# Southwest Power Pool, Inc.

## Independent Auditor's Report and Financial Statements

December 31, 2023 and 2022

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# Independent Auditor's Report

Board of Directors
Southwest Power Pool, Inc.
Little Rock, Arkansas

## *Opinion*

We have audited the financial statements of Southwest Power Pool, Inc., which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of income, members' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Southwest Power Pool, Inc. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Southwest Power Pool, Inc. 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 Southwest Power Pool, Inc.'s ability to continue as a going concern within one year after the date that these 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southwest Power Pool, Inc.'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 Southwest Power Pool, Inc.'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.

FORVIS, LLP

**Little Rock, Arkansas**
**April 11, 2024**

**Southwest Power Pool, Inc.**
**Balance Sheets (*in Thousands*)**
**December 31, 2023 and 2022**

## ASSETS

| | 2023 | 2022 |
|---|---|---|
| **Current Assets** | | |
| Cash and cash equivalents | $ 56,602 | $ 92,117 |
| Restricted cash deposits | 1,515,740 | 1,218,673 |
| Accounts receivable | 117,356 | 232,310 |
| Prepaid expenses and other | 12,470 | 10,858 |
| Total current assets | 1,702,168 | 1,553,958 |
| **Property and Equipment, at Cost** | | |
| Land | 4,812 | 4,812 |
| Building and improvements | 69,421 | 68,493 |
| Furniture and fixtures | 10,912 | 10,538 |
| Equipment and machinery | 63,978 | 65,819 |
| Software | 186,705 | 177,489 |
| Software in development | 2,580 | 5,179 |
| | 338,408 | 332,330 |
| Less accumulated depreciation and amortization | 278,590 | 269,947 |
| | 59,818 | 62,383 |
| **Investments (Note 2)** | 116,942 | 153,947 |
| **Other Assets, Net** | 10,680 | 6,814 |
| | $ 1,889,608 | $ 1,777,102 |

***See Notes to Financial Statements***

## LIABILITIES AND MEMBERS' DEFICIT

| | 2023 | 2022 |
|---|---|---|
| **Current Liabilities** | | |
| Accounts payable | $ 114,649 | $ 244,845 |
| Customer deposits | 1,515,740 | 1,218,673 |
| Current maturities of long-term debt (Note 4) | 29,398 | 31,026 |
| Accrued expenses | 163,629 | 209,820 |
| Deferred revenue | 15,444 | 6,495 |
| Total current liabilities | 1,838,860 | 1,710,859 |
| **Long-Term Debt (Note 4)** | 101,306 | 130,704 |
| Less unamortized debt issuance costs | (353) | (472) |
| | 100,953 | 130,232 |
| **Other Long-Term Liabilities** | 33,144 | 38,328 |
| **Members' Deficit** | (83,349) | (102,317) |
| | $ 1,889,608 | $ 1,777,102 |

**Southwest Power Pool, Inc.**
**Statements of Income (*in Thousands*)**
**Years Ended December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Operating Income** | | |
| Tariff fees and member assessments | $ 215,797 | $ 214,289 |
| Other member services | 46,375 | 33,672 |
| | 262,172 | 247,961 |
| **Operating Expenses** | | |
| Salaries and benefits | 137,950 | 124,059 |
| Employee travel | 1,611 | 816 |
| Administrative | 6,323 | 5,810 |
| Regulatory assessment | 31,266 | 27,314 |
| Meetings | 1,020 | 575 |
| Communications system | 5,228 | 4,901 |
| Maintenance | 19,268 | 16,431 |
| Consulting services | 35,414 | 23,277 |
| Depreciation and other | 16,773 | 17,541 |
| | 254,853 | 220,724 |
| **Operating Income** | 7,318 | 27,237 |
| **Other Income (Expense)** | | |
| Interest income | 9,341 | 1,810 |
| Interest expense | (6,082) | (6,991) |
| Change in fair market value of interest rate swaps | (52) | 771 |
| Other income | 817 | 898 |
| | 4,024 | (3,512) |
| **Income Before Unrealized Gain (Loss) and Change in Funded Status of Employee Benefit Plans** | 11,343 | 23,725 |
| **Unrealized Gain (Loss) on Investments** | 587 | (659) |
| **Change in Funded Status of Employee Benefit Plans** | 7,038 | 3,568 |
| **Net Income** | $ 18,968 | $ 26,634 |

**Southwest Power Pool, Inc.**
**Statements of Members' Deficit (*in Thousands*)**
**Years Ended December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Balance, Beginning of Year** | $ (102,317) | $ (128,951) |
| Net income | 18,968 | 26,634 |
| **Balance, End of Year** | $ (83,349) | $ (102,317) |

