

FINANCIAL STATEMENTS

Motorsports Charities, Inc. d/b/a The NASCAR Foundation  
Years Ended December 31, 2016 and 2015  
With Report of Independent Certified Public Accountants

Ernst & Young LLP



Building a better  
working world

Motorsports Charities, Inc. d/b/a The NASCAR Foundation

Financial Statements

Years Ended December 31, 2016 and 2015

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## Report of Independent Certified Public Accountants

The Board of Directors  
Motorsports Charities, Inc. d/b/a The NASCAR Foundation

We have audited the accompanying financial statements of Motorsports Charities, Inc. d/b/a The NASCAR Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Ernst + Young LLP*

May 31, 2017

Motorsports Charities, Inc. d/b/a The NASCAR Foundation

Statements of Financial Position

	<b>December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,947,326	\$ 2,396,419
Contributions receivable	220,832	300,824
Due from related parties	25,000	52,837
Other assets	15,550	54,961
Total assets	<u>\$ 2,208,708</u>	<u>\$ 2,805,041</u>
<b>Liabilities and net assets</b>		
Liabilities:		
Due to related parties	\$ 14,210	\$ 50,881
Accounts payable and other accrued expenses	213,420	1,367,565
Deferred revenue/rent	50,080	135,595
Total current liabilities	<u>277,710</u>	<u>1,554,041</u>
Net assets:		
Unrestricted net assets	1,869,018	1,251,000
Temporarily restricted net assets	61,980	-
Total net assets	<u>1,930,998</u>	<u>1,251,000</u>
Total liabilities and net assets	<u>\$ 2,208,708</u>	<u>\$ 2,805,041</u>

*See accompanying notes.*

Motorsports Charities, Inc. d/b/a The NASCAR Foundation

Statements of Activities

Year Ended December 31, 2016

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues, gains, and other support</b>			
Contribution revenue	\$ 4,923,717	\$ 61,980	\$ 4,985,697
In-kind contributions	682,691	–	682,691
Other revenue	23,020	–	23,020
Total revenue, gains, and other support	<u>5,629,428</u>	<u>61,980</u>	<u>5,691,408</u>
<b>Expenses</b>			
Fund-raising	1,833,055	–	1,833,055
Program services	2,903,613	–	2,903,613
Management and general	274,742	–	274,742
Total expenses	<u>5,011,410</u>	<u>–</u>	<u>5,011,410</u>
Change in net assets	618,018	61,980	679,998
Net assets, beginning of year	1,251,000	–	1,251,000
Net assets, end of year	<u>\$ 1,869,018</u>	<u>\$ 61,980</u>	<u>\$ 1,930,998</u>

*See accompanying notes.*

Motorsports Charities, Inc. d/b/a The NASCAR Foundation

Statements of Activities

Year Ended December 31, 2015

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues, gains, and other support</b>			
Contribution revenue	\$ 4,964,030	\$ –	\$ 4,964,030
In-kind contributions	2,787,585	–	2,787,585
Other revenue	–	–	–
Total revenue, gains, and other support	<u>7,751,615</u>	<u>–</u>	<u>7,751,615</u>
<b>Expenses</b>			
Fund-raising	2,004,593	–	2,004,593
Program services	5,593,082	–	5,593,082
Management and general	340,072	–	340,072
Total expenses	<u>7,937,747</u>	<u>–</u>	<u>7,937,747</u>
Change in net assets	(186,132)	–	(186,132)
Net assets, beginning of year	1,437,132	–	1,437,132
Net assets, end of year	<u>\$ 1,251,000</u>	<u>\$ –</u>	<u>\$ 1,251,000</u>

*See accompanying notes.*

Motorsports Charities, Inc. d/b/a The NASCAR Foundation

Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>Operating activities</b>		
Change in net assets	\$ 679,998	\$ (186,132)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Changes in assets and liabilities:		
Contributions receivable	79,992	210,510
Due from related parties	27,837	(8,989)
Other assets	39,411	(43,124)
Due to related parties	(36,671)	38,614
Accounts payable and other accrued expenses	(1,154,145)	995,795
Deferred revenue/rent	(85,515)	65,446
Net cash (used in) provided by operating activities	<u>(449,093)</u>	1,072,120
<b>Cash and cash equivalents</b>		
Beginning of year	<u>2,396,419</u>	1,324,299
End of year	<u>\$ 1,947,326</u>	<u>\$ 2,396,419</u>

*See accompanying notes.*

# Motorsports Charities, Inc. d/b/a The NASCAR Foundation

## Notes to Financial Statements

December 31, 2016

### **1. Organization**

Motorsports Charities, Inc. d/b/a The NASCAR Foundation (the Foundation) was incorporated as a 501(c)(3) charitable fund-raising organization in the state of Florida on September 23, 2005, and began operations on January 1, 2006. The Foundation's headquarters are located in Daytona Beach, Florida. The Foundation raises and distributes funds to improve the life and health of children who need it the most in communities across the country.

### **2. Summary of Significant Accounting Policies**

The following accounting policies have been used in the preparation of the financial statements.

