

PERMIAN BASIN AREA  
*Foundation*

**Consolidated Financial Statements**

*Years Ended December 31, 2021 and 2020*

*With Independent Auditor's Report*



**JOHNSON & SHELDON, PLLC**  
CERTIFIED PUBLIC ACCOUNTANTS

Permian Basin Area Foundation  
Consolidated Financial Statements  
Years Ending December 31, 2021 and 2020

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# 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** (the Foundation), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, 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, 2021 and 2020, 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.

#### Basis for Opinion

We conducted our audits in accordance with Generally Accepted Auditing Standards (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 within one year after the date that the financial statements are available to be issued when applicable).

#### 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.

Board of Governors  
Permian Basin Area Foundation  
Midland, Texas  
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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.
- 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 Foundations'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  
March 30, 2022



Consolidated Financial Statements



# Permian Basin Area Foundation

## Consolidated Statements of Financial Position

	<i>December 31</i>	
	<i>2021</i>	<i>2020</i>
<b><i>Assets:</i></b>		
Cash and cash equivalents	\$ 14,926,000	\$ 11,411,733
Investments (Note 3)	245,043,456	208,948,002
Prepaid expenses	30,215	15,206
Bequests and pledges receivable	1,000,000	1,601,091
Beneficial interest in remainder trust (Note 11)	2,313,666	1,679,623
Beneficial interest in lead trust (Note 12)	960,193	1,007,043
Beneficial interest in royalty trust (Note 13)	3,699,743	3,604,527
Beneficial interest in perpetual trust	57,028	53,519
Oil and gas royalties- held for sale	7,325,400	7,589,100
Limited partnership interest	0	188,716
Cash surrender value of life insurance	349,012	359,577
Property and equipment, net of accumulated depreciation of \$565,672 and \$457,010	4,188,926	4,338,197
<b><i>Total Assets</i></b>	<b>\$ 279,893,639</b>	<b>\$ 240,796,334</b>
<b><i>Liabilities:</i></b>		
Grants and scholarships payable	\$ 235,460	\$ 406,000
Funds held for agencies (Note 7)	30,712,070	25,522,729
Agency transactions payable	25,000	42,500
Refundable advance	300,000	300,000
Total Liabilities	31,272,530	26,271,229
<b><i>Net Assets:</i></b>		
Without Donor Restrictions (Note 8)	237,590,479	203,579,302
With Donor Restrictions (Note 8)	11,030,630	10,945,803
Total Net Assets	248,621,109	214,525,105
<b><i>Total Liabilities and Net Assets</i></b>	<b>\$ 279,893,639</b>	<b>\$ 240,796,334</b>

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



Permian Basin Area Foundation  
Consolidated Statement of Activities  
Year Ending December 31, 2021

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b><i>Revenues, gains, and other support</i></b>			
Contributions	\$ 10,561,918	\$ 1,000,000	\$ 11,561,918
Investment return, net	32,891,987	0	32,891,987
Royalty income	1,261,859	0	1,261,859
Change in value of oil and gas royalties	(263,700)	0	(263,700)
Change in value of split interest agreements	0	812,337	812,337
Change in value of perpetual trust	0	3,509	3,509
Change in value of bequests receivable	0	43,364	43,364
Gain (loss) on sales of assets	(31,223)	0	(31,223)
Other income	273,956	0	273,956
Net assets released from restrictions	1,774,383	(1,774,383)	0
Total revenues, gains and other support	\$ 46,469,180	\$ 84,827	\$ 46,554,007
<b><i>Expenses (Note 9)</i></b>			
Grants and scholarships	\$ 10,980,732	\$ 0	\$ 10,980,732
Community Education	28,802	0	28,802
General and administrative	1,336,108	0	1,336,108
Fundraising	112,361	0	112,361
Total expenses and distributions	12,458,003	0	12,458,003
<b><i>Increase in net assets</i></b>	34,011,177	84,827	34,096,004
Net assets at beginning of year	203,579,302	10,945,803	214,525,105
Net assets at end of year	\$ 237,590,479	\$ 11,030,630	\$ 248,621,109