**Southwest Power Pool, Inc.**
**Statements of Cash Flows (*in Thousands*)**
**Years Ended December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Operating Activities** | | |
| Net income | $ 18,968 | $ 26,634 |
| Items not requiring cash | | |
| Depreciation, amortization and other | 16,897 | 17,669 |
| Amortization of discount/premium for treasury investments | (4,012) | (1,086) |
| Loss on disposal of fixed assets | - | 23 |
| Change in funded status of employee benefit plans | (7,038) | (3,568) |
| Unrealized (gain) loss on investments | (587) | 659 |
| Change in fair market value of interest rate swaps | 52 | (771) |
| Changes in assets and liabilities | | |
| Accounts receivable | 114,954 | (93,526) |
| Prepaid expenses and other | (1,612) | (1,050) |
| Other assets | (3,872) | 2,573 |
| Accounts payable | (130,156) | 123,266 |
| Accrued expenses and other liabilities | (37,238) | 79,289 |
| Other current liabilities | 297,067 | 478,653 |
| Other long-term liabilities | 1,803 | 963 |
| Net cash provided by operating activities | 265,226 | 629,728 |
| **Investing Activities** | | |
| Acquisition of property and equipment | (14,251) | (11,507) |
| Purchase of investments | (610,191) | (314,206) |
| Proceeds from investment maturities | 651,625 | 186,180 |
| Proceeds from sale of investments | 169 | 186 |
| Net cash provided by (used in) investing activities | 27,352 | (139,347) |
| **Financing Activities** | | |
| Repayments of long-term debt | (31,026) | (31,056) |
| Repayment of borrowings under lines of credit | (990) | - |
| Borrowings under lines of credit | 990 | - |
| Net cash used in financing activities | (31,026) | (31,056) |
| **Increase in Cash, Cash Equivalents, and Restricted Cash** | 261,552 | 459,325 |
| **Cash, Cash Equivalents, and Restricted Cash, Beginning of Year** | 1,310,790 | 851,465 |
| **Cash, Cash Equivalents, and Restricted Cash, End of Year** | $ 1,572,342 | $ 1,310,790 |
| **Supplemental Cash Flows Information** | | |
| Interest paid on long-term debt | $ 5,794 | $ 6,853 |
| Property and equipment purchases in accounts payable and accrued liabilities | $ 3,512 | $ 3,556 |

**Southwest Power Pool, Inc.**
**Statements of Cash Flows (*in Thousands*)**
**Years Ended December 31, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| **Reconciliation of Cash, Cash Equivalents, and Restricted Cash to the Balance Sheet** | | |
| Cash and cash equivalents | $ 56,602 | $ 92,117 |
| Restricted cash deposits | 1,515,740 | 1,218,673 |
| Total cash, cash equivalents and restricted cash shown on the balance sheet | $ 1,572,342 | $ 1,310,790 |

## Note 1. Nature of Operations and Summary of Significant Accounting Policies

### *Nature of Operations*

Southwest Power Pool, Inc. (Company) is a not-for-profit entity formed in 1941 and incorporated in 1994. The Company is a Federal Energy Regulatory Commission (FERC)-approved regional transmission organization (RTO) serving more than 18 million ultimate customers across all or parts of 14 states. The Company's membership consists of investor-owned utilities, municipal systems, generation and transmission cooperatives, state authorities, federal agencies, independent power producers, contract participants, power marketers, independent transmission companies, alternative power/public interest companies and large retail customers.

Major services provided by the Company to its members and customers include tariff administration, reliability coordination, regional scheduling, market operations, regional transmission expansion planning and resource adequacy program operations. Market operations encompass day-ahead and real-time markets, transmission congestion rights, reliability unit commitment, operating reserve market and consolidated balancing authority.

### *Use of Estimates*

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

### *Cash and Cash Equivalents and Deposits*

The Company considers all highly liquid interest-earning investments with stated maturities and coupon rate reset dates of no more than three months to be cash equivalents. At December 31, 2023 and 2022, the Company's cash and cash equivalents, including restricted deposits, are invested primarily in money market funds, mutual funds and commercial paper. These investments are typically revalued to the market each day. The Company's cash and cash equivalents consist primarily of funds accumulated for general operating purposes. Restricted cash deposits consist primarily of customer security deposits, amounts deposited for engineering studies and funds set aside for disputed invoices.

At December 31, 2023, the Company's cash accounts exceeded federally insured limits by approximately $159.

### *Investments*

The Company's investments include equity and fixed income mutual funds and debt securities. The Company records equity and fixed income mutual funds at fair value and reports associated unrealized gains and losses as nonoperating income. Dividends and realized gains and losses are reported as other income in the statements of income. The Company's mutual fund investments are intended to be utilized in funding benefits associated with the Company's postretirement healthcare plan.

Debt securities held by the Company are comprised of government securities. The Company classifies its debt securities as held-to-maturity investments due to the Company's positive intent and ability to hold them until maturity. Such investments were recorded at amortized cost, net of allowance for credit losses, at December 31, 2023 and 2022 with purchase premiums and discounts recognized in interest income using the interest method over the term of the securities. Interest income from debt securities is reported separately in the statements of income. The Company's investments in debt securities are used to maintain collections under Schedule 12 to be utilized for the annual FERC assessment and collections from the market participants for the Company's annual transmission congestion rights auction.

**Notes to Financial Statements (*in Thousands*)**

### *Allowance for Credit Losses – Held-to-Maturity Securities*

The allowance for credit losses on held-to-maturity securities is a contra-asset valuation account, calculated in accordance with ASC 326, that is deducted from the amortized cost basis of held-to-maturity securities to present management's best estimate of the net amount expected to be collected. Held-to-maturity securities are charged off against the allowance when deemed uncollectible by management. Adjustments to the allowance are reported in the income statement as a component of credit loss expense. Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management has made the accounting policy election to exclude accrued interest receivable on held-to-maturity securities from the estimate of credit losses. During the years ended December 31, 2023 and 2022, there was no allowance created or uncollectible amounts charged off related to held-to-maturity securities.

