

PERMIAN BASIN AREA
Foundation

Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

With Independent Auditor's Report



JOHNSON & SHELDON, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Permian Basin Area Foundation
Consolidated Financial Statements
Years Ending December 31, 2023 and 2022

Contents

Independent Auditor’s Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	3
Consolidated Statement of Activities, Year Ending December 31, 2023.....	4
Consolidated Statement of Activities, Year Ending December 31, 2022.....	5
Consolidated Statements of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7





JOHNSON & SHELDON, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

Board of Governors
Permian Basin Area Foundation
Midland, Texas

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the consolidated financial statements of **Permian Basin Area Foundation and its Subsidiary** (the Foundation), a not-for-profit organization, which comprise the consolidated statements of financial position as of **December 31, 2023 and 2022**, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Johnson & Sheldon, PLLC

Johnson & Sheldon, PLLC
Amarillo, Texas

April 8, 2024



Consolidated Financial Statements



Permian Basin Area Foundation

Consolidated Statements of Financial Position

	<i>December 31</i>	
	<i>2023</i>	<i>2022</i>
<i>Assets:</i>		
Cash and cash equivalents	\$ 17,077,936	\$ 5,024,254
Investments (Note 3)	257,332,586	226,089,748
Prepaid expenses	11,044	18,366
Bequests and pledges receivable	1,000,000	1,000,000
Beneficial interest in remainder trust (Note 11)	1,655,127	1,455,070
Beneficial interest in lead trust (Note 12)	854,951	909,596
Beneficial interest in royalty trust (Note 13)	5,427,212	4,981,543
Beneficial interest in perpetual trust	51,447	47,317
Beneficial interest in annuity (Note 14)	664,886	0
Oil and gas royalties- held for sale	6,381,146	7,184,621
Cash surrender value of life insurance	302,653	358,439
Property and equipment, net of accumulated depreciation of \$848,459 and \$699,379	3,933,328	4,057,773
<i>Total Assets</i>	\$ 294,692,316	\$ 251,126,727
<i>Liabilities:</i>		
Grants and scholarships payable	\$ 1,809,000	\$ 398,000
Funds held for agencies (Note 7)	41,044,428	25,904,203
Agency transactions payable	12,500	15,000
Refundable advance	300,000	300,000
Total Liabilities	43,165,928	26,617,203
<i>Net Assets:</i>		
Without Donor Restrictions (Note 8)	238,872,765	213,115,998
With Donor Restrictions (Note 8)	12,653,623	11,393,526
Total Net Assets	251,526,388	224,509,524
<i>Total Liabilities and Net Assets</i>	\$ 294,692,316	\$ 251,126,727

See accompanying notes to consolidated financial statements and independent auditor's report.



Permian Basin Area Foundation
Consolidated Statement of Activities
Year Ending December 31, 2023

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<i>Revenues, gains, and other support</i>			
Contributions of cash and other financial assets	\$ 12,000,617	\$ 1,664,886	\$ 13,665,503
Contributions of nonfinancial assets	5,250	0	5,250
Investment return, net	30,202,853	0	30,202,853
Royalty income	1,371,369	0	1,371,369
Change in value of oil and gas royalties	(803,475)	0	(803,475)
Change in value of split interest agreements	0	718,494	718,494
Change in value of perpetual trust	0	4,130	4,130
Other income	199,984	0	199,984
Net assets released from restrictions	1,127,413	(1,127,413)	0
Total revenues, gains and other support	<u>\$ 44,104,011</u>	<u>\$ 1,260,097</u>	<u>\$ 45,364,108</u>
<i>Expenses (Note 9)</i>			
Grants and scholarships	\$ 16,626,011	\$ 0	\$ 16,626,011
Community Education	46,860	0	46,860
General and administrative	1,518,829	0	1,518,829
Fundraising	155,544	0	155,544
Total expenses and distributions	<u>18,347,244</u>	<u>0</u>	<u>18,347,244</u>
<i>Increase in net assets</i>	25,756,767	1,260,097	27,016,864
Net assets at beginning of year	213,115,998	11,393,526	224,509,524
Net assets at end of year	<u>\$ 238,872,765</u>	<u>\$ 12,653,623</u>	<u>\$ 251,526,388</u>

See accompanying notes to consolidated financial statements and independent auditor's report.



Permian Basin Area Foundation
Consolidated Statement of Activities
Year Ending December 31, 2022

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<i>Revenues, gains, and other support</i>			
Contributions of cash and other financial assets	\$ 28,345,139	\$ 1,000,000	\$ 29,345,139
Contributions of nonfinancial assets	475,670	0	475,670
Investment return, net	(35,505,750)	0	(35,505,750)
Royalty income	2,110,497	0	2,110,497
Change in value of oil and gas royalties	(140,779)	0	(140,779)
Change in value of split interest agreements	0	500,019	500,019
Change in value of perpetual trust	0	(9,710)	(9,710)
Gain (loss) on sales of assets	11,142	0	11,142
Fiscal sponsorship program fees	30,000	0	30,000
Other income	348,627	0	348,627
Net assets released from restrictions	1,127,413	(1,127,413)	0
Total revenues, gains and other support	\$ (3,198,041)	\$ 362,896	\$ (2,835,145)
<i>Expenses (Note 9)</i>			
Grants and scholarships	\$ 19,620,433	\$ 0	\$ 19,620,433
Community Education	25,165	0	25,165
General and administrative	1,440,677	0	1,440,677
Fundraising	190,165	0	190,165
Total expenses and distributions	21,276,440	0	21,276,440
<i>Decrease in net assets</i>	(24,474,481)	362,896	(24,111,585)
Net assets at beginning of year	237,590,479	11,030,630	248,621,109
Net assets at end of year	\$ 213,115,998	\$ 11,393,526	\$ 224,509,524

See accompanying notes to consolidated financial statements and independent auditor's report.



