year ended December 31, 2022. The tax expense of $46 for the year ended December 31, 2022 was a result of the Company filing separate state tax returns for subsidiaries that had taxable income. The Company had income tax expense of $2 on its $1,482 pre-tax income for the year ended December 31, 2021.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority.

The years 2019 through 2022 remain open for examination by the IRS and other state agencies.

As of December 31, 2022 and 2021, the Company recognized no interest or penalties related to uncertain tax positions.

At December 31, 2022, the Company had net operating loss carryforwards of $4,800 for federal income tax purposes and $5,209 for state income tax purposes that are available to offset future taxable income and begin to expire in the year 2031 and 2023, respectively. Effective January 1, 2018, the Company restructured into a holding company, with the operations of Winland Electronics being dropped down into a subsidiary of Winland. Additional subsidiaries were created to operate new areas of business. With the restructuring, the tax attributes related to the net operating loss carryforwards and credit carryforwards remained at the parent level with Winland. Various other tax attributes directly related to the operations of the subsidiaries were dropped down to the subsidiaries at the time of restructuring. The Company will continue utilizing the net operating loss carryforwards and credit carryforwards and will evaluate the realization of the corresponding deferred tax asset at the consolidated company level.

The Company's ability to utilize its net operating losses ("NOLs") to reduce taxable income in future years may be limited for various reasons, including if projected future taxable income is insufficient to recognize the full benefit of such NOLs prior to their expiration. Additionally, the ability to fully utilize these tax assets could also be adversely affected if the Company is deemed to have had an "ownership change" within the meaning of Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). An ownership change is generally defined as a greater than 50% increase in equity ownership by "5-percent shareholders" (as that term is defined for purposes of Section 382 of the Code) in any three-year testing period.

The Company does not anticipate any significant changes to the total amounts of unrecognized tax benefits in the next 12 months.

Note 7. Commitments and Contingencies

Operating Leases: On March 2, 2021, Winland Electronics entered into a lease agreement with Fisher Exchange LLC to lease 1,033 square feet of office space at 424 North Riverfront Drive, Suite 200, Mankato, MN. This office space will be used for the Company's operations including customer service, technical support and finance. The lease agreement expires on March 31, 2024.

Winland had a month-to-month lease, through June 30, 2021, with Nortech Systems Inc. ("Nortech") to lease 1,924 square feet of office space at 1950 Excel Drive, Mankato, MN. This office space was used for the Company's operations including customer service, technical support and finance.

Rent expense was $21 and $22 for the years ended December 31, 2022 and 2021, respectively, is included in general and administrative expenses.

On January 13, 2021, Winland Electronics and NextGen RF Design, Incorporated ("NextGen RF") entered into a Manufacturing Agreement which provides NextGen RF rights to manufacture Winland Electronics' finished goods requirements relating to specified products at a mutually agreed upon price. The Manufacturing Agreement expires on December 31, 2024.

9) Consolidated Financial Statements (Continued)

Note 8. Employee Benefit Plans

Health Savings Account: Winland has a health savings account plan for its employees who meet certain service requirements. The plan provides for Winland to make contributions equal to one-half the deductible limit elected by the employee, but not exceeding the HSA contribution limits established by the IRS. If applicable, the employee may also make contributions up to the HSA contribution limits established by the IRS. Winland makes contributions to the plan on a per payroll basis. The contributions cannot be refunded to Winland if the employee's employment with Winland is terminated voluntarily or involuntarily. Winland contributed approximately $17 and $15 to the plan for the years ended December 31, 2022 and 2021, respectively.

Note 9. Severance Expense

As part of the Company's employment agreements with certain employees, if such employees are terminated without cause, severance payments may be due to such employees. Winland made no severance payments for the years ended December 31, 2022 and 2021, respectively.

Note 10. Revenue Recognition

Revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. The Company accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Disaggregation of Revenue: The following table presents our revenues disaggregated by revenue sources of hardware, software subscription contracts and cryptocurrency.

