Audited Financial Statements

For the Years Ended December 31, 2023 and 2022

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MILLER, MAYER, SULLIVAN & STEVENS LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors The Toby Keith Foundation, Inc. Oklahoma City, Oklahoma

Opinion

We have audited the accompanying financial statements of The Toby Keith Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Toby Keith Foundation, 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Toby Keith Foundation, 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
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Toby Keith Foundation, 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.

Miller, Mayer, Sullivan, & Stevens, LLP Lexington, Kentucky

October 14, 2024

STATEMENTS OF FINANCIAL POSITION As of December 31, 2023 and 2022

	2023	2022
Assets		
Cash	\$ 1,707,435	\$ 2,784,570
Investments	2,081,807	
Accounts receivable	12,500	24,000
Prepaid expenses	122,364	116,055
Capital assets, net	7,711,123	7,965,386
Operating lease-right-of-use asset	970,824	956,504
Total assets	\$12,606,053	\$11,846,515
Liabilities		
Accounts payable	\$ 24,835	\$ 17,353
Unearned revenue		6,000
Operating lease - right-of-use liability	940,824	956,504
Loan payable	4,216,899	4,535,431
Total liabilities	5,182,558	5,515,288
Net Assets		
Without donor restrictions	7,423,495	6,331,227
Total liabilities and net assets	\$12,606,053	\$11,846,515

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2023 and 2022

	2023	2022
Changes in Net Assets Without Donor Restrictions:		
Support and Revenue		
Auction proceeds	\$ 1,111,234	\$ 680,596
Golf entry revenue	473,368	504,101
Donations	383,408	363,376
Golf event revenue	290,570	224,841
Sporting Clay Classic	273,525	191,612
Interest and dividend income	113,940	4,706
The Fish Bowl revenue	75,783	62,762
Grant revenue	66,164	13,000
In-kind	54,241	75,385
Other income	904	665
Total support and revenue	2,843,137	2,121,044
Expenses		
OK Kids Korral expenses	1,111,347	1,035,745
Fundraising expenses	277,256	201,949
Golf tournament expenses	252,179	295,037
Administrative expenses	108,337	127,705
Charitable contributions	1,750	
Total expenses	1,750,869	1,660,436
Increase (decrease) in net assets without donor restrictions	1,092,268	460,608
Net assets, beginning of year	6,331,227	5,870,619
Net assets, end of year	\$ 7,423,495	\$ 6,331,227

THE TOBY KEITH FOUNDATION, INC. STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2023 and 2022

		2023	2022
Administrative Expenses			
Accounting fees	\$	37,121	\$ 49,006
Salaries		30,250	31,888
Credit card fees		21,866	26,864
Insurance		4,501	4,749
Marketing and promotion		3,753	2,342
Employee benefits		2,853	2,680
Payroll taxes		2,519	2,495
Dues and fees		1,952	1,941
Telephone		1,547	1,303
Office expense		1,138	1,032
Postage and shipping		517	1,309
Website expenses		320	
Auto mileage reimbursement			107
Printing			 1,989
Total administrative expenses	<u>\$</u>	108,337	\$ 127,705
OK Kids Korral Expenses			
Depreciation expense	\$	268,956	\$ 267,688
Salaries		195,670	174,335
Interest expense		148,990	159,642
Utilities		122,238	107,596
Contract work/maintenance		118,155	73,958
Insurance expense		67,728	56,979
Pilot payment in lieu of taxes		50,000	50,000
Food and supplies		35,254	32,128
Repairs		26,717	36,966
Land lease		30,000	30,000
Employee benefits		25,554	25,803
Payroll taxes		16,289	14,668
Contract labor		5,559	5,982
Special programs		237	
Total OK Kids Korral expenses	<u>\$</u>	1,111,347	\$ 1,035,745

STATEMENTS OF FUNCTIONAL EXPENSES, continued For the Years Ended December 31, 2023 and 2022

		2023	2022
Golf Tournament Expenses			
Toby Keith golf event	\$	175,838	\$ 164,752
Golf course rental		38,707	52,131
Salaries		15,125	14,828
Printing		7,711	2,302
Schooner golf event		6,302	51,666
Video		2,500	1,500
Hotel		1,851	3,906
Employee benefits		1,426	1,340
Security expenses		1,260	1,260
Payroll taxes		1,258	1,248
Insurance expense		201	 104
Total golf tournament expenses	<u>\$</u>	252,179	\$ 295,037
Fundraising Expenses			
Expenses for auction items	\$	129,160	\$ 68,671
Clay shooting invitational expenses		65,740	52,918
Fish Bowl expenses		37,913	46,002
Other fundraising		15,673	3,286
Salaries		15,125	14,828
Sales tax		10,756	8,552
Employee benefits		1,426	1,340
Payroll taxes		1,260	1,248
Insurance expense		203	104
Consultant			 5,000
Total fundraising expenses	<u>\$</u>	277,256	\$ 201,949
Charitable Contributions			
Charitable Contributions	\$	1,750	\$