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



Permian Basin Area Foundation  
Consolidated Statement of Activities  
Year Ending December 31, 2020

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
<b><i>Revenues, gains, and other support</i></b>			
Contributions	\$ 7,408,702	\$ 1,601,092	\$ 9,009,794
Investment return, net	18,820,614	0	18,820,614
Royalty income	796,990	0	796,990
Change in value of oil and gas royalties	(1,218,240)	0	(1,218,240)
Change in value of split interest agreements	0	(1,461,673)	(1,461,673)
Change in value of perpetual trust	0	2,423	2,423
Gain (loss) on sales of assets	(4,092)	0	(4,092)
Grant rescissions and other income	405,370	0	405,370
Net assets released from restrictions	127,413	(127,413)	0
Total revenues, gains and other support	<u>\$ 26,336,757</u>	<u>\$ 14,429</u>	<u>\$ 26,351,186</u>
<b><i>Expenses</i></b>			
Grants and scholarships	\$ 8,766,885	\$ 0	\$ 8,766,885
Community Education	36,906	0	36,906
General and administrative	1,473,378	0	1,473,378
Fundraising	188,402	0	188,402
Total expenses and distributions	<u>10,465,571</u>	<u>0</u>	<u>10,465,571</u>
<b><i>Increase in net assets</i></b>	<b>15,871,186</b>	<b>14,429</b>	<b>15,885,615</b>
Net assets at beginning of year	187,708,116	10,931,374	198,639,490
Net assets at end of year	<u>\$ 203,579,302</u>	<u>\$ 10,945,803</u>	<u>\$ 214,525,105</u>

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>2021</i>	<i>2020</i>
<b><i>Cash flows from operating activities</i></b>		
Increase in net assets	\$ 34,096,004	\$ 15,885,615
Adjustments to reconcile increase in net assets to net cash provided by (used for) operating activities:		
Depreciation	154,970	153,644
(Gain) loss on disposal of assets	31,223	4,092
Gifts of public securities	(2,869,506)	(1,119,522)
Gift of fixed assets	(1,100)	0
Gift of real estate	0	(249,378)
Realized gains from sales of investments, net	(13,733,932)	(2,648,363)
Unrealized gain on investments, net	(19,109,977)	(15,274,265)
Change in value of split interest agreements	(685,918)	1,586,662
Change in value of oil and gas royalties	263,700	1,218,240
(Increase) decrease in cash surrender value of life insurance	10,565	(60,103)
Increase (decrease) in accounts and grants payable	(170,540)	(745,641)
Change in agency transactions payable and refundable advance	(17,500)	(27,500)
Increase in funds held for agencies	5,189,341	4,040,264
(Increase) Decrease in prepaid expenses	(15,009)	15,486
(Increase) decrease in bequests and pledges receivable	601,091	(1,601,091)
Net cash provided by operating activities	3,743,412	1,178,140
<b><i>Cash flows from investing activities</i></b>		
Purchases of furniture and equipment	(7,456)	(38,822)
Proceeds from sale of partnership interest	160,350	0
Proceeds from sale of real estate	0	249,378
Purchases of investments	(39,759,382)	(83,695,824)
Proceeds from sales of investments	39,377,343	89,150,664
Net cash provided by (used for) investing activities	(229,145)	5,665,396
Net increase in cash and cash equivalents	3,514,267	6,843,536
Cash and cash equivalents – Beginning of year	11,411,733	4,568,197
Cash and cash equivalents – End of year	\$ 14,926,000	\$ 11,411,733

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



# Permian Basin Area Foundation

## Notes to Consolidated Financial Statements

### Years Ended December 31, 2021 and 2020

#### 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, 2020, the balances of West Texas Heritage Holdings, Inc. primarily included a limited partnership interest and cash. During 2021, the partnership interest was liquidated. All significant intercompany accounts and transactions have been eliminated.