	For the Years Ended December 31,	
	2022	2021
Hardware sales	**$ 3,658**	$ 3,837
Subscription service	**306**	269
Cryptocurrency	**882**	2,158
	$ 4,846	$ 6,264

Hardware contracts: For hardware contracts, the Company's customers submit binding purchase orders stating the items to purchase, standard price, shipping method and payment terms. The Company sets standard pricing for its hardware items and communicates them to a majority of customers. For customers who receive nonstandard pricing, pricing is determined based on customer annual sales volumes and or geographic region, typically outside of North America.

The Company recognizes revenue at a point in time as hardware is delivered to common carrier for shipment and title transfers.

Software Subscription Contracts: The Company recognizes revenue from software subscription contracts over time as the services are rendered to the customer on a daily basis. Contracts are billed at the beginning of each calendar quarter for a quarterly period with payment terms ranging from 15 to 30 days from the date of invoice.

9) Consolidated Financial Statements (Continued)

Note 10. Revenue Recognition (Continued)

Significant Judgements: The Company estimates any variable consideration at the outset of the contract (such as credits or incentives to its customers). The Company constrains (reduces) the estimates of variable consideration such that it is probable that a significant revenue reversal of previously recognized revenue will not occur over the life of a contract.

Transaction Price Allocated to Future Performance Obligations: The Company determines the allocation of the transaction price and amounts allocated to remaining performance obligations based on the standalone selling price for each distinct performance obligation in the contract. The Company generally determines standalone selling prices based on the actual prices charged to customers.

Contract balances: Unearned revenues arise when revenues are invoiced but cannot be recognized until the completion of service over time.

During 2021, the Company changed its billing cycle related to software subscription revenue to quarterly rather than annually. As a result of this, the Company has not had unearned revenue collected but not recognized as of both December 31, 2022 and 2021. The unearned revenue recorded on the Company's consolidated balance sheet as of December 31, 2020 was fully recognized during the year ended December, 31, 2021. The balance of unearned revenue at December 31, 2020 consisted of primarily of revenue invoiced related to software subscription contracts but not recognized due to the remaining performance obligations outstanding at the end of the period.

Practical Expedients and Exemptions: The Company generally expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses for the years ended December 31, 2022 and 2021, respectively.

All of the Company's software subscription contracts are short-term in nature with a contract term of one year. For those contracts, the Company utilized the practical expedient in ASC 606-10-50-14 exempting the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

Additionally, the Company's payment terms are short-term in nature with settlements of one year or less, generally Net 30 days. The Company, therefore, utilized the practical expedient in ASC 606-10-32-18 exempting the Company from adjusting the promised amount of consideration for the effects of a significant financing component given that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Sales taxes and use taxes are reported on a net basis, excluding them from sales and cost of sales. The Company has elected the practical expedient to exclude such amounts from the determination of the transaction price of contracts.

The Company has elected an accounting policy to account for shipping and handling activities that occur after the customer has obtained control of a good as an activity to fulfill the promise to transfer the good. Therefore, shipping and handling charges are excluded from the determination of the transaction price of contracts. Shipping and handling charges billed to customers are included in net sales, and shipping and handling costs incurred by the Company are included in cost of sales.

The Company has elected the accounting policy to exclude immaterial goods or services from assessment as separate performance obligations.

Cryptocurrency: The Company recognizes revenue at the time of the cryptocurrency creation (see Notes 1 and 19).

9) Consolidated Financial Statements (Continued)

Note 11. Selected Quarterly Financial Information (Unaudited)

The following tables set forth a summary of the Company's quarterly financial information for each of the four quarters ended December 31, 2022 and 2021 (in thousands except share and per share data).