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 1,092,268	\$ 460,608
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	268,956	267,688
Unrealized (gain) loss on investments	(29,459)	
Change in:		
Accounts receivable	11,500	(12,000)
Prepaid expenses	(6,309)	(8,126)
Lease prepayment - operating lease - right-of-use asset	(30,000)	(2.7(0))
Accounts payable	7,482	(3,769)
Accrued expenses Unearned revenue	(6,000)	(5,000)
Net cash provided by operating activities	1,308,438	705,401
Cash Flows from Investing Activities		
Purchase of investments	(2,052,347)	
Purchase of capital assets	(14,693)	
Net cash (used) by investing activities	(2,067,040)	
Cash Flows from Financing Activities		
Loan repayments	(318,533)	(307,879)
Net cash provided (used) by financing activities	(318,533)	(307,879)
Net increase (decrease) in cash	(1,077,135)	397,522
Cash, beginning of year	2,784,570	2,387,048
Cash, end of year	\$ 1,707,435	\$ 2,784,570
Supplemental Schedule of Operating Activities		
Interest paid	\$ 148,990	\$ 159,642
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Recognition of operating lease - right-of-use asset	\$	\$ 972,184
Recognition of operating lease - right-of-use liability	\$	\$ 972,184
Amortization of right-of-use asset	\$ 15,680	\$ 15,680
Amortization of right-of-use liability	\$ 15,680	\$ 15,680

 ${\it The\ accompanying\ notes\ are\ an\ integral\ part\ of\ the\ financial\ statements}.$

THE TOBY KEITH FOUNDATION, INC. NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities. The Toby Keith Foundation, Inc. (the Foundation) is a non-profit, non-stock corporation organized to support the OK Kids Korral, a home for children undergoing treatment for cancer, and to support charitable organizations that focus on the health and happiness of pediatric cancer patients. The Foundation is located in Oklahoma City, Oklahoma. Each year, the Foundation holds fund raising events to raise money for the OK Kids Korral. The Foundation operates the following programs:

- *OK Kids Korral* expenses include costs associated with operating the facility, financing the building, and personnel used to staff the home.
- *Golf Tournament* expenses include costs associated with renting the golf course, catering, marketing materials, and celebrity appearances.
- Fundraising expenses include costs associated with auction items, sales tax, and video production.
- Charitable Contributions reflect money donated to other pediatric cancer initiatives.

Basis of Accounting. The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

Cash. Cash on the statements of cash flows includes cash on hand and in bank accounts.

Investments. Investments in marketable securities with readily determinable fair values are reported at their fair values on the statement of financial position. Unrealized gains and losses are included on the statement of activities. Investment income and gains restricted by a donor are reported as increases in net assets without restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. The Foundation has adopted the provisions of FASB ASC 820, "Fair Value Measurements" applicable to financial assets.

Accounts Receivable. Accounts receivable are stated at their net realizable value. The allowances for doubtful accounts are determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor. Management believes there is no risk of loss associated with the receivables at December 31, 2023 and 2022. Accordingly, no provision for bad debts has been provided for in the accompanying financial statements.

Capital Assets. Office equipment and furnishings are recorded at cost if purchased or fair market value at the date of contribution if contributed. The building is recorded at cost. Equipment and furnishings with a cost less than \$1,000 are reported as an expense. Depreciation is provided based on the estimated life of the asset. Office equipment and furnishings are depreciated using the 200% declining balance method. The building is depreciated using the straight-line method.

Estimated service lives are as follows:

Building 39 years Furnishings 7 years Office equipment 5 years

THE TOBY KEITH FOUNDATION, INC. NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

Net Assets. The Foundation reports two classes of net asset categories according to externally (donor) imposed restrictions:

- a. Net assets without donor restrictions encompass the portion of net assets that are not restricted by donor-imposed stipulation.
- b. Net assets with donor restrictions are the net assets resulting from contributions and other revenue and support, whose use by the Foundation is limited by donor-imposed stipulations.

The Foundation has no net assets with donor restrictions.

