

Rowan Water, Inc.  
Basic Financial Statements  
For the Years Ended December 31, 2025 and 2024



Millhuff-Stang, CPA, Inc.  
8841 Ohio River Road, Wheelersburg, Ohio 45694 / Phone: 740.876.8548  
45 West Second Street, Suite D, Chillicothe, Ohio 45601 / Phone: 740.851.4978  
Fax: 888.876.8549  
[natalie@millhuffstangcpa.com](mailto:natalie@millhuffstangcpa.com) / [roush@millhuffstangcpa.com](mailto:roush@millhuffstangcpa.com)  
[www.millhuffstangcpa.com](http://www.millhuffstangcpa.com)

**Rowan Water, Inc.**  
*Table of Contents*  
*For the Years Ended December 31, 2025 and 2024*

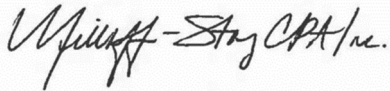
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<u>Title</u>	<u>Page</u>
Independent Accountant’s Compilation Report .....	1
Statements of Financial Position .....	4
Statements of Activities .....	6
Statements of Functional Expenses .....	7
Statements of Cash Flows .....	9
Notes to the Financial Statements .....	10

**Independent Accountant's Compilation Report**

Members of the Board  
Rowan Water, Inc.  
1765 Christy Creek  
Morehead, Kentucky 40351

Management is responsible for the accompanying financial statements of Rowan Water, Inc. (a not-for-profit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements, nor were we required to perform any procedures to verify the accuracy or the completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.



Millhuff-Stang, CPA, Inc.  
Chillicothe, Ohio

March 30, 2026

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**Rowan Water, Inc.**  
*Statements of Financial Position*  
*As of December 31, 2025 and December 31, 2024*

	2025	2024
Assets:		
Current Assets		
Cash and cash equivalents	\$1,023,857	\$849,877
Accounts receivable customers (net of allowances for uncollectibles of \$46,120 and \$43,096, respectively)	572,546	490,368
Grants receivable	69,723	188,473
Inventory	295,023	226,889
Total current assets	1,961,149	1,755,607
Other Assets		
Restricted cash	425,863	460,908
Utility deposits	1,415	1,415
Total other assets	427,278	462,323
Property, Plant and Equipment		
Land and land rights	228,215	228,215
Building	928,526	899,538
Pumping plant	2,650,922	1,196,821
Transmission and distribution lines	20,393,143	19,993,502
Office furniture, fixtures and equipment	92,653	72,473
Machinery and equipment	1,042,090	1,035,029
Construction work in progress	313,830	1,440,834
	25,649,379	24,866,412
Less: accumulated depreciation	(13,005,629)	(12,359,516)
Property, plant and equipment (net)	12,643,750	12,506,896
Total assets	\$15,032,177	\$14,724,826

(continued)

See accompanying notes to the financial statements.  
See independent accountant's compilation report.

**Rowan Water, Inc.**  
*Statements of Financial Position (Continued)*  
*As of December 31, 2025 and December 31, 2024*

	2025	Restated 2024
Liabilities and Net Assets:		
Current Liabilities		
Accounts payable	\$488,469	\$313,699
Contracts payable	129,723	188,473
Accrued interest payable	79,303	73,606
Other accrued expenses	144,198	142,143
Customer deposits	128,630	126,070
Current portion of finance leases	39,289	29,837
Current portion of long-term debt	254,623	256,088
Total current liabilities	1,264,235	1,129,916
Long-Term Debt		
Finance leases, less current portion	74,683	72,421
Notes and bonds payable, less current portion	6,011,960	6,257,677
Total liabilities	7,350,878	7,460,014
Net Assets		
Without donor restrictions	7,681,299	7,264,812
Total net assets	7,681,299	7,264,812
Total liabilities and net assets	\$15,032,177	\$14,724,826

See accompanying notes to the financial statements.  
See independent accountant's compilation report.

