

PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Petroleum Equipment Institute and Affiliate
Tulsa, Oklahoma

Opinion

We have audited the accompanying consolidated financial statements of Petroleum Equipment Institute and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2025, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petroleum Equipment Institute and Affiliate as of December 31, 2025, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Petroleum Equipment Institute and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information shown on pages 17 - 21 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Schaumburg, Illinois

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025**

ASSETS

Amount

Assets:

Cash and cash equivalents	\$ 310,750
Accounts receivable, net	14,163
Prepaid expenses	297,243
Investments	8,091,278
Intangible assets, net	113,308
Property and equipment, net	<u>1,588,854</u>

TOTAL ASSETS	\$ <u>10,415,596</u>
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LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 187,005
Deferred revenue	<u>1,811,206</u>
Total liabilities	<u>1,998,211</u>

Net assets:

Without donor restrictions	
Undesignated	4,423,050
Board designated contingency reserves	<u>3,994,335</u>
Total net assets	<u>8,417,385</u>

TOTAL LIABILITIES AND NET ASSETS	\$ <u>10,415,596</u>
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PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Without Donor Restrictions</u>
<u>Revenues and other support:</u>	
Membership dues	\$ 1,219,977
Publications	321,250
Advertising	493,280
Meetings and conferences	624,309
Priority club dues	533,000
Booth rental	672,711
Registration and tickets	588,215
Sponsorships	136,945
Instructional course and other income	234,951
Contributions	<u>25,153</u>
Total revenues and other support	<u>4,849,791</u>
<u>Expenses:</u>	
Program services	4,338,668
Supporting activities:	
Management and general	959,500
Fundraising	<u>140,093</u>
Total expenses	<u>5,438,261</u>
Change in net assets before investment income	(588,470)
Investment income, net	<u>593,245</u>
Change in net assets	4,775
Net assets at beginning of year	<u>8,412,610</u>
Net assets at end of year	<u><u>\$ 8,417,385</u></u>

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025**

	Program Services							
	Convention and Conferences	Publication	Member Services	Other Services	Total	Management and general	Fundraising	Total
Personnel costs								
Payroll	\$ 419,056	\$ 304,707	\$ 22,447	\$ 659,009	\$ 1,405,219	\$ 376,620	\$ 22,447	\$ 1,804,286
Payroll taxes	27,905	20,290	-	43,884	92,079	45,353	-	137,432
Employee Benefits	46,099	41,060	4,041	64,955	156,155	78,965	4,041	239,161
Commissions	<u>14,965</u>	<u>69,649</u>	<u>-</u>	<u>65,032</u>	<u>149,646</u>	<u>-</u>	<u>-</u>	<u>149,646</u>
Total personnel costs	<u>508,025</u>	<u>435,706</u>	<u>26,488</u>	<u>832,880</u>	<u>1,803,099</u>	<u>500,938</u>	<u>26,488</u>	<u>2,330,525</u>
Non-personnel costs								
Bad debt	-	-	-	-	-	62,795	-	62,795
Bank and credit card charges	32,326	53,339	-	11,314	96,979	33,377	-	130,356
Continuing education	-	-	-	7,609	7,609	3,748	-	11,357
Communications	-	-	-	22,497	22,497	11,080	-	33,577
Depreciation	15,012	10,915	-	23,607	49,534	24,398	-	73,932
Dues and subscriptions	-	-	-	19,466	19,466	19,464	-	38,930
Information technology	-	7,200	-	39,367	46,567	46,567	-	93,134
Marketing	25,969	43,282	-	-	69,251	-	-	69,251
Meal function events	452,073	-	-	-	452,073	-	39,375	491,448
Occupancy	19,965	14,517	3,022	31,397	68,901	35,469	3,021	107,391
Office	-	1,685	-	3,369	5,054	28,214	234	33,502
Other meeting and events	-	-	-	249,181	249,181	27,687	-	276,868
Professional fees	-	-	-	56,073	56,073	130,836	49,000	235,909
Program - event costs	911,696	-	-	-	911,696	-	21,975	933,671
Publications, printing and promotion	-	138,136	-	-	138,136	-	-	138,136
Scholarship	-	-	13,500	-	13,500	-	-	13,500
Registration and security	14,706	-	-	-	14,706	-	-	14,706
Travel and public relations	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,346</u>	<u>314,346</u>	<u>34,927</u>	<u>-</u>	<u>349,273</u>
Total non-personnel costs	<u>1,471,747</u>	<u>269,074</u>	<u>16,522</u>	<u>778,226</u>	<u>2,535,569</u>	<u>458,562</u>	<u>113,605</u>	<u>3,107,736</u>
Total	<u>\$ 1,979,772</u>	<u>\$ 704,780</u>	<u>\$ 43,010</u>	<u>\$ 1,611,106</u>	<u>\$ 4,338,668</u>	<u>\$ 959,500</u>	<u>\$ 140,093</u>	<u>\$ 5,438,261</u>