#### 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, 2021 and 2020

#### 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 2021 and 2020 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, 2021 and 2020

#### 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.

##### *Royalty Income*

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

##### *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, 2021 and 2020 was \$154,969 and \$153,644, respectively.



# Permian Basin Area Foundation

## Notes to Consolidated Financial Statements

### Years Ended December 31, 2021 and 2020

#### 2. Summary of Significant Accounting Policies, continued

##### *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.

##### *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.



# Permian Basin Area Foundation

## Notes to Consolidated Financial Statements

### Years Ended December 31, 2021 and 2020

#### 2. Summary of Significant Accounting Policies, continued

##### *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. 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.

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, 2018.

##### *Subsequent Events*

Management of the Foundation has evaluated subsequent events through March 30, 2022 the date the financial statements were available to be issued.





# Permian Basin Area Foundation

## Notes to Consolidated Financial Statements

### Years Ended December 31, 2021 and 2020

## 2. Summary of Significant Accounting Policies, continued

### *Recent Accounting Pronouncements*

In June 2019, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2019-08 clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The ASU has different effective dates for resource recipients and resource providers. Where the organization is the resource recipient, the ASU is applicable to contributions received for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Where the organization is a resource provider, the ASU is effective for annual periods beginning after December 15, 2019 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. The Foundation adopted ASU 2018-08 beginning January 1, 2020. Adoption of this standard did not have an impact on these financial statements.

### *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.

## 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>2021</i>	<i>2020</i>
Cash equivalents	\$ 5,958,209	\$ 10,474,513
Bonds – tax exempt	3,749,428	3,902,914
Bonds – government agencies	3,887,813	3,680,252
Bonds – corporate	7,183,728	6,333,173
Bonds – collateralized mortgage obligations	1,397,880	1,460,329
Equities – foreign	35,732,874	29,619,015
Equities – domestic	95,962,899	73,098,520
Private credit strategy	6,390,086	6,268,711
Equity funds	72,166,470	61,847,626
Bond funds	12,614,069	12,262,949
Total Investments, at fair value	<u>\$ 245,043,456</u>	<u>\$ 208,948,002</u>



# Permian Basin Area Foundation

## Notes to Consolidated Financial Statements

### Years Ended December 31, 2021 and 2020

#### 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 non-financial 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, 2021 and 2020, 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, 2021 and 2020

#### 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, 2021 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 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 the *oil and gas royalties* at December 31, 2021 and 2020 was estimated using the trailing 60 months of net revenue, an industry accepted valuation method.



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**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, 2021 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	\$ 5,958,209	\$ 5,958,209	\$ 0	\$ 0
Bonds – tax exempt	3,749,428	3,749,428	0	0
Bonds – government agency	3,887,813	3,887,813	0	0
Bonds – corporate	7,183,728	7,183,728	0	0
Bonds – collateralized mortgage obligations	1,397,880	0	1,397,880	0
Equities – foreign	35,732,874	35,732,874	0	0
Equities – domestic	95,962,899	95,962,899	0	0
Private Credit Strategy**	6,390,086	0	0	0
Equity funds	72,166,470	72,166,470	0	0
Bond funds	<u>12,614,069</u>	<u>12,614,069</u>	<u>0</u>	<u>0</u>
Total Investments	\$ 245,043,456	\$ 237,255,490	\$ 1,397,880	\$ 0
Bequest receivable	1,000,000	0	1,000,000	0
Beneficial interest in remainder trust	2,313,666	0	0	2,313,666
Beneficial interest in lead trust	960,193	0	0	960,193
Beneficial interest in royalty trust	3,699,743	0	0	3,699,743
Beneficial interest in perpetual trust	57,028	0	0	57,028
Oil and gas royalties	7,325,400	0	0	7,325,400

\*\* 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  
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4. Fair Value Measurements, continued