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **Use of Estimates**

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

#### **Functional Allocation of Salaries and Benefits Expense**

Management conducts time studies of Foundation employees' daily activities biannually to determine allocation of joint costs to functional expense categories.

#### **Contribution Revenue**

The Foundation reports gifts of cash and other assets as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. If contributions relate to a specific fund-raising event, the related revenue is recognized upon completion of the event.

Gifts received with restrictions, where the restriction is met in the same period as the gift is received, are presented as unrestricted revenue in the accompanying statements of activities.

Motorsports Charities, Inc. d/b/a The NASCAR Foundation

Notes to Financial Statements (continued)

**2. Summary of Significant Accounting Policies (continued)**

**Donated Services and Materials**

Donated accounting, human resource, legal, and technical services are recorded at their estimated cost when donated. Donated services are only recorded if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. Other volunteer services are not recorded, since they do not create or enhance nonfinancial assets or require specialized skills.

Donated goods are recorded at estimated fair value when donated. Donated advertising services are recorded at estimated fair value in the period received and used.

**Contributions Receivable**

Contributions receivable include unconditional promises to give, stated at their net realizable values. All unconditional pledges are due within one year or less. Pledges not collected within three months of the due date are written off. Receivables are based on known collections. Therefore, no allowance is associated with any of the outstanding balances. All receivables are expected to be collected in one to three months. Approximately 76% and 83% of accounts receivable at December 31, 2016 and 2015, respectively, were owed by six contributors.

**Cash and Cash Equivalents**

Cash and cash equivalents include amounts on deposit in interest and non-interest bearing bank accounts.

**Net Assets**

Net assets, revenue and other support, and expenses are classified based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

**Unrestricted Net Assets** – accounts for all resources that the Foundation has discretionary control to use in carrying out its operations in accordance with the limits of its bylaws and includes funds designated by the Board of Directors for specific use.

# Motorsports Charities, Inc. d/b/a The NASCAR Foundation

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

**Temporarily Restricted Net Assets** – accounts for those resources that are currently available for use, but expendable only for the specific purposes specified by the donor. The Foundation had \$61,980 of temporarily restricted net assets related to purpose restrictions as of December 31, 2016 and none as of December 31, 2015.

**Permanently Restricted Net Assets** – accounts for nonexpendable endowment donations received by the Foundation, subject to donor-imposed restrictions, requiring that the principal be invested in perpetuity and that only the income be spent. The Foundation had no permanently restricted net assets as of December 31, 2016 and 2015.

### Income Taxes

The Foundation has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the accompanying financial statements. Income earned in furtherance of the Foundation's tax-exempt purpose is exempt from federal and state income taxes. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Foundation believes it has appropriate support for tax positions taken in its annual filing requirements and, as such, does not have any uncertain tax positions that are material to the financial statements. The Foundation's tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

### Fair Value Measurements

The Foundation measures the fair value of its assets and liabilities in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*, which establishes a three-tier fair value hierarchy, prioritizing the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs, such as quoted prices in active markets for identical assets and liabilities; Level 2, defined as inputs other than quoted prices for similar assets and liabilities in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The carrying values of cash and cash equivalents, contributions receivable, and accounts payable and other accrued expenses approximate their fair value due to the short-term maturities of these assets and liabilities.

Motorsports Charities, Inc. d/b/a The NASCAR Foundation

Notes to Financial Statements (continued)

**3. Donated Services and Materials**

The Foundation received accounting, human resource, legal and technical services totaling \$246,851 and \$220,496 for the years ended December 31, 2016 and 2015, respectively. The contributions are recorded at estimated cost and are reflected as in-kind contribution revenues and fund-raising, program services and management and general expenses in the statements of activities.

The Foundation received advertising to promote the Betty Jane France Humanitarian Award at an estimated value of \$128,755 and \$1,194,125 for the years ended December 31, 2016 and 2015, respectively. The contributed advertising promoted the philanthropic and community efforts of the Foundation. The amounts are recorded at estimated fair value and reflected as in-kind contributions revenue and program services expense in the accompanying statements of activities. Other advertising, contributed to promote and support the Foundation's initiatives and mission, were estimated at \$307,085 and \$1,372,964 for the years ended December 31, 2016 and 2015, respectively. The contributions are recorded at estimated fair value and reflected as in-kind contributions revenue and fund-raising and program services expenses in the accompanying statements of activities.