**Rowan Water, Inc.**  
*Statements of Activities*  
For the Years Ended December 31, 2025 and December 31, 2024

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
<b>Changes in Net Assets:</b>				
Revenues, gains and other support:				
Water sales	\$4,766,801	\$0	\$4,766,801	\$4,227,601
Federal grants in aid of construction	0	534,551	534,551	320,834
Other grants in aid of construction	0	0	0	996,879
Interest income	151,589	0	151,589	38,036
Miscellaneous	176,606	0	176,606	169,961
Gain on disposal of assets	0	0	0	67,501
Support provided by expiring purpose restrictions	534,551	(534,551)	0	0
Total revenues, gains and other support	5,629,547	0	5,629,547	5,820,812
Expenses:				
Program services				
Supply operations	2,197,539	0	2,197,539	1,578,072
Transmission and distribution	2,045,282	0	2,045,282	1,715,275
Total program expenses	4,242,821	0	4,242,821	3,293,347
Supporting services				
Administration and general	970,239	0	970,239	889,122
Total expenses	5,213,060	0	5,213,060	4,182,469
Change in net assets	416,487	0	416,487	1,638,343
Net assets, beginning of year - restated	7,264,812	0	7,264,812	5,626,469
Net assets, end of year	<u>\$7,681,299</u>	<u>\$0</u>	<u>\$7,681,299</u>	<u>\$7,264,812</u>

See accompanying notes to the financial statements.  
See independent accountant's compilation report.

**Rowan Water, Inc.**  
*Statement of Functional Expenses*  
For the Year Ended December 31, 2025

	Program Services			Supporting Services	
	Supply Operations	Transmission & Distribution	Total	Administration & General	Total Expenses
Salaries-employees	\$0	\$437,147	\$437,147	\$279,488	\$716,635
Board member fees	0	0	0	27,208	27,208
Employee retirement and benefits	0	213,834	213,834	136,714	350,548
Payroll tax expense	0	38,130	38,130	24,378	62,508
Purchased water	2,197,539	0	2,197,539	0	2,197,539
Purchased power	0	200,290	200,290	0	200,290
Materials and supplies	0	214,122	214,122	21,970	236,092
Contractual services-accounting	0	0	0	37,050	37,050
Contractual services-water	0	19,177	19,177	0	19,177
Contractual services-other	0	58,515	58,515	0	58,515
Transportation expenses	0	81,179	81,179	0	81,179
Insurance	0	0	0	68,646	68,646
Bad debt expense	0	0	0	26,117	26,117
Miscellaneous expenses	0	52,996	52,996	141,494	194,490
Interest expense	0	0	0	192,461	192,461
Depreciation expense	0	720,921	720,921	14,713	735,634
Loss on disposal of assets	0	8,971	8,971	0	8,971
	<u>\$2,197,539</u>	<u>\$2,045,282</u>	<u>\$4,242,821</u>	<u>\$970,239</u>	<u>\$5,213,060</u>

See accompanying notes to the financial statements.  
See independent accountant's compilation report.

**Rowan Water, Inc.**  
*Statement of Functional Expenses*  
For the Year Ended December 31, 2024

	Program Services			Supporting Services	
	Supply Operations	Transmission & Distribution	Total	Administration & General	Total Expenses
Salaries-employees	\$0	\$396,950	\$396,950	\$253,788	\$650,738
Board member fees	0	0	0	28,808	28,808
Employee retirement and benefits	0	195,281	195,281	124,851	320,132
Payroll tax expense	0	26,128	26,128	16,704	42,832
Purchased water	1,578,072	0	1,578,072	0	1,578,072
Purchased power	0	159,107	159,107	0	159,107
Materials and supplies	0	173,634	173,634	15,897	189,531
Contractual services-accounting	0	0	0	59,139	59,139
Contractual services-water	0	18,831	18,831	0	18,831
Contractual services-other	0	24,339	24,339	0	24,339
Transportation expenses	0	51,035	51,035	0	51,035
Insurance	0	0	0	59,075	59,075
Bad debt expense	0	0	0	22,253	22,253
Miscellaneous expenses	0	30,523	30,523	122,348	152,871
Interest expense	0	0	0	173,209	173,209
Depreciation expense	0	639,447	639,447	13,050	652,497
	\$1,578,072	\$1,715,275	\$3,293,347	\$889,122	\$4,182,469

See accompanying notes to the financial statements.

See independent accountant's compilation report.

