



EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Financial Statements

December 31, 2023 and 2022

(With Auditors' Report Thereon)

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Independent Auditors' Report

The Board of Directors  
Education Partnership of the Permian Basin

**Opinion**

We have audited the accompanying financial statements of Education Partnership of the Permian Basin which comprise the statements of financial position as of December 31, 2023 and 2022 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Education Partnership of the Permian Basin at December 31, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 Education Partnership of the Permian Basin, 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.

Independent Auditors' Report, continued

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States, 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 Education Partnership of the Permian Basin's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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.

Independent Auditors' Report, continued

In performing an audit in accordance with generally accepted auditing standards, 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 Education Partnership of the Permian Basin'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 Education Partnership of the Permian Basin'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.

*C. Marc Martin*

Midland, Texas  
September 27, 2024

## EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Statements of Financial Position  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and equivalents	\$ 688,475	1,325,406
Donor restricted cash and equivalents	1,308,099	-
Certificate of deposit	329,000	-
Contributions receivable	212,414	-
Prepays and other current assets	1,236	1,236
Operating lease right-of-use asset, net	<u>10,316</u>	<u>19,702</u>
Total assets	\$ <u>2,549,540</u>	<u>1,346,344</u>
<u>Liabilities and Net Assets</u>		
Accounts payable	\$ 29,593	17,714
Operating lease liability	<u>10,316</u>	<u>19,702</u>
Total liabilities	<u>39,909</u>	<u>37,416</u>
Net assets:		
Without donor restrictions:		
Undesignated	<u>1,201,532</u>	<u>1,308,928</u>
	<u>1,201,532</u>	<u>1,308,928</u>
With donor restrictions:		
Time restricted for future use	<u>1,308,099</u>	-
Total net assets	<u>2,509,631</u>	<u>1,308,928</u>
Total liabilities and net assets	\$ <u>2,549,540</u>	<u>1,346,344</u>

See accompanying notes to financial statements

## EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Statements of Activities  
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions:		
Revenue and support:		
Contributions	\$ 380,608	1,530,739
In-kind contributions	182,361	193,607
Other income	<u>4,739</u>	<u>-</u>
Total support and revenues before net assets released from restriction	567,708	1,724,346
Net assets released from restriction:		
Satisfaction as to purpose	<u>271,901</u>	<u>-</u>
Total revenue and support	<u>839,609</u>	<u>1,724,346</u>
Expenses:		
Program services	829,413	659,878
Management and general	<u>117,592</u>	<u>95,115</u>
Total expenses	<u>947,005</u>	<u>754,993</u>
Increase (decrease) in net assets without donor restriction before assets transferred from Educate Midland	( 107,396)	969,353
Assets transferred from Educate Midland	<u>-</u>	<u>31,311</u>
Increase (decrease) in net assets without donor restriction	<u>( 107,396)</u>	<u>1,000,664</u>
Changes in net assets with donor restrictions:		
Contributions	1,580,000	-
New assets released from restrictions	<u>( 271,901)</u>	<u>-</u>
Increase (decrease) in net assets with donor restrictions	<u>1,308,099</u>	<u>-</u>
Increase (decrease) in net assets	1,200,703	1,000,664
Net assets:		
Beginning of period	<u>1,308,928</u>	<u>308,264</u>
End of period	\$ <u>2,509,631</u>	<u>1,308,928</u>

See accompanying notes to financial statements

## EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Statements of Functional Expenses  
Years Ended December 31, 2023 and 2022

	2023			2022		
	Program Services	Management And General	Totals	Program Services	Management And General	Totals
<u>Personnel costs:</u>						
Salaries and wages	\$ 388,962	36,874	425,836	264,975	38,996	303,971
Payroll taxes	27,987	2,820	30,807	19,812	2,813	22,625
Benefits	44,940	5,846	50,786	42,431	7,882	50,313
Total personnel costs	<u>461,889</u>	<u>45,540</u>	<u>507,429</u>	<u>327,218</u>	<u>49,691</u>	<u>376,909</u>
<u>Operating costs:</u>						
Contigo education	-	-	-	92,797	-	92,797
Power bags research project	-	-	-	85,267	-	85,267
Strategic plan	387	-	387	46,094	-	46,094
Texas impact network	19,412	-	19,412	62,862	-	62,862
Childcare landscape	5,000	-	5,000	29,857	-	29,857
PSP energy pathways	317,529	-	317,529	-	-	-
Other initiative costs	16,458	-	16,458	5,539	-	5,539
Professional fees	-	36,445	36,445	-	17,451	17,451
Rent	8,738	862	9,600	10,244	1,556	11,800
Office expenses	-	3,641	3,641	-	14,789	14,789
Insurance	-	2,285	2,285	-	2,260	2,260
Marketing and media	-	14,599	14,599	-	701	701
Other expenses	-	14,220	14,220	-	8,667	8,667
Total operating costs	<u>367,524</u>	<u>72,052</u>	<u>439,576</u>	<u>332,660</u>	<u>45,424</u>	<u>378,084</u>
Total expenses	\$ <u>829,413</u>	<u>117,592</u>	<u>947,005</u>	<u>659,878</u>	<u>95,115</u>	<u>754,993</u>