Permian Basin Area Foundation

Consolidated Statements of Cash Flows

	<i>December 31</i>	
	<i>2023</i>	<i>2022</i>
<i>Cash flows from operating activities</i>		
Increase (Decrease) in net assets	\$ 27,016,864	\$ (24,111,585)
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation	149,969	154,940
(Gain) loss on disposal of assets	0	(11,142)
Gifts of public securities held	0	(6,166,489)
Gift of equipment	(5,250)	(25,670)
Gift of real estate	0	(450,000)
Gift of beneficial interest in annuity	(664,886)	0
Realized gains from sales of investments, net	(3,836,400)	(2,739,693)
Unrealized (gain) loss on investments, net	(24,937,723)	47,401,855
Change in value of split interest agreements	(595,211)	(362,896)
Change in value of oil and gas royalties	803,475	140,779
(Increase) decrease in cash surrender value of life insurance	55,786	(9,427)
Increase (decrease) in accounts and grants payable	1,411,000	162,540
Change in agency transactions payable and refundable advance	(2,500)	(10,000)
Increase (decrease) in funds held for agencies	15,140,225	(4,807,867)
(Increase) decrease in prepaid expenses	7,322	11,849
(Increase) decrease in bequests and pledges receivable	0	(1,000,000)
Net cash provided by operating activities	13,542,671	8,177,194
<i>Cash flows from investing activities</i>		
Purchases of equipment	(20,274)	(2,884)
Purchases of investments	(70,034,145)	(67,947,054)
Proceeds from estate for bequest receivable	0	1,000,000
Proceeds from sale of real estate	0	465,909
Proceeds from sales of investments	67,565,430	48,405,089
Net cash used for investing activities	(1,488,989)	(18,078,940)
Net increase(decrease) in cash and cash equivalents	12,053,682	(9,901,746)
Cash and cash equivalents – Beginning of year	5,024,254	14,926,000
Cash and cash equivalents – End of year	\$ 17,077,936	\$ 5,024,254

See accompanying notes to consolidated financial statements and independent auditor's report.



This page left intentionally blank



Permian Basin Area Foundation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

1. Description of Organization

Permian Basin Area Foundation (the Foundation) is a Texas non-profit corporation classified by the Internal Revenue Service as tax-exempt under Section 501(c)(3) and as a non-private foundation under Section 509(a)(1) of the Internal Revenue Code (the Code). The Foundation is a community foundation that primarily serves West Texas. In partnership with many donors, the Foundation facilitates the creation of permanent charitable funds and provides grants to address community needs and enrich the quality of life in West Texas communities and scholarships for higher education.

The accompanying consolidated financial statements include the accounts of West Texas Heritage Holdings, Inc., a Type 1 supporting organization which was established in 2010. As of December 31, 2022 the balances of West Texas Heritage Holdings, Inc. included cash and a grant payable to the Permian Basin Area Foundation. As of December 31, 2023, the balances of West Texas Heritage Holdings, Inc. primarily included cash. All significant intercompany accounts and transactions have been eliminated.

Management of the Foundation is vested in its Board of Governors (the Board), which approves an annual budget and exercises oversight of the Foundation's operations. The Board employs a Chief Executive Officer, who is responsible for the maintenance of professional standards and for the operations and administration of the Foundation in accordance with guidelines established by the Board.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Foundation's consolidated financial statements have been prepared on the accrual basis of accounting, which recognizes revenue and support when earned and expenses when incurred. The statements have been prepared in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities – Overall*. The Foundation reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Net Asset Classifications

The Foundation complies with the FASB ASC Topic 958, *Not-for-Profit Entities – Overall* (FASB ASC 958), which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). FASB ASC 958 also improves disclosures about an organization's endowment funds (both donor restricted endowment funds and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Texas adopted UPMIFA effective September 1, 2007. The Board of Governors, on the advice of legal counsel, has determined that the majority of the Foundation's net assets do not meet the definition of "endowment" under UPMIFA. The majority of the Foundation's net assets do meet the definition of "endowment" under FASB ASC 958, *Not-for-Profit Entities – Overall*, and are subject to the enhanced disclosures for all endowment funds. The Foundation is governed by the Articles of Incorporation of the Foundation, and contributions are subject to the terms of the Articles of Incorporation.

Certain contributions are received subject to other gift instruments or provisions of specific agreements between donors and the Foundation.