Allocation of Expenses. The financial statements report certain categories of expenses that are attributable to the Foundation's programming activities or supporting functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and related benefits and taxes which are allocated on the basis of estimates of time and effort.

Recognition of Donor Restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as decreases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Each year, the Organization solicits and receives a number of goods and services for which it then auctions these items at fund raising events. The value of these goods and services received are not reflected in the accompanying financial statements, but the gross proceeds from the sale of these items are reflected in the accompanying statement of activities as auction proceeds.

Revenue Recognition. The Organization has adopted the provisions of FASB 2014-09 (Topic 606), "Revenue from Contracts with Customers" applicable to revenue recognition. The Foundation primarily derives its revenue from hosting charity events such as golf tournaments, fishing tournaments, clay shooting tournaments and auctions. Revenue received from auctions falls under the scope of Topic 606. Golf tournament and other fund raising tournament revenue does not fall under the scope of Topic 606 because no contract exists between the Foundation and the patrons. In the event the events were cancelled, all entry fees would be kept and considered a donation. Since there are no enforceable obligations on the Foundation and the patron has no enforceable right of return, no contract exists. Golf and other fund raising tournament revenue is recognized when the event is held. Donations do not fall under the scope of Topic 606. Donations are recognized when received.

Based on criteria outlined in Topic 606, auction contracts have performance obligations which are satisfied at a point in time. Revenue is recognized when the auction is held and the items are transferred to the high bidders. At December 31, 2023 and 2022, \$12,500 and \$20,000, respectively, were receivables related to revenue from contracts with customers. There were no contract assets or contract liabilities.

THE TOBY KEITH FOUNDATION, INC. NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2022

Income Taxes. The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Current accounting standards require the Foundation to disclose the amount of potential benefit or obligation to be realized as a result of an examination performed by a taxing authority. For the years ended December 31, 2023 and 2022, management has determined that the Foundation does not have any tax positions that result in any uncertainties regarding the possible impact on the Foundation's financial statements. The Foundation is no longer subject to examination by taxing authorities for years before 2019.

Accounting Estimates. The preparation of financial statements in conformity with 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review. Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the statement of financial position date, require disclosure in the accompanying notes. Management evaluated the activity of the Foundation through October 14, 2024 (the date the financial statements were available to be issued) and noted establishing an endowment fund (see Note 10). No other subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

2. Liquidity

As of December 31, 2023, the Foundation has \$3,776,907 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$1,707,435, unrestricted investments of \$2,081,807, accounts receivable of \$12,500, less accounts payable of \$24,835. As of December 31, 2022, the Foundation has \$2,791,217 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$2,784,570, accounts receivable of \$24,000, less accounts payable of \$17,353. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The accounts receivable are subject to implied time restrictions, but are expected to be collected within one year. The Foundation has a goal to maintain financial assets on hand to meet normal operating expenses and structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

3. Investments

Investments as of December 31, 2023 consist of fixed income, treasury bills, and money market cash accounts. Investments are stated at market value. These investments are considered Level 1 assets under FASB ASC 820, and are valued using the market approach. There were no investments for the year ending December 31, 2022.

NOTES TO FINANCIAL STATEMENTS The Years Ended December 31, 2023 and 202

For the Years Ended December 31, 2023 and 2022

Investments as of December 31, 2023 consist of the following:

	Level 1	<u>Leve</u>	<u>Level 3</u>
Fixed income certificates of deposits	\$ 485,5	27 \$	\$
Fixed income US Treasury note	923,2	40	
Money market accounts	673,0	40	
	\$ 2,081,8	07 \$	\$

Investment activity for the year ended December 31, 2023 and 2022 consists of the following:

	 2023	 2022
Interest and dividend income on investments	\$ 52,522	\$
Interest income on money market accounts	31,959	4,706
Unrealized gain (loss) on investments	 29,459	
	\$ 113,940	\$ 4,706

4. Capital Assets

Capital assets as of December 31, 2023 and 2022 are summarized as follows:

	2023	2022
Building	\$ 10,332,237	\$ 10,332,237
Furnishings	976,679	961,986
Office equipment	1,730	1,730
	11,310,646	11,295,953
Accumulated depreciation	(3,599,523)	(3,330,567)
	\$ 7,711,123	\$ 7,965,386

5. Loan Payable

Payments of principal and interest in the amount of \$116,880 are due quarterly with a fixed interest rate of 3.33%. The mortgage will mature on December 27, 2026 with a balloon payment of approximately \$3,285,000. The loan is guaranteed by a related party. The outstanding loan balance was \$4,216,899 and \$4,535,431 as of December 31, 2023 and 2022, respectively. Interest expense during 2023 and 2022 was \$148,990 and \$159,642, respectively.