See notes to the consolidated financial statements

PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Amount</u>
<u>Cash flows from operating activities</u>	
Change in net assets	\$ 4,775
Adjustments to reconcile change in net assets to net cash used in operating activities	
Unrealized and realized gain on investments	(444,897)
Depreciation	73,932
Amortization	100,737
Bad debts	62,795
(Increase) decrease in assets:	
Accounts receivable	(76,958)
Prepaid expenses	(29,459)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(9,898)
Deferred revenue	<u>151,103</u>
Net cash provided by operating activities	<u>(167,870)</u>
<u>Cash flows from investing activities</u>	
Purchase of investments	(5,874,808)
Proceeds from sale of investments	4,636,611
Purchase of property and equipment	(47,654)
Purchase of intangible assets	<u>(123,326)</u>
Net cash used in investing activities	<u>(1,409,177)</u>
Net decrease in cash	<u>(1,577,047)</u>
Cash and cash equivalents, beginning	<u>1,887,797</u>
Cash and cash equivalents, ending	<u>\$ 310,750</u>

See notes to the consolidated financial statements

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

Note 1

Nature of Organization

Organization:

Petroleum Equipment Institute ("PEI"), a nonprofit organization, is an international trade association for companies concerned with all aspects of equipment used in commercial fuel handling and sales. PEI provides industry resources and services including educational needs to members and nonmembers. PEI was founded in 1951 as a nonprofit corporation and has headquarters in Tulsa, Oklahoma. PEI's members manufacture, distribute, and service petroleum marketing and energy handling equipment.

The Organization's affiliate, Petroleum Equipment Institute Foundation ("PEIF"), is a nonprofit corporation organized to carry out the charitable purpose of PEI. PEIF was founded in 2009 and is headquartered in Tulsa, Oklahoma. PEIF conducts research in the energy handling equipment industry and to advance leadership and management excellence of the energy handling equipment industry.

PEI and PEIF are governed by the same board of directors and, as a result, PEI has a direct controlling financial interest in PEIF through a majority voting interest. In accordance with accounting principles generally accepted in the United States of America, the accounts of both organizations have been consolidated in these financial statements.

Note 2

Summary of Significant Accounting Policies

Principles of Consolidation :

The accompanying consolidated financial statements include the accounts of Petroleum Equipment Institute and Petroleum Equipment Institute Foundation. Significant intercompany balances and transactions have been eliminated in consolidation. Petroleum Equipment Institute and Petroleum Equipment Institute Foundation will be collectively referred to as the "Organization."

Basis of Accounting:

The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

Note 2

Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net Assets Without Donor Restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.
- *Net Assets With Donor Restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor-imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Cash and Cash Equivalents:

For purposes of financial statement presentation, the Organization considers all highly liquid debt instruments with maturities of ninety days or less, from the date of purchase, to be cash equivalents.

Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits:

The Organization maintains cash balances at one commercial bank, and these balances can exceed the FDIC and insured deposit limit of \$250,000 per financial institution. At December 31, 2025, the Organization's cash balances held at the commercial bank exceeded the FDIC limit by approximately \$154,310. The Organization has not experienced any losses through the date when the financial statements were available to be issued.

Accounts Receivable:

Accounts receivable represent amounts due from members primarily for advertising and other member events and are stated at the amount management expects to collect from outstanding balances. The face amount of accounts receivable is reduced by an allowance for credit losses, if needed. The allowance for credit losses estimates the allowance for lifetime expected credit losses, based on historical collection experience and other factors, including current market factors, and forecasted economic conditions. There was an allowance of \$33,093 recorded as of December 31, 2025.

Prepaid Expenses:

Expenditures related to future meetings and events are recorded as prepaid expenses and included as expense in the period that the meeting or event takes place.