Permian Basin Area Foundation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

2. Summary of Significant Accounting Policies, continued

Under the terms of the Articles of Incorporation, the Board of Governors may modify any restriction or condition on the distribution of funds of any separate gift, devise, bequest or fund at its sole discretion. As a result of the ability to modify any restriction or condition on the distribution of funds, all contributions not classified as net assets with donor restrictions are classified as net assets without donor restrictions for financial statement purposes.

Net assets with donor restrictions represent those net assets resulting from gifts or grants received by the Foundation that are restricted as to purpose of use or period of time, such as for special projects. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Endowment Investment and Spending Policies

The Foundation has adopted investment and spending policies for endowment assets that attempt to protect the corpus of funds by minimizing risks from either market or credit factors and to increase the value of the corpus through the managed pursuit of investment opportunities. The objective rate of return of the investment pool is a rate that exceeds the sum of inflation, as measured by the Consumer Price Index, investment fees, administration fees, and the Foundation's distribution rate, over rolling five-year periods. Investment return is defined as the total return, including all income derived from an investment, realized and unrealized gains and losses, less all applicable expenses.

To achieve its objectives, the Foundation employs a strategy of defined asset allocation to diversify its position in permissible investments, disciplined re-balancing to maintain asset allocation, and diligent selection and performance monitoring of investment managers. The Foundation's investment allocation model is based on efficient portfolio theory using an anticipated return of the total portfolio of 10.00%, with a standard deviation of 11.05%. The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The amount available for distributions from endowment funds is determined annually by the Foundation's Board of Governors based on a percentage of the market value of the fund. In setting the distribution policy, the Board considers the total average rate of return for the previous twelve quarters, allowance for administrative and investment fees, and long-term objective of fund growth. The Board of Governors approved a distribution policy for 2023 and 2022 of 4% for the majority of endowment funds .

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market accounts available for current use with an initial maturity of three months or less. Cash and cash equivalents included in brokerage accounts that represent resources that are not segregated for operating use are classified as investments.

Concentration of Credit Risk

The Foundation maintains bank accounts at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, the Foundation may have balances in bank accounts which exceed the federally insured limit. The Foundation does not anticipate any loss associated with balances in excess of the federally insured limit.



Permian Basin Area Foundation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of consolidated 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 amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates. A significant estimate subject to change in the near future is fair value of investments, see **Note 4**.

Contributions

Contributions are recognized when a donor gives or makes a promise to give to the Foundation that is, in substance, unconditional and non-reciprocal. Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in unrestricted contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Contributed Nonfinancial Assets

Contributions of nonfinancial assets recognized within the Statement of Activities for the years ended December 31 included:

	<i>2023</i>	<i>2022</i>
Real estate	\$ 0	\$ 450,000
Office equipment	5,250	25,670
Total nonfinancial asset contributions	5,250	475,670

The Real Estate contributed was sold during 2022, and the proceeds from the sale were added to an endowment fund established by the donor. The Office Equipment contributed during 2023 and 2022 was utilized in the administration of the Foundation's grantmaking and scholarship programs, and supporting services.

There were not any donor-imposed restrictions placed on the contributions of nonfinancial assets. Contributions of Real Estate were recorded at fair value based on Broker's Price Opinion, considering recent comparable sales of like properties in the same geographical region. Contributions of Office Equipment were recorded at fair value based on the listed sales price of the equipment.

Contributions other than cash, marketable securities, and in-kind gifts to support administrative costs are not considered accepted by the Foundation until the Board takes action at a properly convened meeting of its members. Unless otherwise mutually agreed with the donor, the Foundation will sell any non-cash gifts and invest the proceeds in accordance with the Foundation's Investment policies.

Royalty Income

Royalty income is recognized and recorded as received by the Foundation.



Permian Basin Area Foundation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

2. Summary of Significant Accounting Policies, continued

Property and Equipment

Fixed assets consisting of furniture, fixtures and office equipment are recorded at cost on date of purchase or estimated fair market value at the date of the gift. Expenditures over \$500 and with a useful life of greater than one year are capitalized and depreciated over their useful lives (ranging from 5 to 10 years). Expenditures less than \$500 or with a useful life less than one year are charged to expense as they are incurred.

Property consists of the costs to construct the Foundation's corporate office building which was completed during 2018. The cost of the building and any future improvements to the building are capitalized and depreciated over the estimated useful life of 40 years.

Land improvements consist of a parking facility and landscaping. Land improvements are recorded at cost on date of purchase. Expenditures over \$500 and with a useful life of greater than one year are capitalized and depreciated over their useful lives (ranging from 15 to 20 years). Expenditures less than \$500 or with a useful life of less than one year are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the years ended December 31, 2023 and 2022 was \$149,969 and \$154,940, respectively.

Investments

In accordance with FASB ASC 958 *Not-for-Profit Entities – Overall*, the Foundation records all investments in equity securities with readily determinable fair values and all investments in fixed income securities at fair value, as defined by ASC Topic 820 *Fair Value Measurements and Disclosures – Overall*.

Investment income, including interest and dividends, is recognized as earned.

Realized gains or losses on investments represent the difference between the book value of investments and the sales proceeds. Unrealized gains or losses represent the difference between the beginning of year value or purchase date during the year and end of year value. The carrying amount of investments approximates fair value.

