CHARLES HUMPHREY KEATING IV FOUNDATION AND SUBSIDIARY

INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Charles Humphrey Keating IV Foundation
San Diego, California

Opinion

We have audited the accompanying consolidated financial statements of Charles Humphrey Keating IV Foundation (a nonprofit corporation) and Subsidiary, which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Charles Humphrey Keating IV Foundation and Subsidiary as of December 31, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Charles Humphrey Keating IV Foundation and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Charles Humphrey Keating IV Foundation and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Charles Humphrey Keating IV Foundation and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Charles Humphrey Keating IV Foundation and Subsidiary'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.

Lavine, Lofgren, Morris & Engelberg, LLP

La Jolla, California
February 23, 2023

CHARLES HUMPHREY KEATING IV FOUNDATION AND SUBSIDIARY

Consolidated Statement of Financial Position
As of December 31, 2021

ASSETS		
Cash	$	45,260
Prepaid expenses		31,652
Property and equipment, net		9,713,513
Total assets	$	9,790,425
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$	50,842
Accrued expenses		153,962
Notes payable (including related party), net		5,405,000
Total liabilities		5,609,804
Net assets without donor restriction		4,180,621
Total liabilities and net assets	$	9,790,425

See accompanying notes to consolidated financial statements
and independent auditors' report.

CHARLES HUMPHREY KEATING IV FOUNDATION AND SUBSIDIARY

Consolidated Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restriction
Revenue and support:	
Contributions	$ 1,902,590
Special events, net of direct benefits to donors of $327,935	470,966
Sales of product	22,201
Other income	1,969
Total revenue and support	2,397,726
Expenses:	
Program services	1,297,754
Management and general	211,995
Fundraising	177,871
Total expenses	1,687,620
Change in net assets	710,106
Net assets at beginning of year	3,470,515
Net assets at end of year	$ 4,180,621

See accompanying notes to consolidated financial statements
and independent auditors' report.

CHARLES HUMPHREY KEATING IV FOUNDATION AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Supporting Services: Management & General	Supporting Services: Fundraising	Total Supporting Services	Total
Auto expense	$ 17,986	$ 74	$ -	$ 74	$ 18,060
Bank and merchant fees	-	784	32,837	33,621	33,621
Computer and software expense	7,353	234	499	733	8,086
Contracted services	74,939	86,196	48,878	135,074	210,013
Depreciation and amortization	292,643	586	-	586	293,229
Dues and subscriptions	126	11,603	-	11,603	11,729
Facility and equipment	5,179	-	-	-	5,179
Insurance	51,039	758	-	758	51,797
Interest	332,318	-	-	-	332,318
Marketing	64,247	1,009	3,526	4,535	68,782
Meals and entertainment	7,325	16,618	-	16,618	23,943
Miscellaneous	13,767	19,994	10,332	30,326	44,093
Office supplies	1,199	3,083	-	3,083	4,282
Payroll taxes and fees	8,131	1,591	1,896	3,487	11,618
Postage and shipping	149	5,820	-	5,820	5,969
Printing and copying	-	2,806	1,799	4,605	4,605
Promotional items	6,618	-	43,582	43,582	50,200
Ranch and livestock supplies	205,712	-	-	-	205,712
Repair and maintenance	33,411	2,016	-	2,016	35,427
Salaries and wages	101,292	18,887	24,077	42,964	144,256
Taxes and license fees	1,509	388	1,532	1,920	3,429
Travel	1,426	29,718	8,563	38,281	39,707
Utilities	30,955	1,852	-	1,852	32,807
Website development	40,430	7,978	350	8,328	48,758
	$ 1,297,754	$ 211,995	$ 177,871	$ 389,866	$ 1,687,620

See accompanying notes to consolidated financial statements
and independent auditors' report.

CHARLES HUMPHREY KEATING IV FOUNDATION AND SUBSIDIARY

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2021

Cash flows from operating activities:	
Change in net assets	$ 710,106
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization, including of debt issuance costs	293,229
Changes in operating assets and liabilities:	
Prepaid expenses	6,871
Accounts payable	(30,837)
Accrued expenses	38,488
Net cash provided by operating activities	1,017,857
Cash flows from investing activities:	
Purchases of property and equipment	(532,045)
Net cash used in investing activities	(532,045)
Cash flows from financing activities:	
Proceeds from issuance of notes payable	250,000
Repayments of notes payable	(1,575,000)
Net cash used in financing activities	(1,325,000)
Decrease in cash and cash equivalents	(839,188)
Cash, beginning of year	884,448
Cash, end of year	$ 45,260
Supplemental cash flow information:	
Cash paid during the year for interest	$ 289,731

See accompanying notes to consolidated financial statements
and independent auditors' report.