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

Note 2

Summary of Significant Accounting Policies (Continued)

Investments:

Investments, primarily consisting of equity, fixed income, certificates of deposit, government securities, corporate bonds, and alternative mutual funds, are stated at fair value. Investments in mutual funds with readily determinable values are valued based on quoted market prices in active markets in which the securities are traded. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the consolidated statement of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

Property and Equipment:

Property and equipment are stated at cost. The Organization has established a policy to capitalize assets above a \$2,000 threshold. Expenditures for minor additions of equipment are charged to expense when incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets, as follows:

Land	Non-depreciable
Building and improvements	15 - 39 years
Computer equipment	3 - 5 years
Furniture and fixtures	7 - 10 years

Intangible Assets:

The Organization's intangible assets are comprised of website development costs and a learning management system which are capitalized and amortized using the straight-line method over the estimated useful life of three years.

Deferred Revenue:

Registration fees received for courses or events to be held in the subsequent year are recorded as deferred revenue and are recognized as income upon the occurrence of the event. Membership dues received in the current year that are applicable to the subsequent year are recorded as deferred revenue until the period they are earned.

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

Note 2

Summary of Significant Accounting Policies (Continued)

Contributions:

The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor restrictions that are met in the year of receipt are recorded as revenues without donor restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and change in net assets.

Revenue Recognition:

In accordance with FASB Topic 606, *Revenue from Contracts with Customers*, or ASC 606, the Organization recognizes revenue from exchange transactions when a customer obtains control of promised goods or services, in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services. To determine revenue recognition, the Organization performs the following five steps:

- Identification of the contract, or contracts, with a customer (Step 1)
- Identification of the performance obligation(s) in the contract (Step 2)
- Determination of the transaction price (Step 3)
- Allocation of the transaction price to the performance obligation(s) in the contract (Step 4)
- Recognition of revenue when or as the Organization satisfies the performance obligations (Step 5)

The following revenue streams relate to exchange transactions and are described further below:

Membership Dues

The Organization offers memberships for a one-year term based upon each member's respective membership term throughout the year. The Organization satisfies its performance obligation and recognizes revenue evenly over the membership term as its members simultaneously receive and consume the benefits over that timeframe. Payment is generally due within 30 days of invoicing. Another benefit received by members in consideration of their dues is receipt of the bi-monthly magazine, which is also recognized over time, due to the bi-monthly nature of the publication.

Payments received for membership dues in advance of the Organization satisfying its performance obligation are recorded as deferred membership dues in the accompanying consolidated statements of financial position. In 2025, the Organization recognized revenue of \$742,421 from amounts that were included in deferred membership dues at December 31, 2024. Deferred membership dues totaled \$1,008,580 at December 31, 2025. The performance obligation surrounding this liability will be satisfied in 2026.

The following is a breakdown of membership income for the year ended December 31, 2025:

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

Note 2

Summary of Significant Accounting Policies (Continued)

	<u>Amount</u>
Distributor	\$ 380,738
Manufacturer	244,842
Affiliate	194,295
Operations and engineering	34,901
Service and construction	347,901
Young executive	12,800
PEI women	<u>4,500</u>
Total	<u>\$ 1,219,977</u>

Publications

The Organization publishes a quarterly magazine, *PEI Journal* (the “Journal”), which is provided to members without additional charge as part of their membership benefits. Additional copies are provided to members at a charge. Publications revenue is recognized over time in conjunction with the quarterly performance obligation. In addition, the Organization publishes technical manuals that address operational issues facing the industry and provide information on recommended practices, and the latest technologies and industry trends. The Organization provides online tests for certifications.

Advertising

The Organization sells advertising space in its quarterly journal, in addition to online, digital, and directory advertising. Magazine advertising revenue is recognized in the month of each publication’s issue date. Online, digital, and directory advertising is recognized monthly as the performance obligation is completed.

During the year ended December 31, 2025, the Organization recognized advertising revenue of \$221,982 from amounts that were included in deferred revenue at December 31, 2024. Deferred advertising totaled \$319,601 at December 31, 2025. The performance obligation surrounding this liability will be satisfied in 2026.

Program Income

Program income is comprised of meeting and conference income, and other events. Payment for program events is usually due within 30 days of performance or invoicing. The Organization recognizes revenue on the various programs at the point in time when the events take place.

In 2025, the Organization recognized revenue of \$186,700 from amounts that were included in deferred program income at December 31, 2024. Deferred program income totaled \$276,861 at December 31, 2025. The performance obligation surrounding this liability will be satisfied in 2026.