### *Income Taxes*

The Company is exempt from income taxes under Section 501c(6) of the Internal Revenue Code and a similar provision of state law. However, the Company is subject to federal income tax on any unrelated business taxable income.

### *Accounts Receivable*

Accounts receivable are stated at the amount of consideration from members, customers, and others of which the Company has an unconditional right to receive plus any accrued and unpaid interest. The Company provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Accounts that are unpaid after the due date could be subject to interest at a rate set by FERC. During the years ended December 31, 2023 and 2022, no allowance for credit loss was recorded.

### *Property and Equipment*

Property and equipment over $5 are recorded at cost and depreciated on a straight-line basis over the estimated useful life of each asset. The estimated useful lives are as follows:

| | |
|---|---|
| Building | 20 years |
| Building improvements | Shorter of useful life or remaining life of building |
| Furniture and fixtures | 5 years |
| Vehicles | 5 years |
| Equipment and machinery | 3 years |
| Software | 3 years |

The Company capitalizes interest cost incurred on funds used to construct property, plant and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was $0 for the years ended December 31, 2023 and 2022.

The Company capitalizes development costs, including interest, for internal use software costs. These costs are included in software in development. Management of the Company believes all costs capitalized in association with the software in development are fully recoverable over the anticipated life of the asset.

The Company entered into a $2,760 installment payment plan agreement on December 10, 2021 to obtain software and accompanying maintenance services which is comprised of $2,217 of property and equipment and $543 of prepaid maintenance. The term of the agreement is 26 months and expires on February 1, 2024. Payments are due annually. The liability's current portion of $920 was recorded in accrued expenses as of December 31, 2023 and 2022. The liability's long-term portion of $0 and $920 was recorded in other long-term liabilities as of December 31, 2023 and 2022, respectively.

### *Long-Lived Asset Impairment*

The Company evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2023 and 2022.

### *Revenue Recognition*

Revenues, consisting of member assessments, tariff administrative fees, contract services and miscellaneous revenues are recognized when performance obligations are satisfied, and expenses are recognized when incurred.

### *Customer Deposits*

Customers may be required to make deposits with the Company prior to the performance of transmission services, market transactions and engineering studies. An offsetting liability equal to the deposit balance is recorded in current liabilities. Funds set aside for any disputed invoices are also recorded as customer deposits under current liabilities.

### *Tariff Fees and Member Assessments*

Schedule 1-A of the Company's Open Access Transmission Tariff (tariff) provides for the recovery of the administration costs associated with carrying out the responsibilities of the tariff. Schedule 1-A includes four separate rate schedules designed to recover costs from both transmission customers and market participants. The rates for each schedule are calculated annually utilizing a FERC-approved formula rate template that is populated with the budget approved by the board of directors.

Rate Schedule 1-A1 recovers the costs associated with providing transmission administration services and is billed monthly to transmission customers based on their prior year average 12-month peak demand multiplied by number of hours in the month (network integration service) and hours reserved (point-to-point service).

Rate Schedule 1-A2 recovers the costs associated with providing transmission congestion rights (TCR) services and is billed weekly to TCR holders based on their TCR volume.

Rate Schedule 1-A3 recovers the cost associated with providing integrated marketplace clearing services and is billed weekly to market participants based on the real time energy injected into and withdrawn from the transmission system, real time import/export interchange transactions, and cleared virtual bids and offers.

Rate Schedule 1-A4 recovers the cost associated with providing integrated marketplace facilitation services and is billed weekly to market participants based on the real time energy injected into and withdrawn from the transmission system and real time import/export interchange transactions.

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the board of directors of the Company. For 2023 and 2022, all members paid a $6 membership fee.

The Company also bills transmission customers a charge under Schedule 12 on all energy delivered under point-to-point transmission service and network integration transmission service. This provides a mechanism for recovering the annual charges the Company pays to FERC.

### *Withdrawing Members*

Load serving entities and transmission only entity members wishing to withdraw their membership from the Company must provide 24 months' written notice and pay the Company a withdrawal deposit. Withdrawing members are responsible for their portion of the Company's existing obligations as defined in the bylaws, which include unpaid membership fees, any assessments imposed prior to the effective withdrawal date, and any costs or expenses imposed upon the Company as a direct consequence of the member's withdrawal. Transmission-owning members are additionally liable for the member's share of long-term obligations and related interest. As of December 31, 2023, the Company had not been notified by any member of their intent to withdraw their membership from the Company.

### *Deferred Revenue*

Revenues for services received in advance are recognized over the periods to which the revenues relate.

### *Other Services*

The Company provides reliability, tariff administration, scheduling, energy imbalance services and resource adequacy program operations for non-members on a contract basis. The Company also provides engineering study services for long-term transmission service and generation interconnection requests.

### *Concentration of Credit Risk*

The Company is exposed to credit risk primarily through accounts receivable and uninsured cash balances. During 2023 and 2022, the Company maintained cash balances, including transaction accounts and short-term investment accounts that are not insured by the Federal Deposit Insurance Corporation. The Company's investment accounts were primarily invested in highly liquid short-term investments such as mutual funds and commercial paper. The Company also requires the financial institutions holding its cash balances to be rated A or better by nationally recognized rating agencies.

The Company considers its accounts receivable to be highly probable of collection. No allowance for credit loss was recorded for 2023 and 2022.