**Rowan Water, Inc.**  
*Statements of Cash Flows*  
For the Years Ended December 31, 2025 and December 31, 2024

	2025	2024
Cash flows from operating activities		
Cash received from customers	\$4,661,066	\$4,135,635
Cash received from other receipts	176,606	169,961
Cash payments for personal services	(1,154,844)	(1,038,886)
Cash payments for contractual services, supplies and materials	(2,791,852)	(2,121,664)
Cash payments for other expenses	(194,490)	(152,871)
Net cash provided by operating activities	696,486	992,175
Cash flows from investing activities		
Purchases of plant and equipment	(896,443)	(2,494,391)
Interest income received	151,589	38,036
Net cash used in investing activities	(744,854)	(2,456,355)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	0	1,120,000
Proceeds from interim financing	0	814,051
Principal payments on long-term debt	(279,234)	(1,087,154)
Interest paid on long-term debt	(186,764)	(167,922)
Capital contributions - federal grants in aid of construction	653,301	1,129,240
Net cash provided by financing activities	187,303	1,808,215
Net change in cash and cash equivalents	138,935	344,035
Cash and cash equivalents, beginning of year	1,310,785	966,750
Cash and cash equivalents, end of year	\$1,449,720	\$1,310,785

**Noncash Transactions**

Vehicle acquisitions under finance leases	\$86,258	\$189,282
Inception of finance lease for vehicle purchases	(43,765)	(101,051)
Trade in value on disposed automotive equipment	53,000	77,003

See accompanying notes to the financial statements.  
See independent accountant's compilation report.

**Rowan Water, Inc.**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2025 and 2024*

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**Note 1 – Description of the Organization**

Rowan Water, Inc. (the Company) was established in 1968 to serve customers outside the city limits of Morehead, Kentucky. The Company started with a couple hundred customers and has now grown to over 7,500 customers. The Company serves Rowan, Carter, Elliot, Morgan and Fleming Counties. Rowan Water also sells water to Olive Hill and Fleming Water. The Company is a non-profit corporation with no political affiliation. The Company has 12 employees. The Company has over 700 miles of water line in the ground to maintain. The Company has 11 tanks and 12 pump stations.

**Note 2 – Summary of Significant Accounting Policies**

The Company prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Company are described subsequently to enhance the usefulness and understandability of the financial statements.

**Basis of Accounting**

The Company prepares its financial statements using the accrual basis of accounting and accounting principles generally accepted in the United States of America.

**Use of Estimates**

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

**Net Assets**

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the Company, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Company must continue to use the resources in accordance with the donor's instructions.

An organization's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds and its beneficial interest in a perpetual charitable trust held by a bank trustee.

**Rowan Water, Inc.**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2025 and 2024*

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When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Company, unless the donor provides more specific directions about the period of its use.

Net assets with donor restrictions are further discussed in note 5.

### **Classification of Transactions**

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Company considers unrestricted cash and all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

### **Restricted Cash and Cash Equivalents**

The Company is required to disclose limits on certain assets due to external restrictions or contractual requirements. The Company reports restricted cash balances of \$301,898 and \$342,023 at December 31, 2025 and 2024, respectively, which represents cash reserves required by debt covenants. The Company also reports restricted cash balances of \$123,965 and \$118,885 at December 31, 2025 and 2024, respectively, which represents sinking fund contributions required by debt covenants.

### **Accounts Receivable**

Accounts receivable are primarily amounts owed on December billings, including delinquencies from previous months. This balance has been reported net of an allowance for uncollectible accounts, estimated based on past experience.

### **Inventory**

Inventory is stated at the lower of cost or market using the first-in, first-out (FIFO) method.

### **Plant, Property, and Equipment**

Utility plant is stated at original cost, net of contributions, which is the cost when first dedicated to public service. Such costs include applicable supervisory and overhead costs. All other fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Company maintains a capitalization threshold of five thousand dollars for all items added to the utility plant with an estimated useful life of three or more years.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to the utility plant. The Company capitalizes labor on certain capitalized assets constructed by the Company. The amounts capitalized for 2025 and 2024 are \$5,715 and \$5,723, respectively.

**Rowan Water, Inc.**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2025 and 2024

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Provisions for depreciation have been made on the basis of estimated lives of assets, using the straight-line method. Depreciable lives for the various assets are as follows:

Building	45 Years
Pumping plant	10-25 Years
Transmission and distribution	10-50 Years
Furniture and fixtures	5-10 Years
Equipment	3-7 Years

Interest incurred during construction periods on funds used to finance construction of capital assets is capitalized as part of the cost of those assets. Interest capitalized in 2025 and 2024 was \$0.

**Grant Revenue**

Federal grants in aid of construction consist of federal grants for the construction of water mains to serve customers. The Company capitalizes the costs of such mains. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Company's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the organization. The Company reported \$534,551 and \$320,834 in federal grant funds in 2025 and 2024, respectively.

**Expense Recognition and Allocation**

The cost of providing the Company's programs and activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Company.