NOTE 1. NATURE OF ACTIVITIES

Charles Humphrey Keating IV Foundation and Subsidiary (together the "Organization") consist of Charles Humphrey Keating IV Foundation (the "Foundation"), an Arizona nonprofit corporation formed in June 2017, and CHK4 Ranch, LLC (the "Ranch"), an Arizona limited liability company formed in June 2018 and wholly owned by the Foundation.

The Foundation was formed to provide support and resources for active duty NAVY SEALs and their families. The Ranch was formed to hold property for the charitable purposes of the Foundation. The goal of the Organization is to research, develop, and implement evidence-based solutions to maintain family unity while improving the transition from front lines to home front. Revenue and support are derived principally from public contributions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements of the Organization include the accounts of the Foundation and the Ranch, its wholly owned subsidiary. All material inter-entity balances and transactions have been eliminated in consolidation.

Method of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Organization considers highly liquid investments purchased with maturities of three months or less to be cash equivalents. As of December 31, 2021, the Organization did not hold any cash equivalents.

Property and Equipment

Property and equipment are recorded on the basis of cost for items purchased or estimated fair market value at the date of gift for donated items. Acquisitions totaling over $1,000 and an economic life in excess of one year are capitalized and depreciated using the straight-line method over five to thirty-nine years, with no salvage value. Expenditures for major repairs and improvements that extend the life of the asset are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in revenue or expenses.

The Organization reviews its property and equipment for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future net undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the asset exceeds the fair value of the asset. The Organization has determined that no impairment to property and equipment occurred during the year ended December 31, 2021.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Issuance Costs

In conjunction with certain of its debt financings, the Organization has incurred and prepaid certain deferred financing costs including loan fees and other transaction costs related to closing the financing agreements. Debt issuance costs are presented as a deduction to the related notes payable balances. Debt issuance costs are amortized to interest expense over the lives of their respective loans on a straight-line basis.

Classification of Net Assets

Net assets without donor restrictions represent the portion of expendable funds that are available for support of the Organization's operations. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time or purpose restrictions. As of December 31, 2021, all of the Organization's net assets were without donor restriction.

Recognition of Revenue and Support

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets with or without donor restriction, as applicable. The Organization reports gifts of cash and other assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as revenue without donor restriction.

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

In-kind Donations and Donated Services

Materials and other assets received as in-kind donations are recorded and reflected in the accompanying consolidated financial statements at their fair values at the date of receipt.

A substantial number of volunteers have donated time to the Organization's program services during the year; however, these donated services are not reflected in the consolidated financial statements since the services do not require specialized skills.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Where costs can be specifically identified with a particular program or activity, they are categorized accordingly. Where costs are common to more than one function, they have been allocated among program services and supporting services based on time records and other estimates made by the Organization's management.

Income Taxes

Under Section 501(c)(3) of the IRC, the Foundation is exempt from the payment of taxes on income other than net unrelated business income. For the year ended December 31, 2021, no provision for income taxes was made as the Organization had no significant unrelated business income.

The Ranch is a limited liability company which is not a tax-paying entity for federal or state income tax purposes. The taxable income or loss of the Ranch is reportable by its owner, the Foundation, in accordance with its tax situation.

The Organization follows the authoritative guidance relating to accounting for uncertainty in income taxes included in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization has evaluated its tax positions for the year ended December 31, 2021 and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of December 31, 2021, the statute of limitations for the Organization's initial tax year, 2017, through 2020 remained open for federal and state jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax expense.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and support and expenses during the reporting period. Accordingly, actual results could differ from those assumptions and estimates.

Subsequent Events

Subsequent events were evaluated through the date of the independent auditor's report, which is the date these consolidated financial statements were available to be issued (Note 8).

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2021:

Land	$ 4,554,343
Building	2,997,883
Land improvements	2,296,883
Furniture and equipment	718,056
Vehicles	44,264
Total property and equipment	10,611,429
Less: accumulated depreciation	(897,916)
Property and equipment, net	$ 9,713,513

Depreciation expense related to property and equipment for the year ended December 31, 2021 was $279,321.

NOTE 4. CONCENTRATIONS

During the year ended December 31, 2021, contributions received from two donors represented approximately 24% of total contributions for the year. Should such contributions decrease or not recur in future periods, the Organization may be adversely affected.