	Quarter Ended			
	March 31	June 30	September 30	December 31
2022				
Net sales				
Product and services	$ 954	$ 942	$ 945	$ 1,123
Cryptocurrency	376	270	175	61
Total net sales	**1,330**	**1,212**	**1,120**	**1,184**
Cost of sales				
Product and services	641	586	572	702
Cryptocurrency	146	149	181	161
Total cost of sales	**787**	**735**	**753**	**863**
Gross profit	**543**	**477**	**367**	**321**
Operating expenses:				
General and administrative	120	133	130	128
Sales and marketing	109	133	91	116
Research and development	124	129	166	141
Total operating expenses	353	395	387	385
Operating income (loss)	**190**	**82**	**(20)**	**(64)**
Other expense	(115)	(830)	(41)	(154)
Income (loss) before income taxes	**75**	**(748)**	**(61)**	**(218)**
Income tax expense	-	-	-	46
Net income (loss)	**$ 75**	**$ (748)**	**$ (61)**	**$ (264)**
Net income per common share				
Basic	$ 0.02	$ (0.16)	$ (0.02)	$ (0.06)
Diluted	$ 0.02	$ (0.16)	$ (0.02)	$ (0.06)
Weighted-average number of common shares outstanding				
Basic	4,600,975	4,618,063	4,618,063	4,618,063
Diluted	4,618,010	4,618,063	4,618,063	4,618,063

9) Consolidated Financial Statements (Continued)

Note 11. Selected Quarterly Financial Information (Unaudited) (Continued)

	Quarter Ended			
	March 31	**June 30**	**September 30**	**December 31**
2021				
Net sales				
Product and services	$ 1,009	$ 1,034	$ 1,006	$ 1,057
Cryptocurrency	494	481	566	617
Total net sales	**1,503**	**1,515**	**1,572**	**1,674**
Cost of sales				
Product and services	584	641	661	743
Cryptocurrency	113	115	125	148
Total cost of sales	**697**	**756**	**786**	**891**
Gross profit	**806**	**759**	**786**	**783**
Operating expenses:				
General and administrative	115	126	131	111
Sales and marketing	94	104	91	105
Research and development	192	145	114	124
Total operating expenses	401	375	336	340
Operating income	**405**	**384**	**450**	**443**
Other income (expense)	96	(183)	(21)	(92)
Income before income taxes	**501**	**201**	**429**	**351**
Income tax expense	-	-	-	2
Net income	**$ 501**	**$ 201**	**$ 429**	**$ 349**
Net income per common share				
Basic	$ 0.11	$ 0.04	$ 0.09	$ 0.09
Diluted	$ 0.11	$ 0.04	$ 0.09	$ 0.08
Weighted-average number of common shares outstanding				
Basic	4,523,228	4,548,223	4,560,791	4,558,476
Diluted	4,565,374	4,566,327	4,578,348	4,582,402

Note 12. Financial Instruments

Marketable securities: The Company's marketable equity securities are carried at fair value. Realized and unrealized gains (losses) are reported in other income. The cost of securities sold is based upon the specific identification method.

Fair value measurements: The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities, which are required to be recorded at fair value, the Company considers the principal or most advantageous market in which the Company would transact and the market-based risk measurements or assumptions that market participants would use to price the asset or liability, such as risks inherent in valuation techniques, transfer restrictions, and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

9) Consolidated Financial Statements (Continued)

Note 12. Financial Instruments (Continued)

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company's valuation techniques used to measure the fair value of certain marketable equity securities were derived from quoted prices in active markets for identical assets or liabilities.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments.

Cash, cash equivalents, and marketable securities: The following table shows the Company's cash and securities' adjusted cost, gross unrealized gains, gross unrealized losses, and fair value by significant investment category recorded as cash and cash equivalents or short- or long-term marketable securities as of December 31, 2022 and 2021, respectively:

WINLAND HOLDINGS CORPORATION
CASH, CASH EQUIVALENTS, AND MARKETABLE SECURITIES
(In Thousands)

	As of December 31, 2022						
	Adjusted Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Cash and Cash Equivalents**	**Short-Term Marketable Securities**	**Long-Term Marketable Securities**
Cash	$ 961	$ -	$ -	$ 961	$ 961	$ -	$ -
Level 1:							
Investments	20	-	(14)	6	-	-	6
Total	$ 981	$ -	$ (14)	$ 967	$ 961	$ -	$ 6