Net investment return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized gains and losses, less external and any direct internal investment expenses.

Fair Value Measurements

The Foundation complies with FASB ASC Topic 820 *Fair Value Measurements and Disclosures – Overall* (FASB ASC 820). FASB ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements.

The fair value of investments in Investee Funds is based on ownership interest in partners' capital to which a proportionate share of net assets is attributed (Ownership Interest), or the Fund's Net Asset Value (NAV) which is provided by the fund manager as a practical expedient in determining fair value.



Permian Basin Area Foundation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

2. Summary of Significant Accounting Policies, continued

Funds Held for Agencies

Funds held for agencies represent assets transferred to the Foundation for investment management or other specified purposes by various non-profit organizations and other entities that have designated themselves as the beneficiaries in reciprocal transactions.

The Foundation maintains variance power and legal ownership over a majority of these funds, and as such, reports the funds as assets of the Foundation. However, in accordance with FASB ASC Topic 958 *Not-for-Profit Entities – Overall*, a liability has been established for the fair value of these funds, which is generally equivalent to the present value of future payments expected to be made to the not-for-profit organizations and others that are the ultimate recipients.

Donated Services

Many individuals volunteer their time and perform a variety of tasks to support the Foundation. The value of volunteer services donated to the Foundation is not readily measurable and, accordingly, is not included as support and revenues and expenses in the accompanying consolidated financial statements.

Functional Expense Allocations

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. **Note 9** provides the natural classification detail of expense by function. Expenses relating to more than one function are allocated to program service, general and administrative and fundraising costs based on employee time records or other appropriate allocation factors. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

Grants and Scholarships represent amounts awarded to various not-for-profit organizations to assist with funding of general operations, capital improvements or programs. Scholarships are awarded to eligible area applicants to assist with postsecondary education. During 2023 and 2022, total scholarships awarded and paid out were approximately \$909,000 and \$694,000 respectively. Grants and Scholarships program services also include the direct cost of conducting the grants and scholarships programs. Grants and scholarships payable consist of unconditional amounts awarded, but not paid, to not-for-profit organizations.

Community education includes general outreach to advance the mission of the Foundation and philanthropy in West Texas. Such activities include providing advice to nonprofits on best management practices and capacity building, making reports to nonprofit boards about endowments, and conducting educational events for nonprofits.

Income Taxes

The Foundation is exempt from federal income tax under section 501(a) as a Foundation described in section 501(c)(3) of the Internal Revenue Code (the Code), and has been determined not to be a private foundation under section 509(a) of the Code. As a result, income taxes are not included in the Foundation's consolidated financial statements.



Permian Basin Area Foundation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

2. Summary of Significant Accounting Policies, continued

Income Taxes (continued)

The Foundation complies with FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes* (Topic 740), which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Foundation may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Foundation's tax positions and concluded that the Foundation has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal tax authorities for years ending before December 31, 2020.

Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications have no effect on the reported change in net assets.

Subsequent Events

Management of the Foundation has evaluated subsequent events through April 8, 2024, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

Contributed Nonfinancial Assets:

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 requires entities to present and disclose contributed nonfinancial assets and gifts-in-kind. ASU 2020-07 is effective for fiscal years beginning after June 15, 2021. The Foundation adopted ASU 2020-07 effective January 1, 2022 which, overall did not have a material impact on the financial statements. However, management elected to separately reclassify and present contributions of nonfinancial assets on the statements of activities for 2023 and 2022 and provided required disclosure information including the Foundation's policy and qualitative information regarding monetization or utilization of contributed nonfinancial assets, descriptions of any donor-imposed restrictions and management's valuation techniques and inputs used to arrive at fair value at the initial acceptance and recognition date of the nonfinancial assets.



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

2. Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncements (continued)

Leases:

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will still be accounted for similar to prior guidance for operating leases. The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases.

The standard was effective on January 1, 2022, with early adoption permitted. A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented, or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Foundation adopted ASU 2016-02 as of January 1, 2022, however management determined that the Foundation had no material leases for which application of ASU 2016-02 was required and therefore it had no impact on the 2023 and 2022 financial statements.

3. Investments

Securities and other investments are managed by various investment managers approved by the Foundation. The majority of investments are held under master custodial arrangements with various financial institutions. Investments are stated at fair value and consist of the following at December 31:

	<i>2023</i>	<i>2022</i>
Cash equivalents	\$ 22,106,490	\$ 9,863,437
Bonds – tax exempt	3,500,587	3,396,301
Bonds – government agencies	6,106,321	15,801,480
Bonds – corporate	6,061,745	6,028,481
Bonds – collateralized mortgage obligations	1,582,036	1,321,062
Equities – foreign	30,807,454	28,397,341
Equities – domestic	103,091,999	84,960,724
Private credit strategy	6,447,205	6,254,431
Equity funds	64,938,519	59,392,718
Bond funds	12,690,230	10,673,773
Total Investments, at fair value	<u>\$ 257,332,586</u>	<u>\$ 226,089,748</u>



Permian Basin Area Foundation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

4. Fair Value Measurements

The Foundation complies with FASB ASC Topic 820-10, *Fair Value Measurements* (FASB ASC 820-10), which provides a framework for measuring fair value under generally accepted accounting principles. FASB ASC 820-10 applies to all financial instruments that are being measured and reported on a fair value basis. As defined in FASB ASC 820-10, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Foundation uses various methods including market, income and cost approaches. Based on these approaches, the Foundation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Foundation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The Foundation also complies with the provisions of FASB ASC 820-10 related to nonfinancial assets and liabilities if recognized or disclosed in the financial statements at least annually.