The Company requires its customers to meet certain minimum standards of financial condition and creditworthiness to receive unsecured credit from the Company. If these standards cannot be met by a customer, the Company requires the posting of defined financial security instruments to cover potential liabilities.

### *Reclassifications*

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on net income.

**Notes to Financial Statements (*in Thousands*)**

## Note 2. Investments and Investment Returns

Investments at December 31 consisted of the following:

| | 2023 | 2022 |
|---|---|---|
| **Mutual Funds** | | |
| Equity | $ 2,892 | $ 2,365 |
| Fixed income | 1,073 | 1,115 |
| Total mutual funds | 3,965 | 3,480 |
| **U.S. Government Securities** | | |
| Treasury notes | 112,977 | 150,467 |
| Total government securities | 112,977 | 150,467 |
| | $ 116,942 | $ 153,947 |

The Company's investments in government securities were classified as held to maturity as of December 31, 2023 and 2022 and recorded at amortized cost due to the Company's positive intent and ability to hold them until maturity. The Company's government securities had contractual maturities of less than one year at December 31, 2023 and 2022.

The Company's returns from its investments are presented below.

| | 2023 | 2022 |
|---|---|---|
| **Mutual Funds** | | |
| Dividends and realized gains | $ 67 | $ 55 |
| Unrealized gains (losses) | 587 | (659) |
| Total mutual funds | 654 | (604) |
| **U.S. Government Securities** | | |
| Interest income | 5,546 | 1,141 |
| | $ 6,200 | $ 537 |

Dividends and realized gains and losses are reported as other income, while interest income and unrealized gains and losses are reported separately in the statements of income as presented below.

| | 2023 | 2022 |
|---|---|---|
| Interest income | $ 5,546 | $ 1,141 |
| Unrealized gain (loss) on investments | 587 | (659) |
| Other income | 67 | 55 |
| | $ 6,200 | $ 537 |

**Notes to Financial Statements (*in Thousands*)**

## Note 3. Lines of Credit

The Company has a $30,000 revolving line of credit with a commercial bank expiring in 2025. At December 31, 2023 and 2022, no amounts were borrowed against this line. The agreement has a variable interest rate based on the Daily Simple Secured Overnight Funding Rate (SOFR) index plus a 1.25% credit margin. The Company's line of credit requires compliance with certain financial and non-financial covenants as well as periodic reporting requirements.

The Company has an $80,000 revolving commitment from another commercial bank expiring in 2027 that could be utilized for both revolving and term loans. At December 31, 2023 and 2022, $4,810 and $11,276, respectively, of term loan principal balances were outstanding against this line. The agreement has a revolving interest rate based on the Secured Overnight Funding Rate (SOFR) index plus a 1.5% credit margin, with a floor of 2.50%. The Company's line of credit requires compliance with certain financial and nonfinancial covenants as well as periodic reporting requirements.

## Note 4. Long-Term Debt and Interest Rate Swaps

### *Long-Term Debt*

| | 2023 | 2022 |
|---|---|---|
| Variable Rate Term Note due 2027 (A) | $ 1,696 | $ 1,902 |
| 4.82% Series 2010-A and B Senior Notes due 2042 (B) | 50,947 | 52,552 |
| 3.55% Series 2010-C Senior Notes due 2024 (C) | 1,750 | 8,750 |
| 3.00% Series 2012-D-1 Senior Notes due 2024 (D) | 1,250 | 6,250 |
| 3.25% Series 2012-D-2 Senior Notes due 2024 (E) | 3,750 | 8,750 |
| 3.80% Series 2014-E Senior Notes due 2025 (F) | 37,000 | 37,000 |
| Floating Series Note due 2024 (G) | 1,500 | 7,250 |
| 2.875% Fixed Rate Note due 2023 (H) | - | 184 |
| 2.875% Fixed Rate Note due 2024 (I) | 726 | 3,575 |
| 2.875% Fixed Rate Note due 2024 (J) | 1,367 | 2,695 |
| 2.875% Fixed Rate Note due 2025 (K) | 2,718 | 4,822 |
| 2.210% Series 2021-F Senior Notes due 2028 (L) | 28,000 | 28,000 |
| | 130,704 | 161,730 |
| Less unamortized debt issuance costs | 353 | 472 |
| Less current maturities | 29,398 | 31,026 |
| | $ 100,953 | $ 130,232 |

(A) Due February 1, 2027; principal and interest are payable quarterly based on a 25-year amortization. Payments commenced on May 1, 2007. The interest rate adjusts quarterly based on SOFR plus 0.85%. At December 31, 2023 and 2022, the interest rate was 6.26% and 5.31%, respectively. The note is secured by a first mortgage on the Company's operation facility.

(B) Due December 30, 2042; principal and interest are payable quarterly based on a 32-year amortization. Principal payments commenced on March 30, 2013. The interest rate is fixed at 4.82%. The notes are unsecured.

**Notes to Financial Statements (*in Thousands*)**

(C) Due March 30, 2024; principal and interest are payable quarterly based on a 13-year amortization. Principal payments commenced on June 30, 2014. The interest rate is fixed at 3.55%. The notes are unsecured.

(D) Due March 30, 2024; principal and interest are payable quarterly based on a 10-year amortization. Principal payments commenced on June 30, 2014. The interest rate is fixed at 3.00%. The notes are unsecured.