Fair Value Measurements at December 31, 2020 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	\$ 10,474,513	\$ 10,474,513	\$ 0	\$ 0
Bonds – tax exempt	3,902,914	3,902,914	0	0
Bonds – government agency	3,680,252	3,680,252	0	0
Bonds – corporate	6,333,173	6,333,173	0	0
Bonds – collateralized mortgage obligations	1,460,329	0	1,460,329	0
Equities – foreign	29,619,015	29,619,015	0	0
Equities – domestic	73,098,520	73,098,520	0	0
Private Credit Strategy**	6,268,711	0	0	0
Equity funds	61,847,626	61,847,626	0	0
Bond funds	12,262,949	12,262,949	0	0
Total Investments	\$208,948,002	\$ 201,218,962	\$ 1,460,329	\$ 0
Bequest receivable	1,601,091	0	1,601,091	0
Beneficial interest in remainder trust	1,679,623	0	0	1,679,623
Beneficial interest in lead trust	1,007,043	0	0	1,007,043
Beneficial interest in royalty trust	3,604,527	0	0	3,604,527
Beneficial interest in perpetual trust	53,519	0	0	53,519
Oil and gas royalties	7,589,100	0	0	7,589,100
Limited partnership interest	188,716	0	0	188,716

\*\* 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, 2021 and 2020

#### 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
2021 - Private Credit Strategy <sup>(a)</sup>	\$ 6,390,086	\$ -	90 days	90 days
Total	<u>\$ 6,390,086</u>	<u>\$ -</u>		
2020 - Private Credit Strategy <sup>(a)</sup>	\$ 6,268,711	\$ -	90 days	90 days
Total	<u>\$ 6,268,711</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

The Foundation provided a Simplified Employee Pension Plan (SEP), to which a portion of each qualified participant's salary was contributed by the Foundation. Contributed funds vested immediately to the participant, who self directed the investment of the funds. The amount contributed to the SEP by the Foundation during 2020 was \$98,416. This amount is included in personnel costs in the functional expenses; see **Note 9**.

The Foundation also sponsored a defined contribution 403(b) plan that allowed employees to defer a portion of their compensation by contributing to the plan. Investments in an employee's 403(b) account were also directed by the participant.

Effective after December 31, 2020, the Foundation terminated the SEP plan and 403(b) plan, and 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 2021 was \$98,922. 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, 2021 and 2020

#### 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 \$30,712,070 and \$25,522,729 at December 31, 2021 and 2020, respectively. Included in this liability are agency transfers at the fair value of \$8,436,817 and \$7,270,989, 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>2021</i>	<i>2020</i>
Funds held for agencies at January 1	\$ 25,522,729	\$ 21,482,465
Contributions received for agencies	1,152,535	2,554,970
Investment return, net	4,955,954	2,473,888
Amounts granted to agencies	(638,036)	(647,210)
Administrative fees	(281,824)	(221,129)
Funds reclassified to (from) agency	712	(120,255)
Funds held for agencies at December 31	<u>\$ 30,712,070</u>	<u>\$ 25,522,729</u>



Permian Basin Area Foundation  
Notes to Consolidated Financial Statements  
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**8. Net Assets**

During the years ended December 31, 2021, and 2020, the Foundation had the following endowment-related activities:

	<i>2021</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 189,507,469	\$ 0	\$ 189,507,469
Investment return, net	32,873,893	0	32,873,893
Contributions	4,759,955	0	4,759,955
Amounts appropriated for expenditure	(6,259,368)	0	(6,259,368)
Other changes	(25,449)	0	(25,449)
Changes in endowment net assets	31,349,031	0	31,349,031
Endowment net assets, end of year	<u>\$ 220,856,500</u>	<u>\$ 0</u>	<u>\$ 220,856,500</u>

	<i>2020</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 176,528,433	\$ 0	\$ 176,528,433
Investment return, net	18,730,888	0	18,730,888
Contributions	2,917,369	0	2,917,369
Amounts appropriated for expenditure	(5,082,142)	0	(5,082,142)
Other changes	(3,587,079)	0	(3,587,079)
Changes in endowment net assets	12,979,036	0	12,979,036
Endowment net assets, end of year	<u>\$ 189,507,469</u>	<u>\$ 0</u>	<u>\$ 189,507,469</u>



Permian Basin Area Foundation  
Notes to Consolidated Financial Statements  
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**8. Net Assets, continued**