	As of December 31, 2021						
	Adjusted Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**	**Cash and Cash Equivalents**	**Short-Term Marketable Securities**	**Long-Term Marketable Securities**
Cash	$ 1,492	$ -	$ -	$ 1,492	$ 1,492	$ -	$ -
Level 1:							
Investments	20	-	(3)	17	-	-	17
Total	$ 1,512	$ -	$ (3)	$ 1,509	$ 1,492	$ -	$ 17

Fair values were determined for each individual security in the investment portfolio. When evaluating an investment for other-than-temporary impairment the Company reviews factors such as the length of time and extent to which fair value has been below its cost basis, the financial condition of the issuer and any changes thereto, the Company's intent to sell, or whether it is more likely than not it will be required to sell the investment before recovery of the investment's cost basis. As of December 31, 2022, the Company does not consider any of its investments to be other-than-temporarily impaired. The balance included as a long-term marketable security has been classified as long-term as it is the company's intent to hold the investment for greater than one year, though the actual length of time that the security may be held could be different.

9) Consolidated Financial Statements (Continued)

Note 13. Other Expense

Other expense consisted of the following:

	For the Years Ended December 31, 2022	2021
Gain on extinguishment of PPP loan (Note 18)	$ -	$ 94
Dividend income (Note 15)	-	13
Interest income	3	-
Marketable securities (Note 12)	(11)	8
Rights to payment (Note 16)	9	12
Cryptocurrency (Note 19)	(1,141)	(327)
Other expense	$ (1,140)	$ (200)

Note 14. Segment Reporting

The Company reports results of operations by reportable segments, Winland Electronics, Winland Capital Corp. and Winland Mining.

WINLAND HOLDINGS CORPORATION
SEGMENT REPORTING
($ in Thousands)

	Winland Electronics	Winland Capital Corp.	Winland Mining LLC	Other	Total
Year ended December 31, 2022					
Cash	$ 312	$ 486	$ 6	$ 157	$ 961
Total assets	1,931	923	1,609	(151)	4,312
Net sales	3,964	-	882	-	4,846
Depreciation	23	-	206	-	229
Income (loss) before taxes	82	(38)	(997)	1	(952)
Income tax expense (benefit)	26	(58)	(483)	561	46
Year ended December 31, 2021					
Cash	$ 796	$ 482	$ 57	$ 157	$ 1,492
Total assets	1,986	871	2,002	332	5,191
Net sales	4,106	-	2,158	-	6,264
Depreciation	10	-	158	-	168
Income before taxes	206	-	1,275	1	1,482
Income tax expense (benefit)	(95)	30	312	(245)	2

Note 15. Investments

Winland Credit received proceeds of $0 and $8 related to investments during the years ended December 31, 2022 and 2021, respectively.

Winland Capital received dividends of $13 during the year ended December 31, 2021.

9) Consolidated Financial Statements (Continued)

Note 16. Rights to Payment

The components of rights to payment were as follows, net of any proceeds:

	December 31, 2022	December 31, 2021
Cryptocurrency-related claims	$ 350	$ 350
Trade claims	-	13
Total, net	$ 350	$ 363

Winland Credit invested $0 in rights to payment during both of the years ended December 31, 2022 and 2021. Winland Credit received payments of $0 and $8 for rights to payment during the years ended December 31, 2022 and 2021, respectively. Winland Credit had a receivable of $22 and $4 related to rights to payment as of December 31, 2022 and 2021, respectively. Winland Credit recognized a gain of $9 and $12 for the years ended December 31, 2022 and 2021, respectively. The Company believes all rights to payment are collectible as of December 31, 2022.

Note 17. Related Party Transactions

In August 2019, Winland Credit entered into a management agreement with 507 Capital LLC ("507"). 507 is an investment firm owned and operated by Thomas Braziel, formerly a member of the Company's Board of Directors. 507 is entitled to an annual management fee of 1.5% of the aggregate amount of certain investments made by Winland Credit. In addition to the annual management fee, 507 is entitled to a performance fee of 20.0% of any excess profit of certain investments made by Winland Credit (as defined in the agreement). The term will be renewed automatically on an annual basis. Winland Credit incurred fees of $4 for both of the years ended December 31, 2022 and 2021, of which $3 and $4 were included in accounts payable as of December 31, 2022 and 2021, respectively.