(E) Due September 30, 2024; principal and interest are payable quarterly based on a 10-year amortization. Principal payments commenced on December 30, 2014. The interest rate is fixed at 3.25%. The notes are unsecured.

(F) Due December 30, 2025; principal and interest are payable quarterly based on an 11 year and 9 months amortization. Principal payments commence on March 30, 2024. The interest rate is fixed at 3.80%. The notes are unsecured.

(G) Due March 30, 2024; principal and interest are payable monthly based on an eight-year amortization. Payments commenced on June 30, 2016. The interest rate adjusts monthly based on SOFR plus 1.75%. At December 31, 2023 and 2022, the interest rate was 7.19% and 5.87%, respectively. The note is unsecured.

(H) Due December 31, 2023; principal and interest are payable quarterly based on a four-year amortization. Payments commenced on June 30, 2020. The interest rate is fixed at 2.875%. The note is unsecured.

(I) Due March 30, 2024; principal and interest are payable quarterly based on a four-year amortization. Payments commenced on June 30, 2020. The interest rate is fixed at 2.875%. The note is unsecured.

(J) Due December 31, 2024; principal and interest are payable quarterly based on a four-year amortization. Payments commenced on March 31, 2021. The interest rate is fixed at 2.875%. The note is unsecured.

(K) Due March 31, 2025; principal and interest are payable quarterly based on a four-year amortization. Payments commenced on June 30, 2021. The interest rate is fixed at 2.875%. The note is unsecured.

(L) Due December 15, 2028; principal and interest are payable semi-annually based on a seven-year amortization. Principal payments commence on December 15, 2026. The interest rate is fixed at 2.210%. The notes are unsecured.

Aggregate annual maturities of long-term debt at December 31, 2023 are:

| | | |
|---|---|---|
| 2024 | $ | 29,398 |
| 2025 | | 24,523 |
| 2026 | | 16,059 |
| 2027 | | 11,023 |
| 2028 | | 8,039 |
| 2029–2033 | | 41,662 |
| | $ | 130,704 |

Certain of the Company’s term notes require compliance with financial and nonfinancial covenants, as well as periodic reporting requirements.

**Notes to Financial Statements (*in Thousands*)**

### *Variable-to-Fixed Interest Rate Swap*

As a strategy to maintain acceptable levels of exposure to the risk of changes in future cash flows due to interest rate fluctuations, the Company enters into interest rate swap agreements. On September 15, 2006, the Company entered into an interest rate swap agreement with U.S. Bank National Association. The agreement provides for the Company to receive interest from the counterparty at SOFR and to pay interest to the counterparty at a fixed rate of 5.51% on notional amounts of $1,683 and $1,887 at December 31, 2023 and 2022, respectively. Under the agreement, the Company pays or receives the net interest amount quarterly, with the quarterly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Note A).

The Company entered into another interest rate swap agreement on March 10, 2014 with Regions Bank. The agreement provides for the Company to receive interest from the counterparty at SOFR and to pay interest to the counterparty at a fixed rate of 3.225% on notional amounts of $1,500 and $7,250 at December 31, 2023 and 2022, respectively. Under the agreement, the Company pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The swap was established to hedge interest rate risk on its floating rate debt obligation (Note G).

The table below presents certain information regarding the Company's interest rate swap agreements.

| | 2023 | 2022 |
|---|---|---|
| Fair value of interest rate swap agreements | $ 46 | $ 5 |
| Balance sheet location of fair value amounts | Other Long-Term Liabilities | Other Assets |
| Income (Loss) recognized in statement of income | $ (52) | $ 771 |
| Location of income (loss) recognized in statement of income | Change in Fair Market Value of Interest Rate Swaps | Change in Fair Market Value of Interest Rate Swaps |

## Note 5. Employee Benefit Plans

### *Pension and Other Postretirement Benefit Plans*

The Company has a noncontributory defined benefit pension plan covering all employees meeting eligibility requirements. The Company's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Company may determine to be appropriate from time to time. The Company's contribution to the plan in 2024 is expected to be $7,382.

The Company has a noncontributory defined benefit postretirement healthcare plan that was partially terminated in 2020. The plan covered eligible retirees, including those retiring between the ages of 55 and 65 and hired prior to January 1, 1996. Employees hired after June 1, 2006 were not eligible to participate in the plan. Only retirees drawing benefits at the time of partial termination were left in the plan, and they are provided monies through a tax-free health reimbursement account to pay for individual Medicare supplemental health insurance plans or other eligible healthcare expenses.

**Notes to Financial Statements (*in Thousands*)**

The Company uses a December 31 measurement date for the plans. Information about the plans' funded status is as follows:

| | Pension Benefits | | Postretirement Healthcare Benefits | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Benefit obligation | $ 155,459 | $ 137,845 | $ 3,174 | $ 3,404 |
| Fair value of plan assets | 132,069 | 109,170 | - | - |
| Funded status | $ (23,390) | $ (28,675) | $ (3,174) | $ (3,404) |

Amounts recognized in the balance sheets:

| | Pension Benefits | | Postretirement Healthcare Benefits | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Other long-term liabilities | $ (23,390) | $ (28,675) | $ (3,174) | $ (3,404) |

Amounts recognized in members' deficit not yet recognized as components of net periodic benefit cost as of December 31, 2023 and 2022 consist of:

| | Pension Benefits | | Postretirement Healthcare Benefits | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Net loss | $ 5,660 | $ 12,312 | $ 82 | $ 331 |
| Prior service credit | - | (28) | - | - |
| | $ 5,660 | $ 12,284 | $ 82 | $ 331 |

The accumulated benefit obligation for the defined benefit pension plan was $130,221 and $115,260 at December 31, 2023 and 2022, respectively.