Based on the observability of the inputs used in the valuation techniques the Foundation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities. Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3: Unobservable inputs that are not corroborated by market data. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Foundation performs a detailed analysis of the assets and liabilities that are subject to FASB ASC 820-10. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. During the years ended December 31, 2023 and 2022, there were no changes to the Foundation's valuation techniques that had, or are expected to have, a material impact on its consolidated financial position or results of operations.



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

4. Fair Value Measurements, continued

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- The carrying amount of *cash equivalents* approximates fair value because of the short-term nature and liquidity of the financial instrument.
- *Bonds* are based on the present value of the stream of cash flows it is expected to generate and the active market of similar bonds being traded in the marketplace.
- *Equities* are valued at the closing price on the last business day of the year.
- Fair value of *bequests receivable* is determined based on the market value of the underlying assets. Fair value at December 31, 2023 and 2022 was determined based on the market value of financial assets expected to be received, less estimated executor fees.
- Fair value of *beneficial interests in remainder, lead and royalty trusts* is calculated by determining the present value of the estimated future cash flows.
- Fair value of *beneficial interests in perpetual trusts* is calculated based on the fair value of the underlying assets in the trust as determined by the third party trustee. The third party trustee controls the investments in the trust and makes all management and investment decisions.
- Fair value of *beneficial interest in annuity* is calculated by determining the present value of the estimated future cash flows.
- Fair value of the *oil and gas royalties* at December 31, 2023 and 2022 was estimated using the trailing 60 months of net revenue, an industry accepted valuation method.



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

4. Fair Value Measurements, continued

The table below presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

Fair Value Measurements at December 31, 2023 Using

<i>Assets</i>	<i>Totals</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Investments:				
Cash equivalents	\$ 22,106,490	\$ 22,106,490	\$ 0	\$ 0
Bonds – tax exempt	3,500,587	3,500,587	0	0
Bonds – government agency	6,106,321	6,106,321	0	0
Bonds – corporate	6,061,745	6,061,745	0	0
Bonds – collateralized mortgage obligations	1,582,036	0	1,582,036	0
Equities – foreign	30,807,454	30,807,454	0	0
Equities – domestic	103,091,999	103,091,999	0	0
Private Credit Strategy**	6,447,205	0	0	0
Equity funds	64,938,519	64,938,519	0	0
Bond funds	<u>12,690,230</u>	<u>12,690,230</u>	<u>0</u>	<u>0</u>
Total Investments	257,332,586	249,303,345	1,582,036	0
Bequest receivable	1,000,000	0	1,000,000	0
Beneficial interest in remainder trust	1,655,127	0	0	1,655,127
Beneficial interest in lead trust	854,951	0	0	854,951
Beneficial interest in royalty trust	5,427,212	0	0	5,427,212
Beneficial interest in perpetual trust	51,447	0	0	51,447
Beneficial interest in annuity	664,886	0	0	664,886
Oil and gas royalties	6,381,146	0	0	6,381,146

** In accordance with Fair Value Measurement (Topic 820), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

4. Fair Value Measurements, continued

Fair Value Measurements at December 31, 2022 Using

<i>Assets</i>	<i>Totals</i>	<i>Quoted Prices in Active Markets for Identical Assets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Investments:				
Cash equivalents	\$ 9,863,437	\$ 9,863,437	\$ 0	\$ 0
Bonds – tax exempt	3,396,301	3,396,301	0	0
Bonds – government agency	15,801,480	15,801,480	0	0
Bonds – corporate	6,028,481	6,028,481	0	0
Bonds – collateralized mortgage obligations	1,321,062	0	1,321,062	0
Equities – foreign	28,397,341	28,397,341	0	0
Equities – domestic	84,960,724	84,960,724	0	0
Private Credit Strategy**	6,254,431	0	0	0
Equity funds	59,392,718	59,392,718	0	0
Bond funds	10,673,773	10,673,773	0	0
Total Investments	226,089,748	218,514,255	1,321,062	0
Bequest receivable	1,000,000	0	1,000,000	0
Beneficial interest in remainder trust	1,455,070	0	0	1,455,070
Beneficial interest in lead trust	909,596	0	0	909,596
Beneficial interest in royalty trust	4,981,543	0	0	4,981,543
Beneficial interest in perpetual trust	47,317	0	0	47,317
Oil and gas royalties	7,184,621	0	0	7,184,621

** In accordance with Fair Value Measurement (Topic 820), certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the balance sheets.