In June 2020, Winland Mining entered into a services agreement with Horizon Kinetics LLC ("HK"). HK is an investment firm owned and operated by Steven Bregman, among others. Mr. Bregman is a member of the Company's Board of Directors. HK is the employer of Matthew Houk, Co-Chief Manager and Chief Financial Officer of Winland Mining, Chief Executive Officer and Chief Financial Officer of the Company, and Chairman of the Company's Board of Directors. HK is entitled to a quarterly management fee of $3. The services agreement shall continue unless terminated by either party upon 30 days' prior written notice. Winland Mining incurred fees of $12 for both of the years ended December 31, 2022 and 2021, of which $6 and $3 was included in accounts payable as of December 31, 2022 and 2021, respectively.

Note 18. Note Payable

In April 2020, Winland Electronics applied for and was approved for a loan pursuant to the Paycheck Protection Program ("PPP"), administered by the U.S. Small Business Administration. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The Company received the loan proceeds on April 17, 2020. The principal amount of the loan was $94 and there is no collateral or guarantee requirements. On March 25, 2021, Winland Electronics was granted full forgiveness of $94 for the PPP loan from the U.S. Small Business Administration which has been recorded in other income (expense) on the Company's consolidated statement of operations for the year ended December 31, 2021. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

9) Consolidated Financial Statements (Continued)

Note 19. Winland Mining LLC

On June 23, 2020, the Company, through its wholly-owned subsidiary Winland Mining, acquired 200 Bitmain S19 95 TH/S cryptocurrency miners from FRMO Corporation in exchange for 574,000 shares of the Company's common stock. In connection with its acquisition of cryptocurrency mining equipment, Winland Mining entered into a services agreement with Horizon Kinetics LLC to engage with cryptocurrency mining hosting facilities on Winland Mining's behalf and to support its cryptocurrency mining operations by performing certain services from time to time. Winland Mining began operating its cryptocurrency mining equipment in July 2020.

On September 1, 2020, the Company, through its wholly-owned subsidiary Winland Mining, acquired cash and cryptocurrencies of Horatio Mining LLC, a privately-held cryptocurrency mining company, from FRMO Corporation in exchange for 136,419 shares of the Company's common stock.

On September 8, 2021, the Company, through its wholly-owned subsidiary Winland Mining, acquired 32 Canaan AvalonMiner 1246 90 TH/S cryptocurrency miners from FRMO Corporation in exchange for 52,560 shares of the Company's common stock.

As of December, 2022 and 2021, Winland Mining owned 71 and 56 Bitcoins with a cost (determined as the lower of cost or net realizable value) of $1,103 and $1,733, respectively. During the years ended December 31, 2022 and 2021, Winland Mining recorded a net realizable value adjustment of ($1,141) and ($327), which has been included in other expense on the condensed consolidated statements of operations. Bitcoin had a market price of $17 per Bitcoin as of December 31, 2022. As of December 31, 2022, Winland Mining owned other cryptocurrency with a cost (determined as the lower of cost or net realizable value) of $3.

Note 20. Right of Use Asset and Operating Lease Liability

On March 2, 2021, Winland Electronics entered into a lease agreement with Fisher Exchange LLC to lease 1,033 square feet of office space at 424 North Riverfront Drive, Suite 200, Mankato, MN. This office space will be used for the Company's operations including customer service, technical support, and finance. The lease agreement expires on March 31, 2024. As a result of entering into this lease, Winland Electronics has recorded an operating lease right of use asset and an operating lease liability of $11 and $19 as of December 31, 2022 and 2021, respectively.

Note 21. Subsequent Events

The Company has evaluated subsequent events through March 14, 2023, the date the consolidated financial statements were issued for events requiring adjustment to or disclosure in the consolidated financial statements.

10) Issuer Certification

Principal Executive Officer & Principal Financial Officer:

I, Matthew D. Houk, certify that:

1. I have reviewed this Disclosure Statement for Winland Holdings Corporation;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

March 14, 2023
/s/ Matthew D. Houk
Chairman, Chief Executive Officer, Chief Financial Officer