**Income Tax Status**

The Company is exempt from Federal income taxes under Section 501(c)(12) of the Internal Revenue Code of 1954; accordingly, the accompanying financial statements include no provision for such taxes.

**Note 3 – Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2025 are:

Financial assets:	
Cash and cash equivalents	\$1,449,720
Accounts and grants receivable	642,269
Utility deposits	1,415
Total financial assets	2,093,404
Less financial assets held to meet donor-imposed restrictions:	
USDA grant receivable	69,723
Less contractually-required funds:	
Cash restricted for debt covenants and sinking fund obligations	425,863
Amount available for general expenditures within one year	\$1,597,818

**Rowan Water, Inc.**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2025 and 2024

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Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2024 are:

Financial assets:	
Cash and cash equivalents	\$1,310,785
Accounts and grants receivable	678,841
Utility deposits	1,415
Total financial assets	1,991,041
Less financial assets held to meet donor-imposed restrictions:	
USDA grant receivable	188,473
Less contractually-required funds:	
Cash restricted for debt covenants and sinking fund obligations	460,908
Amount available for general expenditures within one year	\$1,341,660

The above tables reflect donor-restricted and contractually-restricted funds as unavailable because the Company is required to separately hold these funds to be used for specific construction projects or for the set-aside of debt reserves and sinking fund contributions required by debt covenants. As part of the Company’s liquidity management plan, the Company holds all unrestricted cash in demand deposit accounts.

**Note 4 – Bank Deposits**

The Company maintains bank accounts at US Bank and Morehead Community Federal Credit Union. Accounts at these institutions are insured up to \$250,000 per bank. As of December 31, 2025 and 2024, the Company’s bank balances were \$1,451,449 and \$1,331,643, respectively, of which \$615,890 and \$602,541, respectively, was insured by the banks. The remaining balances were not insured.

**Note 5 – Net Assets With Donor Restrictions**

At December 31, 2025 and 2024, the Company held no net assets with donor restrictions.

**Note 6 – Group Concentration of Credit Risk**

The Company is located in Morehead, Kentucky. Its service area includes portions of several counties surrounding the City. The Company requires a deposit from its members when services are provided to rental property. Such deposits are applied to unpaid bills in the event of default.

**Note 7 – Commitments**

Under its wholesale water agreement, the Company is committed to purchase its water from another local utility. The rates paid for such purchases are subject to review and revision. The Company has also entered into a long-term water resale contract with a local water district whereby the Company is committed to provide water, as provided in the contract, to the district over the next 25 years.

**Rowan Water, Inc.**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2025 and 2024*

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**Note 8 – Long-Term Debt and Capital Lease Obligations**

**Long-Term Debt**

Long-term debt at December 31, 2025 and 2024 consisted of:

	2025	Restated 2024
4.125% secured promissory note dated October 24, 2007, due to USDA, Rural Development 40 years from the date of this note with annual installments of \$31,076, including interest, until maturity.	\$450,232	\$462,688
2.75% secured promissory note to USDA, Rural Development dated July 11, 2012, due 40 years from the date of this note with annual installments of \$18,596, including interest, maturing July 2052.	751,468	770,091
2.75% secured promissory note to USDA, Rural Development dated July 11, 2012, due 40 years from the date of this note with annual installments of \$2,641, including interest, maturing July 2052.	80,717	82,718
2.625% secured promissory note to USDA, Rural Development dated September 15, 2017, due 40 years from the date of this note with annual installments of \$44,993, including interest, maturing September 2057.	955,939	975,334
2.25% secured promissory note to USDA, Rural Development dated January 30, 2020, due 40 years from the date of this note with annual installments of \$45,948, including interest, maturing December 2061.	1,111,775	1,132,934
3.20% flexible term program series 2021B refunding bonds payable to Kentucky Rural Water Finance Corporation dated July 1, 2021, due 24 years from the date of this note with annual principal and semi-annual interest payments, maturing on July 1, 2044.	1,815,000	1,970,000
2.00% secured promissory note dated August 14, 2024, due to USDA, Rural Development 40 years from the date of this note with annual installments of \$40,948, including interest, until maturity.	1,101,452	1,120,000
Total	6,266,583	6,513,765
Less: principal payments due within one year classified as current liability	(254,623)	(256,088)
	\$6,011,960	\$6,257,677

The Company entered into a bond agreement with Kentucky Rural Water Finance Corporation on July 1, 2021 for \$2,400,000. This agreement requires a monthly sinking fund payment through the term of the bonds.