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

4. Fair Value Measurements, continued

The following table sets forth additional disclosures for the fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) as of December 31:

Type / Investment Objective	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
2023 - Private Credit Strategy ^(a)	\$ 6,447,205	\$ -	90 days	90 days
Total	<u>\$ 6,447,205</u>	<u>\$ -</u>		
2022 - Private Credit Strategy ^(a)	\$ 6,254,431	\$ -	90 days	90 days
Total	<u>\$ 6,254,431</u>	<u>\$ -</u>		

- a) The private credit strategy fund is mainly comprised of senior secured or unsecured loans, subordinated loans or mezzanine loans and, to a lesser extent, equity-related securities which includes common and preferred stock, securities convertible into common stock, and warrants of secured and unsecured debt investments in various business sectors. The investment objective is to generate current income, and to a lesser extent, capital appreciation by targeting investment opportunities with favorable risk-adjusted returns. The investment strategy focuses primarily on originating and making loans to, and making debt and equity investments in, U.S. middle market companies.

5. Retirement Plans

Effective January 1, 2021, the Foundation formed a 401k plan sponsored by the Foundation's Certified Professional Employer Organization (PEO). Contributed funds vest immediately to the participants, who self direct the investment of the funds. The amount contributed to the 401k by the Foundation during 2023 and was 2022, was \$111,456 and \$103,324. This amount is included in personnel costs in the functional expenses; see **Note 9**.

6. Risks and Uncertainties

The Foundation invests a substantial portion of its assets in various investment securities. Investment securities, in general, are exposed to various risks, such as interest rate fluctuations and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the consolidated financial statements.



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

7. Agency Transfers Subject to FASB ASC 958 (formerly SFAS 136)

The Foundation follows the provisions of FASB ASC 958, which establishes standards for transactions in which the Foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor.

FASB ASC 958 specifically requires that, if a not-for-profit organization establishes a fund at a community foundation with its own funds and specifies itself or one of its affiliated organizations as the beneficiary of the fund, the community foundation must account for the transfer of such assets and the activity associated with those assets as a liability.

The Foundation maintains variance power, as described in the Articles of Incorporation of the Foundation, and legal ownership over a majority of these funds and, as such, continues to report the funds as assets of the Foundation. Variance power assures donors that if the charitable purpose of their contribution becomes impractical or impossible, the distributions will be directed to similar purposes in the community.

A liability for agency transfers subject to FASB ASC 958 has been established in the consolidated statements of financial position for the fair value of \$41,044,428 and \$25,904,203 at December 31, 2023 and 2022, respectively. Included in this liability are agency transfers at the fair value of \$7,463,198 and \$6,784,051, respectively, which are not legally owned by the Foundation.

All financial activity related to these assets is also segregated from the consolidated statements of activities and has been reclassified to the liability.

The following table summarizes activity in such funds during the years ended December 31:

	<i>2023</i>	<i>2022</i>
Funds held for agencies at January 1	\$ 25,904,203	\$ 30,712,070
Contributions received for agencies	12,116,008	1,158,315
Investment return, net	3,953,878	(5,004,517)
Amounts granted to agencies	(686,227)	(629,041)
Administrative fees	(244,034)	(242,513)
Funds reclassified to (from) agency	600	(90,111)
Funds held for agencies at December 31	<u>\$ 41,044,428</u>	<u>\$ 25,904,203</u>



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

8. Net Assets

During the years ended December 31, 2023, and 2022, the Foundation had the following endowment-related activities:

	<i>2023</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 195,497,211	\$ 0	\$ 195,497,211
Investment return, net	29,489,113	0	29,489,113
Contributions	5,699,211	0	5,699,211
Amounts appropriated for expenditure	(10,283,437)	0	(10,283,437)
Other changes	(65,732)	0	(65,732)
Changes in endowment net assets	24,839,155	0	24,839,155
Endowment net assets, end of year	<u>\$ 220,336,366</u>	<u>\$ 0</u>	<u>\$ 220,336,366</u>

	<i>2022</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 220,856,500	\$ 0	\$ 220,856,500
Investment return, net	(35,585,137)	0	(35,585,137)
Contributions	15,949,994	0	15,949,994
Amounts appropriated for expenditure	(6,784,718)	0	(6,784,718)
Other changes	1,060,572	0	1,060,572
Changes in endowment net assets	(25,359,289)	0	(25,359,289)
Endowment net assets, end of year	<u>\$ 195,497,211</u>	<u>\$ 0</u>	<u>\$ 195,497,211</u>



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

8. Net Assets, continued

As of December 31, 2023, and 2022, the composition of the Foundation's endowment funds was as follows:

	<i>2023</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Board Designated Endowment Funds:			
Undesignated	\$ 18,312,084	\$ 0	\$ 18,312,084
Scholarship	28,289,812	0	28,289,812
Donor Advised	42,901,154	0	42,901,154
Donor Designated	44,015,879	0	44,015,879
Field of Interest	86,817,437	0	86,817,437
Total Board Designated	220,336,366	0	220,336,366
Total Endowment Funds	\$ 220,336,366	\$ 0	\$ 220,336,366