Other significant balances and costs are:

| | Pension Benefits | | Postretirement Healthcare Benefits | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Employer contributions | $ 6,910 | $ 5,409 | $ - | $ - |
| Benefits paid | 2,161 | 1,820 | 165 | 159 |
| Benefit costs | 8,249 | 7,864 | 185 | 256 |

No amounts for the postretirement plan were funded by the Company into the investment account intended to be utilized in providing benefits for eligible retirees in 2023 and 2022.

**Notes to Financial Statements (*in Thousands*)**

The following amounts have been recognized in the statements of income for the years ended December 31, 2023 and 2022:

| | Pension Benefits | | Postretirement Healthcare Benefits | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Amounts arising during the period | | | | |
| Net gain (loss) | $ 6,652 | $ (27,633) | $ 249 | $ 257 |
| Amounts recognized as benefit components of net periodic cost of the period | | | | |
| Net loss | - | - | - | 84 |
| Net prior service cost (credit) | (28) | 1 | - | - |

The components of net periodic benefit cost other than the service cost component are included in the line item other income in the statements of income and shown below:

| Pension Benefits | | Postretirement Healthcare Benefits | |
|---|---|---|---|
| 2023 | 2022 | 2023 | 2022 |
| $ (182) | $ (2,279) | $ 174 | $ 235 |

There are no estimated net gain or loss, prior service cost and net obligation for the defined benefit pension and postretirement healthcare plans to be amortized from members' deficit into net periodic benefit cost over the next fiscal year.

Weighted-average assumptions used to determine benefit obligations and costs are:

| | Pension Benefits | | Postretirement Healthcare Benefits | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| Discount rate benefit obligation | 5.25% | 5.25% | 5.25% | 5.25% |
| Expected return on plan assets | 7.0% | 7.0% | N/A | N/A |
| Rate of compensation increase | 4.0% | 4.0% | N/A | N/A |

The Company has estimated the long-term rate of return on plan assets based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

For measurement purposes, a 9% annual rate of increase in the per capita cost of covered healthcare benefits in the next year was assumed for 2023 and 2022. The rate was assumed to decrease gradually to 5% by the year 2028 and remain at that level thereafter.

**Notes to Financial Statements (*in Thousands*)**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

| | Pension Benefits | Postretirement Healthcare Benefits |
|---|---|---|
| 2024 | $ 3,437 | $ 190 |
| 2025 | 4,470 | 207 |
| 2026 | 5,346 | 225 |
| 2027 | 6,314 | 227 |
| 2028 | 7,142 | 236 |
| 2029–2033 | 62,989 | 1,168 |

The Company's investment strategy is based on an expectation that equity securities will outperform fixed income securities over the long term. Accordingly, the composition of the Company's plan assets is broadly characterized as a 70/30 allocation between equity and fixed income securities. The strategy utilizes indexed and actively managed mutual fund instruments as well as direct investment in individual equity and fixed income securities. Investments in the plan must adhere to the Investment Policy Statement developed by the Company. The Investment Policy Statement limits investments in foreign securities to 20% of the total fair value of plan assets. The Investment Policy Statement is reviewed annually.

At December 31, 2023 and 2022, plan assets by category are as follows:

| | Pension Plan Assets | |
|---|---|---|
| | 2023 | 2022 |
| Fixed income securities | 31% | 22% |
| Equity securities | 66 | 61 |
| Cash and equivalents | 3 | 17 |
| | 100% | 100% |

### *Pension Plan Assets*

Following is a description of the valuation methodologies used for the pension plan assets measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of the assets pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, plan assets are classified within Level 1 of the valuation hierarchy. Level 1 plan assets include cash, money market accounts, treasury obligations, closed-end mutual funds and common stock. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of plan assets with similar characteristics or discounted cash flows. Level 2 plan assets include open-end mutual funds, corporate debt obligations, and municipal obligations.

In certain cases where Level 1 or Level 2 inputs are not available, plan assets are classified within Level 3 of the hierarchy. At December 31, 2023 and 2022, the Company does not hold any plan assets valued using Level 3 inputs.

**Notes to Financial Statements (*in Thousands*)**

The fair values of the Company's pension plan assets at December 31, 2023 and 2022 by asset category are as follows:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| **2023** | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| **Money market mutual funds** | $ 360 | $ 360 | $ - | $ - |
| **U.S. government obligations** | 20,624 | 20,624 | - | - |
| **Mutual funds** | | | | |
| Equity funds | 64,937 | 52,403 | 12,534 | - |
| Fixed income funds | 20,868 | 13,590 | 7,278 | - |
| | 85,805 | 65,993 | 19,812 | - |
| **Domestic common stock** | | | | |
| Financials | 10,932 | 10,932 | - | - |
| Industrials | 2,333 | 2,333 | - | - |
| Healthcare | 2,311 | 2,311 | - | - |
| Real estate | 1,412 | 1,412 | - | - |
| Information technology | 2,304 | 2,304 | - | - |
| Other | 2,781 | 2,781 | - | - |
| | 22,073 | 22,073 | - | - |
| **Municipal issues** | 1,032 | - | 1,032 | - |
| **Corporate debt obligations** | 2,175 | - | 2,175 | - |
| Total | $ 132,069 | $ 109,050 | $ 23,019 | $ - |

