

THE TOBY KEITH FOUNDATION, INC.

Audited Financial Statements

For the Years Ended December 31, 2019 and 2018

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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.
Norman, Oklahoma

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, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2019 and 2018, 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.

Miller, Mayer, Sullivan, & Stevens, LLP

Lexington, Kentucky
June 22, 2020

THE TOBY KEITH FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 1,921,148	\$ 1,473,388
Prepaid expenses	54,044	81,166
Capital assets, net	8,880,856	9,230,596
Total assets	\$ 10,856,048	\$ 10,785,150
Liabilities		
Accounts payable	\$ 4,484	\$ 4,841
Construction cost payable		21,270
Accrued payroll taxes	101	61
Accrued expenses	5,000	
Loan payable	5,428,579	5,706,999
Total liabilities	5,438,164	5,733,171
Net Assets		
Without donor restrictions	5,417,884	5,051,979
Total liabilities and net assets	\$ 10,856,048	\$ 10,785,150

The accompanying notes are an integral part of the financial statements.

THE TOBY KEITH FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

	2019	2018
Changes in Net Assets Without Donor Restrictions:		
Support and Revenue		
Auction proceeds	\$ 775,462	\$ 627,744
Golf entry revenue	505,299	464,400
Donations	336,505	311,723
Golf event revenue	225,971	70,990
OK Kids Korral Toy Ride revenue	36,721	51,106
The Fish Bowl revenue	44,273	5,500
Walk A Mile 5K revenue		12,715
In-kind	86,318	80,972
Grant revenue	74,431	63,700
Golf tournaments revenue	47,705	37,964
Interest and dividend income	6,770	4,560
Other income	443	
Total support and revenue	2,139,898	1,731,374
Expenses		
OK Kids Korral expenses	1,084,296	1,054,246
Golf tournament expenses	455,144	394,001
Fundraising expenses	144,488	122,178
Administrative expenses	85,065	90,876
Charitable contributions	5,000	5,000
Total expenses	1,773,993	1,666,301
Increase (decrease) in net assets without donor restrictions	365,905	65,073
Net assets, beginning of year	5,051,979	4,986,906
Net assets, end of year	\$ 5,417,884	\$ 5,051,979

The accompanying notes are an integral part of the financial statements.

THE TOBY KEITH FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2019 and 2018

	2019	2018
Administrative Expenses		
Salaries	\$ 27,500	\$ 27,500
Accounting fees	21,232	24,159
Credit card fees	17,357	15,044
Insurance	4,085	4,019
Marketing and promotion	2,942	6,147
Payroll taxes	2,435	2,289
Telephone	1,757	1,648
Dues and fees	1,579	1,652
Employee benefits	1,442	2,580
Website expenses	855	1,016
Legal fees	808	
Meals and entertainment	686	78
Office expense	594	211
Internet	561	1,461
Printing	499	2,700
Auto mileage reimbursement	421	
Postage and shipping	312	372
	\$ 85,065	\$ 90,876
Total administrative expenses	\$ 85,065	\$ 90,876
OK Kids Korral Expenses		
Depreciation expense	\$ 349,740	\$ 349,791
Interest expense	189,100	198,203
Salaries	159,804	138,033
Utilities	91,999	90,036
Contract work/maintenance	73,782	70,328
Insurance expense	55,307	54,480
Pilot payment in lieu of taxes	50,000	50,000
Food and supplies	35,866	30,942
Land lease	30,000	30,000
Repairs	18,653	18,547
Payroll taxes	14,144	11,478
Employee benefits	11,113	5,698
Contract labor	4,788	6,710
	\$ 1,084,296	\$ 1,054,246
Total OK Kids Korral expenses	\$ 1,084,296	\$ 1,054,246

The accompanying notes are an integral part of the financial statements.

THE TOBY KEITH FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES, continued
For the Years Ended December 31, 2019 and 2018

	2019	2018
Golf Tournament Expenses		
Toby Keith golf event	\$ 217,754	\$ 150,872
Schooner golf event	77,738	85,575
Golf course rental	75,934	64,308
Salaries	38,143	34,865
Hotel	36,635	35,544
Payroll taxes	3,376	2,899
Printing	2,687	2,416
Employee benefits	2,028	4,484
Insurance expense	849	821
Celebrity expense		12,217
	<u>\$ 455,144</u>	<u>\$ 394,001</u>
Fundraising Expenses		
Salaries	\$ 38,143	\$ 34,865
Expenses for auction items	33,110	27,414
Fish Bowl expenses	22,181	
Other fundraising	13,568	21,323
Video	9,000	6,500
Sales tax	8,072	10,053
Printing	6,412	2,679
Displays for auction	3,949	1,966
Payroll taxes	3,373	2,897
Fundraising software and training	2,303	4,465
Employee benefits	2,028	4,484
Auctioneer	1,500	
Insurance expense	849	820
Walk A Mile 5K		4,712
	<u>\$ 144,488</u>	<u>\$ 122,178</u>
Charitable Contributions		
Bob Stoops Champions Foundation	\$ 5,000	\$ 5,000
	<u>\$ 5,000</u>	<u>\$ 5,000</u>

The accompanying notes are an integral part of the financial statements.