	<i>2022</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Board Designated Endowment Funds:			
Undesignated	\$ 16,513,123	\$ 0	\$ 16,513,123
Scholarship	24,029,181	0	24,029,181
Donor Advised	35,894,149	0	35,894,149
Donor Designated	38,104,011	0	38,104,011
Field of Interest	80,956,747	0	80,956,747
Total Board Designated	195,497,211	0	195,497,211
Total Endowment Funds	\$ 195,497,211	\$ 0	\$ 195,497,211



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

8. Net Assets, continued

In addition to endowment net assets, the Foundation also manages other non-endowed funds. The following tables summarize all Foundation net assets as of December 31, 2023 and 2022:

	<i>2023</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment Funds	\$ 220,336,366	\$ 0	\$ 220,336,366
Non-Endowment Funds with Donor Restrictions:			
Scholarship-restricted for passage of time	0	3,000,000	3,000,000
Bequests and Pledges Receivable-restricted for passage of time	0	1,000,000	1,000,000
Remainder Trust-restricted for passage of time	0	1,655,127	1,655,127
Lead Trust-restricted for passage of time	0	854,951	854,951
Royalty Trust –restricted for passage of time	0	5,427,212	5,427,212
Perpetual Trust-restricted in perpetuity	0	51,447	51,447
Interest in Annuity – restricted for passage of time	0	664,886	664,886
Non-Endowment Funds without Donor Restrictions:			
Donor Advised	7,120,251	0	7,120,251
Field of Interest	1,892,908	0	1,892,908
Donor Designated	149,509	0	149,509
Scholarship	294,487	0	294,487
Administration Fund	9,079,244	0	9,079,244
Total Net Assets	<u>\$ 238,872,765</u>	<u>\$ 12,653,623</u>	<u>\$ 251,526,388</u>



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

8. Net Assets, continued

	<i>2022</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment Funds	\$ 195,497,211	\$ 0	\$ 195,497,211
Non-Endowment Funds with Donor Restrictions:			
Scholarship-restricted for passage of time	0	3,000,000	3,000,000
Bequests and Pledges Receivable-restricted for passage of time	0	1,000,000	1,000,000
Remainder Trust-restricted for passage of time	0	1,455,070	1,455,070
Lead Trust-restricted for passage of time	0	909,596	909,596
Royalty Trust-restricted for passage of time	0	4,981,543	4,981,543
Perpetual Trust-restricted in perpetuity	0	47,317	47,317
Non-Endowment Funds without Donor Restrictions:			
Donor Advised	6,697,473	0	6,697,473
Field of Interest	1,868,259	0	1,868,259
Donor Designated	741,380	0	741,380
Scholarship	235,220	0	235,220
Administration Fund	8,076,455	0	8,076,455
Total Net Assets	<u>\$ 213,115,998</u>	<u>\$ 11,393,526</u>	<u>\$ 224,509,524</u>



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

9. Functional Expenses

The tables below represent expenses by both their nature and their function.

Functional Expenses at December 31, 2023

	<i>Program Activities</i>		<i>Supporting Activities</i>		<i>Total Expenses</i>
	<i>Grants and Scholarships</i>	<i>Community Education</i>	<i>General and Administrative</i>	<i>Fund-Raising</i>	
Grants and Scholarships Awarded	\$ 16,138,548	\$ 0	\$ 0	\$ 0	\$ 16,138,548
Personnel Costs	357,390	36,066	1,015,888	56,284	1,465,628
Occupancy and Office Expense	23,548	2,326	70,193	3,706	99,773
Information Technology	31,808	1,963	55,293	3,071	92,135
Contract Services	15	0	144,862	1,595	146,472
Marketing and Communications	5,858	1,168	7,204	7,179	21,409
Events and Sponsorships	0	0	0	36,723	36,723
Conferences and Travel	22,796	621	11,179	3,533	38,129
Insurance	7,150	721	22,708	36,479	67,058
Board and Committees	333	0	13,186	0	13,519
Dues, Memberships, and Subscriptions	1,600	98	21,712	703	24,113
Depreciation	36,562	3,689	103,944	5774	149,969
Other	403	208	52,660	497	53,768
Total Functional Expenses	\$ 16,626,011	\$ 46,860	\$ 1,518,829	\$ 155,544	\$ 18,347,244



Permian Basin Area Foundation
Notes to Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

9. Functional Expenses, continued

Functional Expenses at December 31, 2022

	<i>Program Activities</i>		<i>Supporting Activities</i>		<i>Total Expenses</i>
	<i>Grants and Scholarships</i>	<i>Community Education</i>	<i>General and Administrative</i>	<i>Fund-Raising</i>	
Grants and Scholarships Awarded	\$ 19,141,593	\$ 0	\$ 0	\$ 0	\$ 19,141,593
Personnel Costs	354,243	19,611	952,929	62,168	1,388,951
Occupancy and Office Expense	20,155	1,115	59,285	22,387	102,942
Information Technology	37,906	1,076	52,356	3,419	94,757
Contract Services	0	0	154,662	19	154,681
Marketing and Communications	4,042	0	6,057	7,169	17,268
Events and Sponsorships	6,000	0	0	46,286	52,286
Conferences and Travel	6,170	399	4,769	1,111	12,449
Insurance	5,982	331	18,476	36,051	60,840
Board and Committees	0	0	8,787	0	8,787
Dues, Memberships, and Subscriptions	2,668	55	16,004	726	19,453
Depreciation	39,510	2,185	106,304	6,941	154,940
Other	2,164	393	61,048	3,888	67,493
Total Functional Expenses	<u>\$ 19,620,433</u>	<u>\$ 25,165</u>	<u>\$ 1,440,677</u>	<u>\$ 190,165</u>	<u>\$ 21,276,440</u>