See accompanying notes to financial statements

## EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Statements of Cash Flows  
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,200,703	969,353
(Increase) decrease in accounts receivable	( 212,414)	-
(Increase) decrease in prepaids and other current assets	-	20,000
Increase (decrease) in accounts payable	<u>11,879</u>	<u>( 68,050)</u>
Net cash provided by operating activities	<u>1,000,168</u>	<u>921,303</u>
Cash flows from investing activities:		
Assets transferred from Educate Midland	-	31,311
Purchase certificate of deposit	<u>( 329,000)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>( 329,000)</u>	<u>31,311</u>
Cash flows from financing activities:	<u>-</u>	<u>-</u>
Net increase in cash	671,168	952,614
Cash and equivalents, beginning of period	<u>1,325,406</u>	<u>372,792</u>
Cash and equivalents, end of period	\$ <u>1,996,574</u>	<u>1,325,406</u>
<u>Non-cash Investing and Financing activities:</u>		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ <u>-</u>	<u>19,702</u>

See accompanying notes to financial statement



EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Notes to Financial Statements

December 31, 2023 and 2022

**(1) Summary of Significant Accounting Policies**

Organization

Education Partnership of the Permian Basin, (the Organization) is a non-profit organization that is focused on supporting and improving the quality of education throughout the Permian Basin.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. Revenues are recognized when earned or contributed and expenses are recognized when incurred.

Net Assets

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

Net assets without donor restrictions:

- \* Net assets without donor restrictions are resources representing the portion of expendable funds that is available for support of operations.

Net assets with donor restrictions:

- \* Net assets with donor restrictions represents resources received for use for designated purposes or for use in future periods.

EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Notes to Financial Statements

December 31, 2023 and 2022

**(1) Summary of Significant Accounting Policies, continued**

Income Taxes

The Organization is a charitable organization as defined under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii). As such, it is exempt from Federal income taxes on all income except income earned from unrelated business activities. There was no unrelated business income during the years ended December 31, 2023 and 2022. The Organization believes it is no longer subject to income tax examinations for years prior to 2020.

The Organization adheres to accounting standards for uncertain income tax positions, which would require additional disclosure. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include any uncertain tax positions.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Notes to Financial Statements

December 31, 2023 and 2022

**(1) Summary of Significant Accounting Policies, continued**

Revenue and Revenue Recognition

Contributions and grants are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional and non-reciprocal. Conditional promises to give, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met. The Organization had no conditional promises to give at December 31, 2023 and 2022. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contributions income for the excess received when the event takes place.

The Organization reports gifts of cash or other assets, received with donor stipulations that limit the use of the donated gift, as support without donor restriction if the donor restrictions are satisfied within the same fiscal year the gift is received. If the donor restrictions are not fully satisfied by December 31 of the year in which the gift is received, the entire value of the gift is recorded as net assets with donor restriction and only that portion expended for its intended purpose or satisfying a time restriction is reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

The Organization reports in-kind gifts as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as donor restricted support. Absent explicit donor stipulations about how long those long lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or the gifts of cash are expended for the purpose intended.

EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Notes to Financial Statements

December 31, 2023 and 2022

**(1) Summary of Significant Accounting Policies, continued**

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers demand deposits, money market accounts and other highly liquid financial instruments available for current use with an original maturity of six months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents, except for account balances donor restricted or board designated for capital improvements or future operations, which are classified as such, since use of such funds is donor restricted or board designated and not available for the Organization's use in current operations. There was no donor restricted cash at December 31, 2022.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and equivalents	\$ 688,475	1,325,406
Donor restricted cash and equivalents	<u>1,308,099</u>	<u>-</u>
	<u>\$ 1,996,574</u>	<u>1,325,406</u>

Donated Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of non professional volunteer services donated to the Organization is not clearly measurable and, accordingly, is not included as revenues and expenses in the accompanying financial statements. Donated professional computer, legal and accounting fees are recognized in the financial statements in accordance with U.S. generally accepted accounting principles when incurred.

EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Notes to Financial Statements

December 31, 2023 and 2022

**(1) Summary of Significant Accounting Policies, continued**

Contributions Receivable

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 those 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 contribution revenue. An allowance for uncollectible promises to give is determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. All contributions receivable are expected to be collected within one year. No allowance for uncollectible promises to give is considered necessary at December 31, 2023.

