

FINANCIAL STATEMENTS

Motorsports Charities, Inc. d/b/a The NASCAR Foundation
Years Ended December 31, 2015 and 2014
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, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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 16, 2016

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

Statements of Financial Position

	December 31	
	2015	2014
Assets		
Cash and cash equivalents	\$ 2,396,419	\$ 1,324,299
Contributions receivable	300,824	511,334
Due from related parties	52,837	43,848
Other assets	54,961	11,837
Total assets	<u>\$ 2,805,041</u>	<u>\$ 1,891,318</u>
Liabilities and net assets		
Liabilities:		
Due to related parties	\$ 50,881	\$ 12,267
Accounts payable and other accrued expenses	1,367,565	371,770
Deferred revenue/rent	135,595	70,149
Total current liabilities	<u>1,554,041</u>	<u>454,186</u>
Net assets:		
Unrestricted net assets	<u>1,251,000</u>	<u>1,437,132</u>
Total liabilities and net assets	<u>\$ 2,805,041</u>	<u>\$ 1,891,318</u>

See accompanying notes.

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

Statements of Activities

	Year Ended December 31	
	2015	2014
Revenues, gains, and other support		
Contribution revenue	\$ 4,964,030	\$ 4,901,083
In-kind contributions	2,787,585	1,533,904
Total revenue, gains, and other support	<u>7,751,615</u>	<u>6,434,987</u>
Expenses		
Fund-raising	2,004,593	1,677,540
Program services	5,593,082	4,401,455
Management and general	340,072	363,957
Total expenses	<u>7,937,747</u>	<u>6,442,952</u>
Change in net assets	(186,132)	(7,965)
Unrestricted net assets, beginning of year	1,437,132	1,445,097
Unrestricted net assets, end of year	<u>\$ 1,251,000</u>	<u>\$ 1,437,132</u>

See accompanying notes.

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

Statements of Cash Flows

	Year Ended December 31	
	2015	2014
Operating activities		
Change in net assets	\$ (186,132)	\$ (7,965)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	–	291
Changes in assets and liabilities:		
Due from related parties	(8,989)	(323,141)
Contributions receivable	210,510	15,589
Other assets	(43,124)	(1,755)
Due to related parties	38,614	(43,835)
Accounts payable and other accrued expenses	995,795	(259,866)
Deferred revenue /rent	65,446	(17,512)
Net cash provided by (used in) operating activities	<u>1,072,120</u>	<u>(638,194)</u>
Cash and cash equivalents		
Beginning of year	<u>1,324,299</u>	1,962,493
End of year	<u>\$ 2,396,419</u>	<u>\$ 1,324,299</u>

See accompanying notes.

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

Notes to Financial Statements

December 31, 2015

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 for the purpose of supporting a wide range of charitable initiatives that reflect the core values of the National Association for Stock Car Auto Racing, Inc. organization. The Foundation has expanded its purpose to include the promotion of volunteerism.

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 cost on the date 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 fair value on the date donated. Donated advertising services are recorded at fair value in the period in which 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 83% and 84% of accounts receivable at December 31, 2015 and 2014, respectively, were provided 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 no temporarily restricted net assets as of December 31, 2015 and 2014.

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, 2015 and 2014.

Equipment

Equipment includes both purchased and donated computer equipment. Purchased assets are stated at cost less accumulated depreciation. Donated assets are stated at their fair value at the time of donation less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Equipment is assigned an estimated useful life of five years. The carrying values of equipment are evaluated for impairment upon the occurrence of an impairment indicator, based upon expected future undiscounted cash flows. If the carrying value of an asset is considered impaired, an impairment loss would be recognized equal to the difference between the carrying value of the asset and its fair value. As of December 31, 2015 and 2014, the equipment was fully depreciated with a \$0 net value.

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 affecting 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.

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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.

3. Donated Services and Materials

The Foundation received accounting, human resource, legal and technical services totaling \$220,496 and \$120,907 for the years ended December 31, 2015 and 2014, respectively. The contributions are recorded at 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 a value of \$1,194,125 and \$419,949 for the years ended December 31, 2015 and 2014, respectively. The contributed advertising promoted the philanthropic and community efforts of the Foundation. The amounts are recorded at 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, was \$1,372,964 and \$993,048 for the years ended December 31, 2015 and 2014, respectively. The contributions are recorded at fair value and reflected as in-kind contributions revenue and fund-raising and program services expenses in the accompanying statements of activities.