THE TOBY KEITH FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 365,905	\$ 65,073
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation	349,740	349,791
Debt forgiveness	(21,270)	
Change in:		
Accounts receivable		3,500
Prepaid expenses	27,122	(2,755)
Accounts payable	(357)	(1,406)
Accrued expenses	5,040	(229,384)
Net cash provided by operating activities	726,180	184,819
Cash Flows from Financing Activities		
Loan repayments	(278,420)	(269,318)
Net cash provided (used) by financing activities	(278,420)	(269,318)
Net increase (decrease) in cash	447,760	(84,499)
Cash, beginning of year	1,473,388	1,557,887
Cash, end of year	\$ 1,921,148	\$ 1,473,388
Supplemental Schedule of Operating Activities		
Interest paid	\$ 189,100	\$ 198,203

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, 2019 and 2018

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 golf tournaments and auctions to raise money for the OK Kids Korral and various charities in the local area. 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.

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

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.

THE TOBY KEITH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

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.

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, 2019 and 2018, 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 2015.

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 June 22, 2020 (the date the financial statements were available to be issued) and concluded that no 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, 2019, the Foundation has \$1,921,148 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 \$1,921,148. As of December 31, 2018, the Foundation has \$1,473,388 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 \$1,473,388. 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 Foundation structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

THE TOBY KEITH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

3. Capital Assets

Capital assets as of December 31, 2019 and 2018 are summarized as follows:

	<u>2019</u>	<u>2018</u>
Building	\$ 10,332,237	\$ 10,332,237
Furnishings	950,196	950,196
Office equipment	<u>3,407</u>	<u>3,407</u>
	11,285,840	11,285,840
Accumulated depreciation	<u>(2,404,984)</u>	<u>(2,055,244)</u>
	<u>\$ 8,880,856</u>	<u>\$ 9,230,596</u>

4. 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 outstanding loan balance was \$5,428,579 and \$5,706,999 as of December 31, 2019 and 2018, respectively. Interest expense during 2019 and 2018 was \$189,100 and \$198,203, respectively.

Future minimum payments on the loan are as follows:

2020	\$ 287,366
2021	297,706
2022	307,886
2023	318,413
2024	328,900
Thereafter	<u>3,888,308</u>
	<u>\$ 5,428,579</u>

The loan is personally guaranteed by a related party. In the event of default on the loan, the Foundation has entered into an agreement with the related party for repayment, with terms of the loan to be determined.

5. Transactions with Affiliates and Related Parties

Amounts received from affiliates and related parties consist of the following as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Affiliates - golf entry fees	\$ 42,500	\$ 35,000
Affiliates - golf donations	23,000	32,000
Affiliates - purchase of wristbands		2,314
Affiliates - donation	10,000	10,000
Affiliates - event tickets	1,000	250
Related party - donation		8,000
Related party - purchase of an auction item	25,000	
Related party - in-kind donation		<u>3,000</u>
	<u>\$ 101,500</u>	<u>\$ 90,564</u>

THE TOBY KEITH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

Amounts paid to affiliates and related parties consist of the following as of December 31, 2019 and 2018:

	2019	2018
Affiliate - course rental, golf fees, and food	\$ 54,882	\$ 55,597
Affiliate - employee benefits	18,565	23,878
	\$ 73,447	\$ 79,475

6. Donated Services and Facilities

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

	2019	2018
Donated goods	\$ 26,281	\$ 12,708
Golf event expenses	46,705	51,705
Accounting fees	13,332	16,559
	\$ 86,318	\$ 80,972

7. Commitments

The Foundation entered into a 50-year ground lease for the development of the OK Kids Korral. The lease requires annual payments of \$30,000. The Foundation paid \$30,000 on the lease during 2019 and 2018. The lease agreement also requires the Foundation to make annual payments of \$50,000 in lieu of taxes.

Future minimum rental payments under the lease is as follows:

2020	\$ 30,000
2021	30,000
2022	30,000
2023	30,000
2024	30,000
Thereafter	1,165,000
	\$ 1,315,000

8. 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 2019 and 2018, the Foundation generated \$1,442,636 and \$1,087,250 in revenue from the event, which totals 67% and 63% of the Foundation's revenue in 2019 and 2018, respectively.

Eighteen contributors to the Foundation provided 46% of the Foundation's total 2019 contributions, and twelve contributors provided 31% of the Foundation's total 2018 contributions.

THE TOBY KEITH FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2019 and 2018

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist principally of cash 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 by \$1,649,873 at December 31, 2019.

9. Subsequent Event

On March 11, 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Foundation's operations. Future potential impacts may include disruptions or restrictions on our ability to provide services at the OK Kids Korral and donor's ability to continue supporting the Foundation's fundraising activities. The main fundraising event, The Toby Keith and Friends golf tournament and auction, which generally occurs in the spring each year, has been postponed until October 2020. The effects of the change in timing of the golf tournament and auction and on the operations of the OK Kids Korral are unknown. In response to these uncertainties, in April 2020 the Foundation obtained a forgivable loan from the Small Business Administration under the Payroll Protection Program (PPP) created by the CARES Act. The Foundation received \$56,500 from the PPP and expects that the full amount of the loan will be forgiven.