As of December 31, 2021, and 2020, the composition of the Foundation's endowment funds was as follows:

	<i>2021</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Board Designated Endowment Funds:			
Undesignated	\$ 19,040,595	\$ 0	\$ 19,040,595
Scholarship	29,469,437	0	29,469,437
Donor Advised	42,477,488	0	42,477,488
Donor Designated	32,993,495	0	32,993,495
Field of Interest	96,875,485	0	96,875,485
Total Board Designated	220,856,500	0	220,856,500
Total Endowment Funds	\$ 220,856,500	\$ 0	\$ 220,856,500

	<i>2020</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Board Designated Endowment Funds:			
Undesignated	\$ 14,767,159	\$ 0	\$ 14,767,159
Scholarship	23,467,331	0	23,467,331
Donor Advised	38,354,374	0	38,354,374
Donor Designated	26,614,239	0	26,614,239
Field of Interest	86,304,366	0	86,304,366
Total Board Designated	189,507,469	0	189,507,469
Total Endowment Funds	\$ 189,507,469	\$ 0	\$ 189,507,469



Permian Basin Area Foundation  
Notes to Consolidated Financial Statements  
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**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, 2021 and 2020:

	<i>2021</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment Funds	\$ 220,856,500	\$ 0	\$ 220,856,500
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	2,313,666	2,313,666
Lead Trust-restricted for passage of time	0	960,193	960,193
Royalty Trust –restricted for passage of time	0	3,699,743	3,699,743
Perpetual Trust-restricted in perpetuity	0	57,028	57,028
Non-Endowment Funds without Donor Restrictions:			
Donor Advised	5,399,791	0	5,399,791
Field of Interest	1,968,004	0	1,968,004
Donor Designated	1,348,196	0	1,348,196
Scholarship	408,130	0	408,130
Administration Fund	7,609,858	0	7,609,858
Total Net Assets	\$ 237,590,479	\$ 11,030,630	\$ 248,621,109





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8. Net Assets, continued

	<i>2020</i>		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment Funds	\$ 189,507,469	\$ 0	\$ 189,507,469
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	1,601,091	1,601,091
Remainder Trust-restricted for passage of time	0	1,679,623	1,679,623
Lead Trust-restricted for passage of time	0	1,007,043	1,007,043
Royalty Trust-restricted for passage of time	0	3,604,527	3,604,527
Perpetual Trust-restricted in perpetuity	0	53,519	53,519
Non-Endowment Funds without Donor Restrictions:			
Donor Advised	4,280,709	0	4,280,709
Field of Interest	1,604,855	0	1,604,855
Donor Designated	52,000	0	52,000
Scholarship	1,148,382	0	1,148,382
Administration Fund	6,985,887	0	6,985,887
Total Net Assets	<u>\$ 203,579,302</u>	<u>\$ 10,945,803</u>	<u>\$ 214,525,105</u>



Permian Basin Area Foundation  
Notes to Consolidated Financial Statements  
Years Ended December 31, 2021 and 2020

**9. Functional Expenses**

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

**Functional Expenses at December 31, 2021**

	<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	\$ 10,583,966	\$ 0	\$ 0	\$ 0	\$ 10,583,966
Personnel Costs	275,663	21,681	913,673	30,962	1,241,979
Occupancy and Office Expense	18,916	1,713	68,133	2,570	91,332
Information Technology	32,706	1,833	66,880	2,749	104,168
Contract Services	3,969	0	97,507	3,969	105,445
Marketing and Communications	3,417	17	8,258	2,989	14,681
Events and Sponsorships	0	0	0	26,570	26,570
Conferences and Travel	1,365	0	2,120	53	3,538
Insurance	5,047	459	19,130	35,688	60,324
Board and Committees	0	0	6,470	91	6,561
Dues, Memberships, and Subscriptions	769	0	9,880	2,071	12,720
Depreciation	34,093	3,099	113,128	4,649	154,969
Other	20,821	0	30,929	0	51,750
Total Functional Expenses	<u>\$ 10,980,732</u>	<u>\$ 28,802</u>	<u>\$ 1,336,108</u>	<u>\$ 112,361</u>	<u>\$ 12,458,003</u>