**Notes to Financial Statements (*in Thousands*)**

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| **2022** | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| **Money market mutual funds** | $ 14,091 | $ 14,091 | $ - | $ - |
| **U.S. government obligations** | 4,984 | 4,984 | - | - |
| **Mutual funds** | | | | |
| Equity funds | 50,932 | 37,208 | 13,724 | - |
| Fixed income funds | 21,252 | 13,740 | 7,512 | - |
| | 72,184 | 50,948 | 21,236 | - |
| **Domestic common stock** | | | | |
| Financials | 7,916 | 7,916 | - | - |
| Industrials | 2,043 | 2,043 | - | - |
| Healthcare | 2,667 | 2,667 | - | - |
| Real Estate | 1,315 | 1,315 | - | - |
| Telecommunications | 897 | 897 | - | - |
| Other | 766 | 766 | - | - |
| | 15,604 | 15,604 | - | - |
| **Corporate debt obligations** | 2,307 | - | 2,307 | - |
| Total | $ 109,170 | $ 85,627 | $ 23,543 | $ - |

### *Defined Contribution Plans*

The Company has a 401(k) defined contribution plan covering substantially all employees. The Company matches contributions at 4.75% for those employees deferring 6% of compensation, with the match fluctuating from 1% to 4.75% for each percentage of compensation contributed under 6%. Contributions to the plan were $4,151 and $3,614 for 2023 and 2022, respectively.

The Company has a 457(b) nonqualified tax-deferred compensation plan. This plan is an unfunded plan maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees and, therefore, is intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of the *Employee Retirement Income Security Act of 1974* (ERISA). Accumulated contributions and earnings of $5,361 and $4,331 are recorded in other long-term liabilities at December 31, 2023 and 2022, respectively. The Company also offers a 457(f) nonqualified tax-deferred compensation plan to a select group of executive management. The 457(f) plan was intended to be exempt from the participation, vesting, funding and fiduciary requirements of Title I of ERISA and serves to further supplement benefits lost due to IRS limits on compensation and benefits. There were accrued benefits of $1,172 and $998 recorded in other long-term liabilities for the 457(f) plan participants at December 31, 2023 and 2022, respectively.

**Notes to Financial Statements (*in Thousands*)**

## Note 6. Revenue from Contracts with Customers

In 2023 and 2022, the Company's revenues were derived from a number of sources including tariff administration fees, FERC fees, engineering studies, contract services, and other miscellaneous income sources. The table below presents a complete breakdown of the Company's revenues:

| | 2023 | 2022 |
|---|---|---|
| Tariff administration fees (Schedule 1A) | $ 187,639 | $ 186,207 |
| FERC fees (Schedule 12) | 27,499 | 27,392 |
| Engineering studies | 26,306 | 16,933 |
| Contract services | 18,816 | 15,430 |
| Membership dues | 660 | 690 |
| Other miscellaneous income | 1,252 | 1,309 |
| | $ 262,172 | $ 247,961 |

Schedule 1-A of the Company's Open Access Transmission Tariff (tariff) provides for the recovery of the administration costs associated with carrying out the responsibilities of the tariff. Schedule 1-A's structure includes four separate rate schedules designed to recover costs from both transmission customers and market participants. A detailed explanation of the Company's Schedule 1-A rate schedules is provided in Note 1.

Transmission customers are charged based on their prior year average 12-month peak demand multiplied by the total hours in a month for network integration service and hours reserved for point-to-point service. Market participants are charged based on their activities and transaction volume in the Company's weekly market. The Schedule 1-A rates for transmission and market services are calculated annually utilizing a FERC-approved rate template that is populated with the budget approved by the board of directors.

The Company also bills transmission customers a charge under Schedule 12 to recover the annual fees the Company pays to FERC. The rate is determined by the Company annually and applied monthly to all energy delivered under point-to-point transmission service and network integration transmission service. Revenues are recognized, customers are billed, and payments are collected on a monthly or weekly basis as applicable for both Schedule 1-A and Schedule 12 revenues.

The Company performs engineering studies for its customers, mainly for long-term transmission service and generator interconnection requests. Prior to commencement of studies, customers sign contracts with the Company and are responsible for actual costs of the study which are generally comprised of billable staff time and external resources. The Company recognizes revenues on a monthly basis as costs are incurred for such resources. Deposits are required from customers when they register for the studies. Actual costs are applied against such deposits at the conclusion of studies and customers are refunded their excess deposits. Customers will be invoiced at the end of or during a study if their deposit is not sufficient to cover the actual costs.

The Company provides reliability, tariff administration, scheduling, energy imbalance services, resource adequacy program operations and other administrative and billing services for non-members on a contract basis. Similar to engineering studies, revenues are determined based on actual costs of providing such services and recognized on a monthly basis evenly over the service period, which is usually one year. Customers are generally billed and payments collected from customers prior to the service period.

The Company collects a membership fee from each member annually. The amount of the membership fee is established by the board of directors. For 2023 and 2022, all members paid a $6 fee, which is billed and recognized in January of each year.