Change in Accounting Principle

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires the use of an "expected loss" model for instruments measured at amortized cost. Allowances are to be measured using a current expected credit loss model as of the reporting date which is based on historical experience, current conditions and reasonable and supportable forecasts, resulting in a net presentation of the amount expected to be collected on the financial asset. The effective date for the Organization for this standard is for annual reporting periods beginning after December 15, 2022. We have adopted the provisions of this standard with no effect on the accompanying combined financial statements as we had no expected credit losses subject to this standard at December 31, 2023.

EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Notes to Financial Statements

December 31, 2023 and 2022

**(2) Information Regarding Liquidity and Availability**

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit and money market funds.

The following table reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations, if any. Amounts not available include any board-designated funds for future use. In the event the need arises to utilize any board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with board designations or donor restrictions at December 31, 2022.

	<u>2023</u>	<u>2022</u>
Cash and equivalents	\$ 688,475	1,325,406
Donor restricted cash and equivalents	1,308,099	-
Certificate of deposit	329,000	-
Contributions receivable	<u>212,414</u>	<u>-</u>
Total financial assets	2,537,988	1,325,406
Donor restricted net assets	(1,308,099)	-
Board-designated reserves	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>1,229,889</u>	<u>1,325,406</u>

EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Notes to Financial Statements

December 31, 2023 and 2022

**(3) Contingencies and Concentration**

The Organization maintains its cash balances at a financial institution that is insured by the Federal Deposit Insurance Corporation for balances up to \$250,000. The Organization had deposits aggregating \$2,311,810 in excess of insured amounts at December 31, 2023.

In 2023, the Organization had contributions from one donor representing approximately 74% of total revenue. A decrease in or loss of contributions from this donor could have a significant effect on operations and cash flows.

The Organization does not record an estimate for accrued vacation earned by employees because accurate information is not available. Management believes the effect of such an accrual would not be material to the financial position or results of operations for the years ended December 31, 2023 and 2022.

**(4) Leases**

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Notes to Financial Statements

December 31, 2023 and 2022

**(4) Leases, continued**

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) asset represents the Organization's right to use office space for the lease term, and the lease liability represents the Organization's obligation to make lease payments arising from this lease. The ROU asset and lease liability, which arise from an operating lease, were calculated based on the present value of future lease payments over the lease term. The Organization uses the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, we elect to use a risk free rate as allowed in the standard. The risk free rate is determined by using the U.S. Treasury yield for a Treasury maturity consistent with the lease term. The weighted-average discount rate applied to calculate the lease liability as of December 31, 2023 was 1.39%.

For the year ended December 31, 2023, total operating lease cost was \$9,600. As of December 31, 2023, the weighted-average remaining lease term for the Organization's operating lease was approximately 1 year.

Cash paid for operating leases for the year ended December 31, 2023, was \$9,600. There were no noncash investing and financing transactions related to leasing other than the entry made at lease inception.

Future maturities of lease liabilities are presented in the following table, for the years ending December 31:

2024	\$ 9,600
2025	<u>800</u>
Total lease payments	10,400
Less present value discount	( 84)
Total lease liability	\$ <u>10,316</u>



EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Notes to Financial Statements

December 31, 2023 and 2022

**(5) Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent, which is allocated on a utilization basis, as well as salaries and wages, benefits, payroll taxes, and other, which are allocated on the basis of estimates of time and effort.

**(6) In-Kind Contributions**

The Organization recognized in-kind contributions within revenue including contributed personnel costs and rent. The in-kind contributions did not have donor imposed restrictions. Personnel costs were contributed for the services of the Organization's Executive Director and rent was contributed for the office space used by the Executive Director. The Organization valued the in-kind contribution of personnel costs at the rates actually paid to the Executive Director during each year and the in-kind contribution of rent at the fair market rental value of the space used during each year. Various other in-kind donations were received during each year including supplies and minor equipment, which were not valued and management considers not material to these financial statements.

For the years ended December 31, 2023 and 2022, in-kind contributions recognized within the Statements of Activities included:

	<u>2023</u>	<u>2022</u>
Salaries	\$ 147,496	147,822
Payroll taxes	11,283	11,255
Benefits	23,382	31,530
Rent	-	3,000
	<u>\$ 182,161</u>	<u>193,607</u>

EDUCATION PARTNERSHIP OF THE PERMIAN BASIN

Notes to Financial Statements

December 31, 2023 and 2022

**(7) Assets Transferred From Educate Midland**

During 2021, the Organization agreed to assume the programs operated by Educate Midland, a similar not-for-profit organization operating in Midland Texas, upon the dissolution of Educate Midland. As part of this agreement Educate Midland was to transfer its remaining cash balance to the Organization for use in operating the programs. The first transfer of cash aggregating \$97,469 was received by the Organization during 2021. The final transfer of cash aggregating \$31,311 was received in March 2022.

**(8) Subsequent Events**

Subsequent events have been evaluated by management through September 27, 2024, which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment to or disclosure within the financial statements.