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9. Functional Expenses, continued

*Functional Expenses at December 31, 2020*

	<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	\$ 8,442,284	\$ 0	\$ 0	\$ 0	\$ 8,442,284
Personnel Costs	240,233	29,316	1,034,410	21,679	1,325,638
Occupancy and Office Expense	14,482	1,609	67,642	1,609	85,342
Information Technology	32,183	2,257	95,161	2,257	131,858
Contract Services	0	0	66,902	0	66,902
Marketing and Communications	3,751	119	1,221	5,380	10,471
Events and Sponsorships	306	0	0	16,562	16,868
Conferences and Travel	933	98	7,398	483	8,912
Insurance	3,513	390	17,606	135,208	156,717
Board and Committees	0	0	5,703	34	5,737
Dues, Memberships, and Subscriptions	1,268	0	4,809	2,117	8,194
Depreciation	27,656	3,073	119,842	3,073	153,644
Other	276	44	52,684	0	53,004
Total Functional Expenses	<u>\$ 8,766,885</u>	<u>\$ 36,906</u>	<u>\$ 1,473,378</u>	<u>\$ 188,402</u>	<u>\$ 10,465,571</u>



# Permian Basin Area Foundation

## Notes to Consolidated Financial Statements

### Years Ended December 31, 2021 and 2020

#### 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>2021</i>	<i>2020</i>
Cash and cash equivalents	\$ 14,926,000	\$ 11,411,733
Long-term investments made available for current use	9,611,309	9,390,376
Less cash and cash equivalents restricted from use during the next year	(3,000,000)	(3,000,000)
	\$ 21,537,309	\$ 17,802,109

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 2021 and 2020, the Foundation's Board of Governors approved a distribution policy of 4.0%. A spendable amount of \$7,241,157 will be made available for grantmaking from these endowments during 2022. A spendable amount of \$6,156,749 was made available for grantmaking from these endowments during 2021. In addition, \$1,607,854 and \$2,073,146 remained as spendable as a result of previous years available-to-spend amounts which had not been distributed as of December 31, 2021 and 2020, 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, 2021 and 2020, respectively, of \$2,313,666 and \$1,679,623 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, 2021 and 2020, respectively, of 9.38% and 7.75%, and assuming the trust terminates in the year 2036.



# Permian Basin Area Foundation

## Notes to Consolidated Financial Statements

### Years Ended December 31, 2021 and 2020

#### **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, 2021 and 2020 at the net present value of the estimated future payments in the amount of \$960,193 and \$1,007,043 respectively, assuming a discount rate of 8%.

#### **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, 2021 and 2020, of \$3,699,743 and \$3,604,527, 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, 2021 and 2020, respectively, of 0.37% and 0.95%, additional average annual royalty income of \$990,154 and \$1,086,878, and assuming the trust terminates in the year 2040.

#### **14. Major Contributors**

Contributions from one major donor totaled \$2,000,000, or 17% of total contributions received for the year ending December 31, 2021. Contributions from a second major donor totaled \$1,691,574 or 15% of the total contributions for the year ending December 31, 2021.

Contributions from one major donor totaled \$1,601,091, or 18% of total contributions received for the year ending December 31, 2020. Contributions from a second major donor totaled \$1,250,000, or 14% of the total contributions for the year ending December 31, 2020. Contributions from a third major donor totaled \$1,133,000, or 13% of the total contributions for the year ending December 31, 2020. Contributions from a fourth major donor totaled \$1,004,894, or 11% of the total contributions for the year ending December 31, 2020.

#### **15. Coronavirus Pandemic**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic which continues into 2022. As a result, economic uncertainties arose during 2020 that negatively impacted the Foundation's estimates of fair value of its Oil and Gas Royalties. Other financial impact, including a negative impact on the Foundation's estimates of fair value of its Investments, could occur though such potential impact is unknown at this time. At the current time, we are unable to quantify the potential effects of this pandemic on our future consolidated financial statements.