**Notes to Financial Statements (*in Thousands*)**

Other miscellaneous income is comprised of various pass-through costs, purchase and tax rebates, small administrative service fees, and map sales.

The following table provides information about the Company's receivables from customers:

| | 2023 | 2022 |
|---|---|---|
| Accounts receivable, beginning of year | $ 232,310 | $ 138,784 |
| Accounts receivable, end of year | 117,356 | 232,310 |

The Company elected the following practical expedient: Measuring Progress for Revenue Recognized Over Time (606-10-55-18). The Company elected to use the right to invoice practical expedient. This practical expedient allows an entity to recognize revenue in the amount of consideration to which the entity has the right to invoice when the amount that the entity has the right to invoice corresponds directly to the value transferred to the customer.

## Note 7. Related-Party Transactions

General disbursements of the Company are apportioned to members based on the formula described in the tariff of the Company (see Note 1). The Company's receivables from members totaled $103,547 and $132,957 as of December 31, 2023 and 2022, respectively. The Company recognized revenues $188,555 and $184,133 including assessments and tariff administrative fees, from members for the years ended December 31, 2023 and 2022, respectively.

The Southwest Power Pool Regional State Committee (RSC) was incorporated on April 7, 2004 in the state of Arkansas. The RSC is comprised of commissioners from public service commissions or equivalent, having regulatory authority over Company members. FERC, in its February 20, 2004 order regarding the Company's RTO application, stated, "the RSC should have primary responsibility for determining regional proposals and the transition process for funding of regional transmission enhancements, rate structure for a regional access charge and allocation of transmission rights." The RSC prepares budgets annually for the expected costs of its operations. This budget is submitted to the Company's board of directors for approval. The Company includes in its annual budget funds sufficient to cover 100% of the operating costs of the RSC. During 2023 and 2022, the Company incurred $174 and $86, respectively, in expenses attributable to the RSC operations. Management of the Company expects such expenditures for 2024 to be approximately $481.

## Note 8. Open Access Transmission and Market Operations

The Company provides short- and long-term firm and non-firm point-to-point transmission services and network integration transmission service across 48 providers in 14 states. The Company is responsible for the billing of the transmission customers for the respective services and the remittance of the subsequent collections to the transmission owners on a monthly basis. Billings for these transmission services are not included in the statements of income. The Company receives a fee for facilitating the transmission process, which is recorded as tariff fees in the Company's statements of income.

For the years ended December 31 2023 and 2022, the Company billed transmission customers $2,655,691 and $2,647,853, respectively. For the years ended December 31, 2023 and 2022, the Company remitted to transmission owners and upgrade sponsors $2,536,000 and $2,541,733, respectively. At December 31, 2023 and 2022, the Company was due to collect from transmission customers and remit to transmission owners and upgrade sponsors transmission service charges of $206,702 and $209,135, respectively.

**Notes to Financial Statements (*in Thousands*)**

The Company's Integrated Marketplace includes a day-ahead market with transmission congestion rights, a reliability unit commitment process, a real-time balancing market, an operating reserve market and a consolidated balancing authority. Weekly settlements of market participants' energy transactions are not reflected in the Company's statements of income since they do not represent revenues or expenses of the Company, as the Company merely acts as an intermediary in the settlement process. In this role, the Company receives and disburses funds to/from market participants on a weekly basis. The Company receives fees for facilitating the market process, which is recorded in tariff fees in the Company's statements of income. At December 31, 2023 and 2022, the Company held $91,368 and $128,921, respectively, in cash collections from the settlement of auction revenue rights in accordance with terms of the Company's tariff. These funds are disbursed annually in June for collections from the previous 12 months. A corresponding liability is reflected in accrued expenses on the balance sheets.

## Note 9. Commitments and Contingencies

### *Litigation and Regulatory Matters*

The Company is engaged in various legal and regulatory proceedings at both the federal and state levels. The Company is also subject to claims and lawsuits that arise primarily in the ordinary course of business.

It is the opinion of management that the disposition or ultimate resolution of such proceedings, claims and lawsuits will not have a material adverse effect on the financial position, results of operations and cash flows of the Company.

## Note 10. Disclosures About Fair Value of Financial Instruments

ASC Topic 820, *Fair Value Measurements*, defines fair value as 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. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

**Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

**Level 3** Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| **December 31, 2023** | | | | |
| Mutual funds | | | | |
| Equity | $ 2,892 | $ - | $ 2,892 | $ - |
| Fixed income | 1,073 | - | 1,073 | - |
| Interest rate swap agreements | 46 | - | 46 | - |

**Notes to Financial Statements (*in Thousands*)**

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | **Fair Value** | **Quoted Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** |
| **December 31, 2022** | | | | |
| Mutual funds | | | | |
| Equity | $ 2,365 | $ - | $ 2,365 | $ - |
| Fixed income | 1,115 | - | 1,115 | - |
| Interest rate swap agreements | 5 | - | 5 | - |

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2023.

### *Investments*

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. At December 31, 2023 and 2022, the Company does not hold any assets valued using Level 3 inputs.

### *Interest Rate Swap Agreements*

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

The Company has no assets or liabilities measured and recognized in the accompanying balance sheets on a nonrecurring basis.

## Note 11. Subsequent Events

Subsequent events have been evaluated through April 11, 2024, which is the date the financial statements were available to be issued.