**4. Functional Expenses**

The functional expenses classification for the year ended December 31, 2016 is as follows:

	<b>Fund Raising</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
In-kind contributions	\$ 243,283	\$ 390,051	\$ 49,357	\$ 682,691
Salaries and benefits	429,539	344,074	164,604	938,217
Professional services	145,775	150,776	7,291	303,842
Supplies	16,439	13,906	5,198	35,543
Postage, shipping, and printing	26,277	14,293	3,222	43,792
Purchased services	1,644	1,518	11,009	14,171
Promotional expense	872,963	137,182	7,163	1,017,308
Travel	55,384	53,157	18,324	126,865
Distributions	-	1,777,342	-	1,777,342
Other	41,751	21,314	8,574	71,639
Total expenses	<u>\$ 1,833,055</u>	<u>\$ 2,903,613</u>	<u>\$ 274,742</u>	<u>\$ 5,011,410</u>

Motorsports Charities, Inc. d/b/a The NASCAR Foundation

Notes to Financial Statements (continued)

**4. Functional Expenses (continued)**

The functional expenses classification for the year ended December 31, 2015 is as follows:

	<b>Fund Raising</b>	<b>Program Services</b>	<b>Management and General</b>	<b>Total</b>
In-kind contributions	\$ 755,380	\$ 1,997,755	\$ 34,449	\$ 2,787,584
Salaries and benefits	394,516	381,581	193,547	969,644
Professional services	339,192	257,490	19,390	616,072
Supplies	12,121	10,452	5,380	27,953
Postage, shipping, and printing	61,975	56,090	5,828	123,893
Purchased services	8,074	9,162	17,294	34,530
Promotional expense	309,240	90,634	3,943	403,817
Travel	72,332	98,082	45,309	215,723
Distributions	–	2,671,123	–	2,671,123
Other	51,763	20,713	14,932	87,408
Total expenses	<u>\$ 2,004,593</u>	<u>\$ 5,593,082</u>	<u>\$ 340,072</u>	<u>\$ 7,937,747</u>

**5. Related Parties**

The National Association for Stock Car Auto Racing, Inc. (NASCAR) is an affiliated organization of the Foundation. During the years ended December 31, 2016 and 2015, NASCAR donated cash of \$162,925 and \$254,000, respectively, to the Foundation, as well as contributed accounting, human resource, legal and technical services of \$246,851 and \$220,496, respectively. These donations are included in contribution revenue and in-kind contributions, respectively, in the accompanying statements of activities. The Foundation also received contributed advertising services from NASCAR totaling \$435,840 and \$2,567,089 for the years ended December 31, 2016 and 2015, respectively. These services are recorded at estimated fair value and are reflected as in-kind contributions in the accompanying statements of activities.

The Foundation and NASCAR share a variety of expenses in the ordinary course of business. For the years ended December 31, 2016 and 2015, the Foundation paid NASCAR for production services and various other office expenses totaling \$110,184 and \$77,338, respectively. The Foundation was a subtenant of a NASCAR leased property and paid rents to NASCAR totaling \$36,000 and \$35,863 for the years ended December 31, 2016 and 2015, respectively. The Foundation also paid NASCAR \$10,000 and \$17,000 for seating at the NASCAR Sprint Cup

## Motorsports Charities, Inc. d/b/a The NASCAR Foundation

### Notes to Financial Statements (continued)

#### **5. Related Parties (continued)**

Series Banquet during the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the Foundation had receivables from NASCAR of \$20,000 and \$1,250 and payables to NASCAR of \$8,500 and \$48,589, respectively, recorded as due from and due to related parties, respectively, in the accompanying statements of financial position.

The Foundation received donations for fund-raising activities from International Speedway Corporation (ISC), totaling \$66,105 and \$56,539 for the years ended December 31, 2016 and 2015, respectively. The Foundation paid ISC for catering, equipment rentals, postage and printing expenses in the amount of \$73,409 and \$83,251 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the Foundation had receivables from ISC of \$0 and \$46,587 and payables to ISC of \$5,710 and \$2,292, respectively, recorded as due from and due to related parties, respectively, in the accompanying statements of financial position.

The Foundation also received donations for fund-raising activities from its directors, officers and other affiliates totaling \$605,500 and \$62,850 for the years ended December 31, 2016 and 2015, respectively. The Foundation paid a director for auction event expenses totaling \$0 and \$6,628 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, the Foundation had receivables for donations from directors, officers and other affiliates of \$5,000 recorded as due from related parties in the accompanying statements of financial position.

#### **6. Commitments and Contingencies**

##### **Operating Lease Commitments**

The Foundation leases office space under an operating lease with a lease term of one year. As of December 31, 2016, the Foundation has no leases with initial or remaining non-cancelable terms in excess of one year. Rent expense for the years ended December 31, 2016 and 2015 was \$36,000 and \$35,863, respectively.

## Motorsports Charities, Inc. d/b/a The NASCAR Foundation

### Notes to Financial Statements (continued)

#### **7. Support**

The Foundation raises funds and partners with experts to improve the life and health of children in communities across the country. To help support its mission, the Foundation has several major events throughout the year, including Taste of the 24, Charity Poker Tournaments and an Honors Gala.

Competition fines assessed to competitors at NASCAR-sanctioned events are directed to the Foundation. Other fund-raising efforts include online auctions of NASCAR memorabilia and experience packages and Friends of the Foundation communications, which share fund-raising messages and provide varying levels of contributions and support.

#### **8. Subsequent Events**

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 31, 2017, the date the financial statements were available to be issued. During this period, there were no subsequent events that would have a material impact on the financial statements.

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