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

Notes to Financial Statements (continued)

4. Functional Expenses

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

	Fund Raising	Program Services	Management and General	Total
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 expense before depreciation	<u>2,004,593</u>	<u>5,593,082</u>	<u>340,072</u>	<u>7,937,747</u>
Depreciation	–	–	–	–
Total expenses	<u>\$ 2,004,593</u>	<u>\$ 5,593,082</u>	<u>\$ 340,072</u>	<u>\$ 7,937,747</u>

The functional expenses classification for the year ended December 31, 2014 is as follows:

	Fund Raising	Program Services	Management and General	Total
In-kind contributions	\$ 542,913	\$ 956,168	\$ 34,823	\$ 1,533,904
Salaries and benefits	349,274	322,829	217,110	889,213
Professional services	386,073	252,969	16,704	655,746
Supplies	6,347	9,513	7,576	23,436
Postage, shipping, and printing	57,863	56,586	6,036	120,485
Purchased services	6,456	6,876	16,995	30,327
Promotional expense	228,284	81,061	5,053	314,398
Travel	50,732	136,564	44,581	231,877
Distributions	–	2,559,890	–	2,559,890
Other	49,307	18,999	15,079	83,385
Total expense before depreciation	<u>1,677,249</u>	<u>4,401,455</u>	<u>363,957</u>	<u>6,442,661</u>
Depreciation	291	–	–	291
Total expenses	<u>\$ 1,677,540</u>	<u>\$ 4,401,455</u>	<u>\$ 363,957</u>	<u>\$ 6,442,952</u>

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

Notes to Financial Statements (continued)

5. Related Parties

NASCAR is an affiliated organization of the Foundation. During the years ended December 31, 2015 and 2014, NASCAR donated cash of \$254,000 and \$227,400, respectively, to the Foundation, as well as contributed accounting, human resource, legal and technology services of \$220,496 and \$120,907, 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 \$2,567,089 and \$1,412,997 for the years ended December 31, 2015 and 2014, respectively. These services are recorded at fair value and 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, 2015 and 2014, the Foundation paid NASCAR for production services and various other office expenses totaling \$77,338 and \$65,666, respectively.

The Foundation was a subtenant of a NASCAR leased property and paid rents to NASCAR totaling \$35,863 and \$33,739 for the years ended December 31, 2015 and 2014, respectively.

The Foundation also paid NASCAR \$17,000 and \$20,000 for seating at the NASCAR Sprint Cup Series Banquet during the years ended December 31, 2015 and 2014, respectively.

The Foundation strives to ensure, and management believes, that the terms of the Foundation's transactions with NASCAR are allocated on a reasonable basis. At December 31, 2015 and 2014, the Foundation had receivables from NASCAR of \$1,250 and \$3,292 and payables to NASCAR of \$48,589 and \$11,763, respectively, recorded as due from related parties in the accompanying statements of financial position.

The Foundation received donations for fund-raising activities from International Speedway Corporation (ISC) totaling \$56,539 and \$60,991 for the years ended December 31, 2015 and 2014, respectively. The Foundation paid ISC for catering, equipment rentals, postage and printing expenses in the amount of \$83,251 and \$25,092 for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the Foundation had receivables from ISC of \$46,587 and \$28,056 and payables to ISC of \$2,292 and \$504, respectively, recorded as due from related parties in the accompanying statements of financial position.

The Foundation also received donations for fund-raising activities from its directors, officers and other affiliates totaling \$62,850 and \$71,761 for the years ended December 31, 2015 and 2014, respectively. The Foundation paid a director for auction event expenses totaling \$6,628 and

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

Notes to Financial Statements (continued)

5. Related Parties (continued)

\$90,000 for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the Foundation had receivables for donations from directors, officers and other affiliates of \$5,000 and \$12,500, respectively, recorded as due from related parties in the accompanying statements of financial position.

6. Commitments and Contingencies

Operating Lease Commitments

The Foundation has a lease for office space. The Foundation leases the office space under an operating lease with a lease term of 12 years. The future minimum payments under the lease utilized by the Foundation having initial or remaining non-cancelable terms in excess of one year at December 31, 2015 are as follows:

2016	\$ 38,837
2017	39,463
2018	40,107
2019	40,771
2020	41,454
Thereafter	76,852
	<u>\$ 277,484</u>

Rent expense for the years ended December 31, 2015 and 2014 was \$35,863 and \$33,739, respectively.

7. Support

The NASCAR Foundation raises funds and builds awareness for its programs through several major events conducted in race markets throughout the year, including Taste of the 24, Championship Taste, Charity Poker Tournaments, Tom Murphy Memorial Golf Classic and Track Walks. These events showcase the programmatic efforts supported by the Foundation, allow donors the opportunity to become more intimately involved in the charitable community of NASCAR and establish member levels and entitlements based on contribution amounts.

Competition fines assessed to competitors at NASCAR-sanctioned events are directed to the Foundation.

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

Notes to Financial Statements (continued)

7. Support (continued)

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 to the Foundation's education, health, and volunteer recognition programs.

8. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through May 16, 2016, 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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