Future minimum payments on the loan are as follows:

2024	\$ 328,900
2025 2026	340,546 3,547,453
2020	\$ 4,216,899
	ψ 1,210,099

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2023 and 2023

For the Years Ended December 31, 2023 and 2022

6. Lease - Right-of-Use-Asset and Liability

The Foundation entered into a 52-year land lease agreement in October 2011 with 2012, L.L.C., (a wholly-owned subsidiary of Presbyterian Health Foundation) to lease the land that the OK Kids Corral has been built upon. The 52-year lease expires in December 2063 and may be renewed for two additional 10-year periods through December 2083. Upon termination of the lease agreement, all improvements and personal property placed on the Land will become property of 2012, L.L.C. The lease payment required under the lease agreement is \$30,000 (paid prior to January 1 of each year) for the first 10 years of the primary lease term (through December 2023). Thereafter (including the renewal period), the rental rates are to increase every 10 years by the change in the consumer price index for all urban consumers. In no event shall the minimum rent increase (a) less than 10% on any adjustment date or (b) more than 50% on any adjustment date. This lease has been accounted for in accordance with FASB ASU 2016-02, Leases (Topic 842) which requires the lessee to recognize an intangible right-of-use asset and a lease liability. An incremental borrowing rate of 4.25% was used to calculate the net present value (\$972,184) of the right-of-use asset and lease liability as of January 1, 2022. The lease is being amortized, using the straight line method, over the remaining 61-year lease term. The present value calculation has assumed that the lease payments will increase the minimum 10% per year after 2034. For the period 2024 - 2033, the increase was calculated at 27.35% based on the consumer price index as of December 31, 2022. The balance of the right-of-use asset, net of amortization of \$31,360, plus the \$30,000 prepayment of the lease, was \$970,824 at December 31, 2023. The balance of the right-of-use asset, net of amortization of \$15,680, was \$956,504 at December 31, 2022.

Future minimum operating lease payments is as follows:

2024	\$ 38,200
2025	38,200
2026	38,200
2027	38,200
2028	38,200
Thereafter	749,824
	\$ 940,824
	\$ 940,824

7. Transactions with Affiliates and Related Parties

Amounts received from affiliates and related parties consist of the following as of December 31, 2023 and 2022:

	2023	2022
Affiliates - golf entry fees Affiliates - donation		500 \$ 35,000 000 10,350
Related party - purchase of an auction item	,	000 32,030
	<u>\$ 97,</u>	500 \$ 77,380

THE TOBY KEITH FOUNDATION, INC. NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2023 and 2022

Amounts paid to affiliates and related parties consist of the following as of December 31, 2023 and 2022:

	 2023	 2022
Affiliate - course rental, golf fees, and food	\$ 34,927	\$ 59,677
Affiliate - employee benefits	32,841	33,394
Affiliate - fundraising and golf expense reimbursement		4,819
Affiliate - website expense	 440	 320
	\$ 68,208	\$ 98,210

8. Donated Services and Facilities

Donated services and facilities that are recognized in the financial statements as in-kind revenue are:

	<u>Program</u>		2023	2022
Donated goods Golf event expenses Accounting fees Lease payments	OK Kids Korral Expense Golf Tournament Expenses Administrative Services OK Kids Korral	\$	15,920 \$ 11,500 26,821	22,756 7,523 40,106 5,000
		<u>\$</u>	54,241 \$	75,385

9. Concentration Risks

A large amount of the Foundation's support and revenues are received from an annual golf event and auction. Goods received to be auctioned are donated by various companies and individuals. During 2023 and 2022, the Foundation generated \$1,799,172 and \$1,289,812, respectively, in revenue from the event, which totals 63% and 61% of the Foundation's revenue in 2023 and 2022, respectively.

Twenty six contributors to the Foundation provided 53% of the Foundation's total 2023 contributions, and eighteen contributors provided 38% of the Foundation's total 2022 contributions.

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents held in a limited number of financial institutions. The Foundation places its cash with high credit quality financial institutions that are FDIC insured. At times, the Foundation has funds on deposit with banks in excess of the FDIC insurance. Cash exceeded FDIC limits of \$250,000 at one bank by \$1,422,576 and at another bank by \$423,040 at December 31, 2023.

10. Subsequent Event

In February 2024, the founder of The Toby Keith Foundation, Inc. passed away. Management of the Foundation expects the operations of the Foundation to continue without any significant changes other than the creation of an Endowment Fund to honor the founder.