Maturities of long-term debt are as follows:

2026	\$254,623
2027	262,132
2028	269,708
2029	277,356
2030	285,079
Thereafter	4,917,685
Total	\$6,266,583

**Rowan Water, Inc.**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2025 and 2024*

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Operating facilities, together with all revenue and service charges which may arise from operations of the Company, are pledged as security for the notes payable to USDA, Rural Development.

The notes payable agreements with the United States Department of Agriculture, Rural Development (USDA, RD) require that depreciation reserve accounts be established as follows:

- (A) For the note dated October 24, 2007, the Company is required to deposit \$265 a month into a depreciation reserve account. The Company is required to make these deposits until the balance reaches \$31,800.
- (B) For the notes dated July 11, 2012, the Company is required to deposit \$410 a month into a depreciation reserve account. The Company is required to make these deposits until the balance reaches \$49,200.
- (C) For the note dated September 15, 2017, the Company is required to deposit \$385 a month into a depreciation reserve account. The Company is required to make these deposits until the balance reaches \$46,200.
- (D) For the note dated January 30, 2020, the Company is required to deposit \$425 a month into a depreciation reserve account. The Company is required to make these deposits until the balance reaches \$51,000.
- (E) For the note dated August 14, 2024, the Company is required to deposit \$341.23 a month into a depreciation reserve account. The Company is required to make these deposits until the balance reaches \$40,948.

The required balances of the depreciation reserve at December 31, 2025 and 2024 were \$123,965 and \$133,740, respectively. The amounts in the depreciation reserves at December 31, 2025 and 2024 were \$301,898 and \$342,023, respectively. Depreciation reserves were fully funded as of December 31, 2025.

#### **Finance Leases**

In 2023, 2024, and 2025, the Company entered into finance leases for vehicles. In the current year, two vehicles from the 2023 leases were traded in on leases the Company entered into in 2025. The monthly lease payment for the 2023 leases was \$2,766 and the final payments were made on each of these leases during 2025. The monthly lease payment for the 2024 leases is \$2,387 through July 2029. The monthly lease payment for the 2025 leases is \$2,142 through September 2028. Leased vehicles were capitalized in the amount of \$411,660 and carried an accumulated depreciation of \$126,187 at December 31, 2025.

Maturities of the finance lease are as follows:

2026	\$54,343
2027	52,988
2028	34,934
2029	<u>16,705</u>
Total Payments	158,970
Amount Representing Interest	<u>(44,998)</u>
Finance Lease Obligation	<u>\$113,972</u>

#### **Note 9 – Pension Plan**

Pension benefits are provided for substantially all employees through an insurance company, under a defined contribution pension plan. For all employees hired prior to 2024, the Company contributes 7% of each employee's gross salary to a Simple IRA. For employees hired after 2024, the contribution percentage is 5%. The Company's pension contributions for 2025 and 2024 were \$36,077 and \$36,356, respectively.

#### **Note 10 – Membership Fees**

The Company uses the membership fees account to record membership fees collected from new customers (members). Membership fees collected in 2025 and 2024 amounted to \$385 and \$378, respectively. These fees are included in miscellaneous revenue on the financial statements.

**Rowan Water, Inc.**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2025 and 2024

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**Note 11 – Tap-On Fees**

The Company uses the tap-on fees account to record tap fees collected from new customers (members). Tap fees collected in 2025 and 2024 amounted to \$78,668 and \$80,727, respectively. These fees are included in miscellaneous revenue on the financial statements.

**Note 12 – Accrued Sick Leave**

Accrued sick leave balances at December 31, 2025 and 2024 were \$115,645 and \$118,231, respectively.

**Note 13 – Subsequent Events**

Management has performed an analysis for the activities and transactions subsequent to December 31, 2025 to determine the need for any adjustments or disclosures within the financial statements for the year ended. Management has performed their analysis through March 30, 2026, which is the date the financial statements were available to be issued.

**Note 14 – Commitments and Contingencies**

As December 31, 2025, the Company had the following significant outstanding contractual commitments:

Contract	Contract Amount	Amount Paid	Amount Outstanding
Lead and Copper Project	\$82,500	\$41,750	\$40,750

**Note 15 – Restatement of Beginning Balances**

The Company determined that its previously reported long-term debt balance was understated in the prior year. The correction of this error had the following impact on beginning net assets:

Net Assets at December 31, 2024, As Previously Reported	\$7,283,366
Restatement for Errors Previously Reported Long-Term Debt	<u>(18,554)</u>
Net Assets at December 31, 2024, As Restated	<u>\$7,264,812</u>