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

Note 2

Summary of Significant Accounting Policies (Continued)

Priority Club Dues

The Organization offers priority club memberships for a one-year term that provide three levels of memberships with additional annual convention and year-round benefits. These memberships are based upon a calendar year. The Organization satisfies its performance obligation and recognizes revenue evenly over the membership term as its members simultaneously receive and consume the benefits over that timeframe. Payment is generally due within 30 days of invoicing. Priority club dues totaled \$533,000 during the year ended December 31, 2025.

Payments received for priority club dues in advance of the Organization satisfying its performance obligation are recorded as deferred revenue in the accompanying consolidated statement of financial position. During the year ended December 31, 2025, the Organization recognized revenue of \$509,000 from amounts that were included in deferred membership dues at December 31, 2024. Deferred membership dues totaled \$518,000 at December 31, 2025. The performance obligation surrounding this liability will be satisfied in 2026.

Functional Expense Allocation:

The cost of providing the various programs and activities has been summarized on a functional basis in the consolidated statement of functional expenses. Expenses are directly charged to the program services and supporting activities other than those that benefit multiple functions. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting activities of the Organization. Those expenses primarily include salaries and benefits. These allocations are made based on estimates of employee time and effort.

Tax Exempt Status:

PEI and PEIF are nonprofit organizations exempt from federal income taxes under Internal Revenue Code Section 501(c)(6) and 501(c)(3), respectively. Accordingly, no provision for federal income taxes is required. The Organization applies the guidance on accounting for uncertain tax positions in FASB ASC 740 Income Taxes. The Organization is no longer subject to income tax examinations for tax years up to and including 2022.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Changes in estimates are recorded in the period in which they become known. Actual results could differ from these estimates.

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

Note 2

Summary of Significant Accounting Policies (Continued)

Fair Value Measurements:

The Organization applies FASB ASC 820, *Fair Value Measurements* (ASC 820), which establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

The three general valuation techniques that may be used to measure fair value are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted market prices for similar assets or liability in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Impairment of Long-Lived Assets:

Long-lived assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to their fair value, which is normally determined through analysis of the future net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount that the carrying amount of the assets exceeds the fair value of the assets. No impairment loss has been recognized during the year ended December 31, 2025.

PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025

Note 3

Liquidity and Availability of Resources

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following as of December 31, 2025:

	<u>Amount</u>
Financial assets available for general expenditure within one year:	
Cash and cash equivalents	\$ 310,750
Accounts receivable	14,163
Investments	<u>8,091,278</u>
Total financial assets	8,416,191
Less: board-designated contingency reserves (see note 7)	<u>(3,994,335)</u>
Total financial assets available for general expenditure within one year	<u>\$ 4,421,856</u>

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. In addition to financial assets available for general expenditure within one year, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Because the donor restrictions require resources to be used in a particular manner or in future periods, the Organization maintains sufficient resources to meet the responsibility to its donors. Thus, financial assets as they relate to donor restrictions may not be available for general expenditure within one year.

Note 4

Investments

Investments consisted of the following mutual funds as of December 31, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Equities	\$ 3,712,039	\$ -	\$ -	\$ -
Government securities	2,532,002	-	-	-
Certificates of deposit	971,263	-	-	-
Mutual funds	625,759	-	-	-
Corporate bonds	<u>-</u>	<u>250,215</u>	<u>-</u>	<u>-</u>
Total assets at fair value	<u>\$ 7,841,063</u>	<u>\$ 250,215</u>	<u>\$ -</u>	<u>\$ 8,091,278</u>

In accordance with the ASC 820, the Organization's investments are considered to be Level 1 and Level 2 within the fair value hierarchy. There were no significant transfers between the levels during the year. The Organization's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

Note 4

Investments (Continued)

The components of investment return are as follows for the year ended December 31, 2025:

	<u>Amount</u>
Realized and unrealized investment gains	\$ 444,897
Interest and dividends	211,921
Less: brokerage fees	<u>(63,573)</u>
	<u>\$ 593,245</u>

Note 5

Property and Equipment

The following is a summary of property and equipment at cost at December 31, 2025:

	<u>Amount</u>
Land	\$ 120,000
Building and improvements	1,936,771
Computer equipment	97,621
Furniture and fixtures	<u>258,042</u>
	2,412,434
Less: accumulated depreciation	<u>(823,580)</u>
Property and equipment, net	<u>\$ 1,588,854</u>

Depreciation expense for the year ended December 31, 2025 totaled \$73,932.