The Organization has deposits in financial institutions that may, at times, exceed federally insured or other protected limits. The Organization manages the risk by using institutions management believes to be of high quality. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

NOTE 5. NOTES PAYABLE

Notes payable consist of the following at December 31, 2021:

Note payable to Pacific Western Bank, interest at 5.75% per annum. Monthly interest-only payments due with remaining unpaid principal and interest originally due in full in September 2021, with two one-year extension options available with pay-downs of $1.325 million each. In September 2021, the Organization exercised the first of the one-year extensions and paid down $1.325 million in principal. Secured by Ranch property and guaranteed by an officer of the Organization. See Note 8.	$ 3,975,000

NOTE 5. NOTES PAYABLE (Continued)

Unsecured note payable to a related party charitable foundation, interest at 5% per annum. As extended in February 2023, interest accrued through December 31, 2022 is due in March 2023. Thereafter, annual principal payments in the amount of $100,000, plus accrued interest, are due each March, through the note's scheduled maturity in March 2028.	500,000
Unsecured note payable to a related party charitable foundation, interest at 5% per annum. As extended in February 2023, interest accrued through December 31, 2022 is due in March 2023. Thereafter, annual principal payments in the amount of $61,000, plus accrued interest, are due each March through the note's scheduled maturity in March 2028.	305,000
Unsecured note payable to a related party self-directed IRA, interest at 2% per annum. As extended in October 2022, principal and accrued interest due in full December 2023.	217,000
Unsecured note payable to a charitable foundation, not subject to interest. Principal is due in four equal installments of $125,000 with the first installment due March 2020 and, as amended in September 2020, the remaining three installments are due every six months beginning in March 2021 and ending in March 2022. Secured by a deed of trust subordinate to the deed of trust securing the note payable to Pacific Western Bank. See Note 8.	125,000
Unsecured note payable to a related party self-directed IRA, interest at 2% per annum. As extended in October 2022, principal and accrued interest due in full December 2023.	125,000
Unsecured note payable to a related party self-directed IRA, interest at 2% per annum. As extended in October 2022, principal and accrued interest due in full December 2023.	125,000
Unsecured note payable to a related party self-directed IRA, interest at 2% per annum. As extended in October 2022, principal and accrued interest due in full December 2023.	33,000
Total notes payable	$ 5,405,000

NOTE 5. NOTES PAYABLE (Continued)

The future principal payments on the notes payable balances as of December 31, 2021, are as follows. The table below reflects revised repayment terms on the notes payable to a related party charitable foundation (as described in the table above) and the note payable to Pacific Western Bank, as amended in April 2022 and described in Note 8):

For the Year Ended December 31,	
2022	$ 178,808
2023	596,096
2024	260,630
2025	265,183
2026	269,487
Thereafter	3,834,796
Total	$ 5,405,000

NOTE 6. LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2021, the Organization's only financial asset available within one year of the date of the statement of financial position for general expenditures is cash totaling $45,260. The Organization's cash flows have seasonal variations during the year due primarily to the timing of special events and fundraising. The Organization's primary source of support are donations from the public. During the year ended December 31, 2021, the Organization's financial assets became available as its expenditures and obligations came due, and management expects that to be the case for 2022.

NOTE 7. RELATED PARTY TRANSACTIONS

During 2020, the Organization entered into two notes payable to a charitable foundation with which it has a common member of the board of directors. As of December 31, 2021, the total amount due to this related party foundation is $805,000 (Note 5).

Also during 2020, the Organization entered into two notes payable to a self-directed IRA of another of its board members. During 2021, the Organization entered into two additional notes payable with the same related party self-directed IRA. These notes, in the aggregate amount of $500,000 remain outstanding as of December 31, 2021 (Note 5).

In addition, during the year ended December 31, 2021, two members of the Organization's board of directors each donated $50,000 to the Foundation.

NOTE 8. SUBSEQUENT EVENTS

In April 2022, the Organization renegotiated its loan with Pacific Western Bank (Note 5), which at that time had a balance of $3,975,000, equal to its balance as of December 31, 2021. The terms of the renegotiated loan include an interest-only payment due May 7, 2022, based on an annual interest rate of 5.00%, followed by 58 monthly payments of principal and interest, beginning June 7, 2022, in the amount of $21,112, with interest accruing at 4.00%, with all remaining principal (scheduled to be $3,493,793) and any accrued interest due on March 31, 2027.

The renegotiated Pacific Western Bank note payable also replaced the remaining existing extension option with an option to extend the loan for an additional five years from March 2027, provided the Organization (i) is in compliance with certain requirements defined in the agreement, (ii) makes a one-time principal payment of $250,000, and (iii) pays an extension fee of 0.25% of the outstanding commitment on the note payable, among other items. In addition, the guarantor of the loan was changed to the Foundation. At that time, interest would be at the lender’s then-current base rate (as defined), but no less than 4.00%. The note continues to be secured by the related Ranch property.

During 2022, the Organization completed repayment of the $125,000 note payable to a charitable foundation.