Permian Basin Area Foundation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

10. Liquidity

Financial assets available for grants, scholarships and the Foundation's general expenditures, liabilities and other obligations within one year of the Statement of Financial Position date comprise the following at December 31:

	<i>2023</i>	<i>2022</i>
Cash and cash equivalents	\$ 17,077,936	\$ 5,024,254
Long-term investments made available for current use	10,293,690	22,928,311
Less cash and cash equivalents restricted from use during the next year	(3,000,000)	(3,000,000)
	\$ 24,371,626	\$ 24,952,565

As part of the Foundation's liquidity management, financial assets are structured to be available as general expenditures, liabilities and other obligations become due. The Foundation invests cash in excess of daily requirements in short-term investments and money market funds.

Endowed funds consist of board designated endowments.

As described in **Note 2**, during 2023 and 2022, the Foundation's Board of Governors approved a distribution policy of 4.0%. A spendable amount of \$6,883,514 will be made available for grantmaking from these endowments during 2024. A spendable amount of \$7,364,946 was made available for grantmaking from these endowments during 2023. In addition, \$2,813,584 and \$3,839,971 remained as spendable as a result of previous years available-to-spend amounts which had not been distributed as of December 31, 2023 and 2022, respectively. Although the Foundation does not intend to spend from its board designated endowment funds, other than amounts appropriated per the Board's annual distribution policy approval, these amounts could be made available if necessary.

11. Beneficial Interest in Remainder Trust

The Foundation received notice during 2007 that it is the sole residual beneficiary of certain charitable remainder trusts, one of which is of material value to the Foundation. Upon the death of this trust's beneficiary, the remaining principal and income in the trust will be distributed to the Foundation. The future interest in the trust as of December 31, 2023 and 2022, respectively, of \$1,655,127 and \$1,455,070 has been recorded at estimated net present value considering estimated future trust earnings and expected future beneficiary distributions, assuming an annual rate of return for the years ended December 31, 2023 and 2022, respectively, of 6.24% and 6.89%, and assuming the trust terminates in the year 2036.

Early in 2024 the trust's beneficiary died, so the trust is expected to terminate during 2024 and remaining trust assets are anticipated to be distributed to the Foundation at that time.

12. Beneficial Interest in Lead Trust

The Foundation received notice during 2012 that it is the sole beneficiary of a charitable lead trust. During each year of the trust, the Foundation will receive an annuity equal to seven percent of the initial fair market value of the trust assets. The trust will continue for a term of eighteen years. During 2016, the financial account for the charitable lead trust was established, and the future interest in the trust has been recorded at December 31, 2023 and 2022 at the net present value of the estimated future payments in the amount of \$854,951 and \$909,596 respectively, assuming a discount rate of 8%.



Permian Basin Area Foundation

Notes to Consolidated Financial Statements

Years Ended December 31, 2023 and 2022

13. Beneficial Interest in Royalty Trust

The Foundation received notice during 2018 that it is the sole residual beneficiary of a royalty trust. Upon the death of both primary beneficiaries of the trust, the remaining principal and income in the trust will be distributed to the Foundation. The future interest in the trust as of December 31, 2023 and 2022, of \$5,427,212 and \$4,981,543, respectively, has been recorded at estimated net present value considering estimated future trust earnings and expected future beneficiary distributions, assuming an annual rate of return on investments for the years ended December 31, 2023 and 2022, respectively, of 2.71% and 1.99%, additional average annual royalty income of \$979,761 and \$1,040,583, and assuming the trust terminates in the year 2040.

14. Beneficial Interest in Annuity

During 2023, the Foundation was named as successor beneficiary of 60% of a fixed annuity contract and will receive monthly payments in the amount of \$4,603 until April 2044. Also during 2023, another annuity contract beneficiary who is currently receiving the other 40% of the fixed monthly payments in the amount of \$3,068 irrevocably named the Foundation as successor beneficiary of the fixed annuity contract. Upon this beneficiary's death, the Foundation will begin receiving these monthly payments until April 2044.

As of December 31, 2023, the Foundation's beneficial interest in the annuity in the amount of \$664,886 has been recorded at estimated net present value considering expected future beneficiary distributions and using a discount rate of 8%.

15. Major Contributors

Contributions from one major donor totaled \$2,797,189 or 20% of total contributions received for the year ending December 31, 2023. Contributions from a second major donor totaled \$1,776,836 or 13% of the total contributions for the year ending December 31, 2023. Contributions from a third major donor totaled \$1,591,007 or 12% of the total contributions for the year ending December 31, 2023.

Contributions from one major donor totaled \$8,892,288 or 30% of total contributions received for the year ending December 31, 2022. Contributions from a second major donor totaled \$5,000,000 or 17% of the total contributions for the year ending December 31, 2022.