Note 6

Intangible Assets

The cost and accumulated amortization of the Organization's intangible assets consisted of the following at December 31, 2025:

	<u>Amount</u>
Learning management system	\$ 325,345
Website	<u>34,620</u>
	359,965
Less: accumulated amortization	<u>(246,657)</u>
	<u>\$ 113,308</u>

Amortization expense for the year ended December 31, 2025 totaled \$100,737, and it's included in information technology and other meeting and events on the accompanying consolidated statement of functional expenses.

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025**

Note 7

Board-Designated Reserve Funds

The Organization has established a reserve fund to meet future contingencies. These board-designated contingency reserve funds are maintained at 75% of the upcoming three-year forecast for projected average total expenses. The Organization's board-designated contingency reserves totaled \$3,994,335 at December 31, 2025. These funds are classified as net assets without donor restrictions.

Investment Return Objectives, Risk Parameters and Strategies: The Organization's investment policy for its reserve funds provides for investments in diversified portfolios. The objective is to maximize the total return while minimizing risk in order to protect the board-designated assets for the long-term use of the Organization. All reserve funds are generally commingled with other funds for investment purposes.

Note 8

Retirement Plan

The Organization participates in a 401(k) plan under which employees may defer a portion of their annual compensation. Employees who have reached the age of 21 years and have completed at least one year of service are eligible to participate in the plan. The Organization provides a 100% matching contribution for up to 4% of wages. Employer contributions totaled \$82,438 for the year ended December 31, 2025.

Note 9

Commitments and Contingencies

The Organization has entered into contracts for services and accommodations for future meetings and seminars. The contracts include penalty clauses which would require the Organization to pay certain amounts if a meeting or seminar was to be cancelled or if attendance was less than the original commitment. Management is not aware of any exposure to significant penalties at December 31, 2025.

Note 10

Subsequent Events

Management considered all events through [Date], the date the consolidated financial statements were available for release, in preparing the consolidated financial statements and the related disclosures. The Organization is not aware of any other significant events that occurred subsequent to December 31, 2025, but prior to the issuance of this report, that would have a material impact on the consolidated financial statements.

SUPPLEMENTARY INFORMATION

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025**

	ASSETS			
	<u>PEI</u>	<u>PEIF</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 292,955	\$ 17,795	\$ -	\$ 310,750
Accounts receivable, net	14,163	-	-	14,163
Prepaid expenses	290,243	7,000	-	297,243
Investments	8,091,278	-	-	8,091,278
Due from affiliate	88,024	-	(88,024)	-
Intangible assets, net	113,308	-	-	113,308
Property and equipment, net	<u>1,588,854</u>	<u>-</u>	<u>-</u>	<u>1,588,854</u>
TOTAL ASSETS	\$ <u>10,478,825</u>	\$ <u>24,795</u>	\$ <u>(88,024)</u>	\$ <u>10,415,596</u>
LIABILITIES AND NET ASSETS				
<u>Liabilities</u>				
Accounts payable and accrued expenses	\$ 187,005	\$ -	\$ -	\$ 187,005
Due to affiliate	-	88,024	(88,024)	-
Deferred revenue	<u>1,811,206</u>	<u>-</u>	<u>-</u>	<u>1,811,206</u>
Total liabilities	<u>1,998,211</u>	<u>88,024</u>	<u>(88,024)</u>	<u>1,998,211</u>
<u>Net assets:</u>				
Without donor restrictions				
Undesignated (deficit)	4,486,279	(63,229)	-	4,423,050
Board designated contingency reserves	<u>3,994,335</u>	<u>-</u>	<u>-</u>	<u>3,994,335</u>
Total net assets (deficit)	<u>8,480,614</u>	<u>(63,229)</u>	<u>-</u>	<u>8,417,385</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>10,478,825</u>	\$ <u>24,795</u>	\$ <u>(88,024)</u>	\$ <u>10,415,596</u>

PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>PEI</u>	<u>PEIF</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Revenues and other support:</u>				
Membership dues	\$ 1,219,977	\$ -	\$ -	\$ 1,219,977
Publications	321,250	-	-	321,250
Advertising	493,280	-	-	493,280
Meetings and conferences	624,309	-	-	624,309
Priority club dues	533,000	-	-	533,000
Booth rental	672,711	-	-	672,711
Registration and tickets	588,215	-	-	588,215
Sponsorships	121,945	15,000	-	136,945
Instructional course and other income	234,951	-	-	234,951
Contributions	<u>-</u>	<u>175,153</u>	<u>(150,000)</u>	<u>25,153</u>
Total revenues and other support	<u>4,809,638</u>	<u>190,153</u>	<u>(150,000)</u>	<u>4,849,791</u>
<u>Expenses:</u>				
Program services	4,445,658	43,010	(150,000)	4,338,668
Supporting activities:				
Management and general	920,940	38,560	-	959,500
Fundraising	<u>-</u>	<u>140,093</u>	<u>-</u>	<u>140,093</u>
Total expenses	<u>5,366,598</u>	<u>221,663</u>	<u>(150,000)</u>	<u>5,438,261</u>
Change in net assets before investment income	<u>(556,960)</u>	<u>(31,510)</u>	<u>-</u>	<u>(588,470)</u>
Investment income, net	<u>593,245</u>	<u>-</u>	<u>-</u>	<u>593,245</u>
Change in net assets	36,285	(31,510)	-	4,775
Net assets (deficit) at beginning of year	<u>8,444,329</u>	<u>(31,719)</u>	<u>-</u>	<u>8,412,610</u>
Net assets (deficit) at end of year	<u>\$ 8,480,614</u>	<u>\$ (63,229)</u>	<u>\$ -</u>	<u>\$ 8,417,385</u>

**PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025**

	PEI						PEIF					Total			
	Program Services						Program Services								
	Convention and Conferences	Publication	Other Services	Total	Management and general	Total	Member Services	Management and general	Fundraising	Total	Eliminations	Program Services	Management and general	Fundraising	Total
Personnel costs															
Payroll	\$ 419,056	\$ 304,707	\$ 659,009	\$ 1,382,772	\$ 354,172	\$ 1,736,944	\$ 22,447	\$ 22,448	\$ 22,447	\$ 67,342	\$ -	\$ 1,405,219	\$ 376,620	\$ 22,447	\$ 1,804,286
Payroll taxes	27,905	20,290	43,884	92,079	45,353	137,432	-	-	-	-	-	92,079	45,353	-	137,432
Employee Benefits	46,099	41,060	64,955	152,114	74,924	227,038	4,041	4,041	4,041	12,123	-	156,155	78,965	4,041	239,161
Commissions	14,965	69,649	65,032	149,646	-	149,646	-	-	-	-	-	149,646	-	-	149,646
Total personnel costs	<u>508,025</u>	<u>435,706</u>	<u>832,880</u>	<u>1,776,611</u>	<u>474,449</u>	<u>2,251,060</u>	<u>26,488</u>	<u>26,489</u>	<u>26,488</u>	<u>79,465</u>	<u>-</u>	<u>1,803,099</u>	<u>500,938</u>	<u>26,488</u>	<u>2,330,525</u>
Non-personnel costs															
Bad debt	-	-	-	-	62,795	62,795	-	-	-	-	-	-	62,795	-	62,795
Bank and credit card charges	32,326	53,339	11,314	96,979	32,327	129,306	-	1,050	-	1,050	-	96,979	33,377	-	130,356
Charitable contributions	-	-	150,000	150,000	-	150,000	-	-	-	-	(150,000)	-	-	-	-
Continuing education	-	-	7,609	7,609	3,748	11,357	-	-	-	-	-	7,609	3,748	-	11,357
Communications	-	-	22,497	22,497	11,080	33,577	-	-	-	-	-	22,497	11,080	-	33,577
Depreciation	15,012	10,915	23,607	49,534	24,398	73,932	-	-	-	-	-	49,534	24,398	-	73,932
Dues and subscriptions	-	-	19,466	19,466	19,464	38,930	-	-	-	-	-	19,466	19,464	-	38,930
Information technology	-	7,200	39,367	46,567	46,567	93,134	-	-	-	-	-	46,567	46,567	-	93,134
Marketing	25,969	43,282	-	69,251	-	69,251	-	-	-	-	-	69,251	-	-	69,251
Meal function events	452,073	-	-	452,073	-	452,073	-	-	39,375	39,375	-	452,073	-	39,375	491,448
Occupancy	19,965	14,517	31,397	65,879	32,448	98,327	3,022	3,021	3,021	9,064	-	68,901	35,469	3,021	107,391
Office	-	1,685	3,369	5,054	20,214	25,268	-	8,000	234	8,234	-	5,054	28,214	234	33,502
Other meeting and events	-	-	249,181	249,181	27,687	276,868	-	-	-	-	-	249,181	27,687	-	276,868
Professional fees	-	-	56,073	56,073	130,836	186,909	-	-	49,000	49,000	-	56,073	130,836	49,000	235,909
Program - event costs	911,696	-	-	911,696	-	911,696	-	-	21,975	21,975	-	911,696	-	21,975	933,671
Publications, printing and promotion	-	138,136	-	138,136	-	138,136	-	-	-	-	-	138,136	-	-	138,136
Scholarship	-	-	-	-	-	-	13,500	-	-	13,500	-	13,500	-	-	13,500
Registration and security	14,706	-	-	14,706	-	14,706	-	-	-	-	-	14,706	-	-	14,706
Travel and public relations	-	-	314,346	314,346	34,927	349,273	-	-	-	-	-	314,346	34,927	-	349,273
Total non-personnel costs	<u>1,471,747</u>	<u>269,074</u>	<u>928,226</u>	<u>2,669,047</u>	<u>446,491</u>	<u>3,115,538</u>	<u>16,522</u>	<u>12,071</u>	<u>113,605</u>	<u>142,198</u>	<u>(150,000)</u>	<u>2,535,569</u>	<u>458,562</u>	<u>113,605</u>	<u>3,107,736</u>
Total	<u>\$ 1,979,772</u>	<u>\$ 704,780</u>	<u>\$ 1,761,106</u>	<u>\$ 4,445,658</u>	<u>\$ 920,940</u>	<u>\$ 5,366,598</u>	<u>\$ 43,010</u>	<u>\$ 38,560</u>	<u>\$ 140,093</u>	<u>\$ 221,663</u>	<u>\$ (150,000)</u>	<u>\$ 4,338,668</u>	<u>\$ 959,500</u>	<u>\$ 140,093</u>	<u>\$ 5,438,261</u>

See notes to the consolidated financial statements

PETROLEUM EQUIPMENT INSTITUTE AND AFFILIATE
CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>PEI</u>	<u>PEIF</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Cash flows from operating activities</u>				
Change in net assets	\$ 36,285	\$ (31,510)	\$ -	\$ 4,775
Adjustments to reconcile change in net assets to net cash used in operating activities				
Unrealized and realized gain on investments	(444,897)	-	-	(444,897)
Depreciation	73,932	-	-	73,932
Amortization	100,737	-	-	100,737
Bad debts	62,795	-	-	62,795
(Increase) decrease in assets:				
Accounts receivable	(76,958)	-	-	(76,958)
Due from affiliate	(16,281)	20,200	(3,919)	-
Prepaid expenses	(22,459)	(7,000)	-	(29,459)
Increase (decrease) in liabilities:				
Accounts payable and accrued expenses	6,178	(16,076)	-	(9,898)
Due to affiliate	(20,200)	16,281	3,919	-
Deferred revenue	151,103	-	-	151,103
Net cash provided by operating activities	<u>(149,765)</u>	<u>(18,105)</u>	<u>-</u>	<u>(167,870)</u>
<u>Cash flows from investing activities</u>				
Purchase of investments	(5,874,808)	-	-	(5,874,808)
Proceeds from sale of investments	4,636,611	-	-	4,636,611
Purchase of property and equipment	(47,654)	-	-	(47,654)
Purchase of intangible assets	<u>(123,326)</u>	<u>-</u>	<u>-</u>	<u>(123,326)</u>
Net cash used in investing activities	<u>(1,409,177)</u>	<u>-</u>	<u>-</u>	<u>(1,409,177)</u>
Net decrease in cash and cash equivalents	<u>(1,558,942)</u>	<u>(18,105)</u>	<u>-</u>	<u>(1,577,047)</u>
Cash and cash equivalents, beginning	<u>1,851,897</u>	<u>35,900</u>	<u>-</u>	<u>1,887,797</u>
Cash and cash equivalents, ending	<u>\$ 292,955</u>	<u>\$ 17,795</u>	<u>\$ -</u>	<u>\$ 310,750</u>

See notes to the consolidated financial statements