

FINANCIAL STATEMENTS

Motorsports Charities, Inc. d/b/a The NASCAR Foundation
Years Ended December 31, 2020 and 2019
With Report of Independent Auditors

Ernst & Young LLP



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

Financial Statements

Years Ended December 31, 2020 and 2019

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Ernst & Young LLP
Suite 2800
200 South Orange Avenue
Orlando, Florida 32801

Tel: +1 407 872 6600
ey.com

Report of Independent Auditors

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, 2020 and 2019, 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 of America. 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, 2020 and 2019, 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

June 11, 2021

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

Statements of Financial Position

	December 31	
	2020	2019
Assets		
Cash and cash equivalents	\$ 4,061,245	\$ 3,261,699
Contributions receivable	64,194	444,691
Due from related parties	-	55,000
Other assets	1,491	3,823
Total assets	<u>\$ 4,126,930</u>	<u>\$ 3,765,213</u>
Liabilities and net assets		
Liabilities:		
Due to related parties	\$ 11,622	\$ 15,645
Accounts payable and other accrued expenses	78,981	220,430
Deferred revenue	94,764	116,896
Total liabilities	<u>185,367</u>	<u>352,971</u>
Net assets:		
Without donor restrictions	3,841,563	3,412,242
With donor restrictions	100,000	-
Total net assets	<u>3,941,563</u>	<u>3,412,242</u>
Total liabilities and net assets	<u>\$ 4,126,930</u>	<u>\$ 3,765,213</u>

See accompanying notes.

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

Statements of Activities

	Year Ended December 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contribution revenue	\$ 2,714,101	\$ 100,000	\$ 2,814,101
In-kind contributions	1,325,322	–	1,325,322
Other revenue	16,856	–	16,856
Total revenue, gains, and other support	<u>4,056,279</u>	<u>100,000</u>	<u>4,156,279</u>
Expenses			
Fundraising	1,033,511	–	1,033,511
Program services	2,339,305	–	2,339,305
Management and general	254,142	–	254,142
Total expenses	<u>3,626,958</u>	<u>–</u>	<u>3,626,958</u>
Change in net assets	429,321	100,000	529,321
Net assets, beginning of year	3,412,242	–	3,412,242
Net assets, end of year	<u>\$ 3,841,563</u>	<u>\$ 100,000</u>	<u>\$ 3,941,563</u>

See accompanying notes

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

Statements of Activities

	Year Ended December 31, 2019
Revenues, gains, and other support	
Contribution revenue	\$ 3,381,726
In-kind contributions	788,696
Other revenue	68,514
Total revenue, gains, and other support	<u>4,238,936</u>
Expenses	
Fundraising	1,075,335
Program services	2,388,446
Management and general	308,466
Total expenses	<u>3,772,247</u>
Change in net assets	466,689
Net assets without donor restrictions, beginning of year	<u>2,945,553</u>
Net assets without donor restrictions, end of year	<u><u>\$ 3,412,242</u></u>

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

Statements of Cash Flows

	Year Ended December 31	
	2020	2019
Operating activities		
Change in net assets	\$ 529,321	\$ 466,689
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Contributions receivable	380,497	(219,386)
Due from related parties	55,000	(27,956)
Other assets	2,332	17,137
Due to related parties	(4,023)	6,917
Accounts payable and other accrued expenses	(141,449)	86,622
Deferred revenue	(22,132)	36,830
Net cash provided by operating activities	799,546	366,853
Cash and cash equivalents		
Beginning of year	3,261,699	2,894,846
End of year	\$ 4,061,245	\$ 3,261,699

See accompanying notes.

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

Notes to Financial Statements

December 31, 2020

1. Organization

Motorsports Charities, Inc. d/b/a The NASCAR Foundation (the Foundation) was incorporated as a 501(c)(3) charitable fundraising 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 provides programming opportunities as well as raises and distributes funds for efforts that improve the lives and health of children.

Since December 31, 2019, the spread of COVID-19 has severely impacted many local economies around the globe and in the U.S. Measures taken to contain the spread of the virus, including social distancing and cancellation or postponement of events have resulted in disruptions to businesses and an economic slowdown, which affected the Foundation's fund raising efforts.

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 in the financial statements. Estimates and assumptions may also affect the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Contribution Revenue

The Foundation reports gifts of cash and other assets without donor restriction, unless explicit donor stipulations specify how the donated assets must be used. Gifts received with restrictions, where the restriction is met in the same period as the gift is received, are presented as without donor restriction 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)

Revenues from contracts with customers consist of tickets to events and merchandise sales through auctions. Revenues are recognized when control of the promised goods or services is transferred to customers, in an amount that reflects the consideration the Foundation expects to be entitled to in exchange for those goods or services.

The Foundation's exchange revenue consists of fundraising events and merchandise sales through auctions. Event revenue is recognized upon completion of the event and auction merchandise is recognized as revenue when delivered.

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 83% and 70% of accounts receivable at December 31, 2020 and 2019, respectively, were owed by six contributors.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit in interest-bearing bank accounts and shares in money market funds. All are highly liquid investments with stated maturities of three months or less from the date of purchase and are classified as cash equivalents.

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

Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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:

Without Donor Restrictions – assets 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.

With Donor Restrictions – assets received by the Foundation, whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if received with donor stipulations that limit the use of the donated assets. When a donor restriction ends or is satisfied, the net assets are reclassified and reported in the net assets without donor restrictions and reported in the statements of activities, as net assets released from restrictions. Net assets with donor restrictions include the Betty Jane France Humanitarian Endowment Fund (Endowment Fund) (see Note 4). The Endowment Fund has stipulations on how the assets are used and maintained by the Foundation.

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 as part of 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 determines fair value of its financial instruments in accordance with Accounting Standard Codification (ASC) 820, *Fair Value Measurement*. ASC 820 establishes a three-tier fair value hierarchy, that defines 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 or 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. There are no assets or liabilities in the statements of financial position that are required to be measured at fair value on a recurring basis.

Recent Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to provide additional transparency by presenting contributed nonfinancial assets as a separate line item in the statement of activities as well as providing additional disclosures describing the valuation and use of assets in the nonprofit's programs and activities. The amendments in the ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, with early adoption permitted. The Foundation is evaluating the effect this Update will have on its financial statement presentation.

3. Liquidity and Availability

The Foundation's financial assets available within one year of the balance sheet date are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,061,245	\$ 3,261,699
Contributions receivable and due from related party	64,194	499,691
Available financial assets	<u>4,125,439</u>	3,761,390
Less assets not available to be used within one year:		
Donor established endowment funds not appropriated for spending	<u>(100,000)</u>	—
Available financial assets, net	<u>\$ 4,025,439</u>	<u>\$ 3,761,390</u>

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

Notes to Financial Statements (continued)

3. Liquidity and Availability (continued)

The Foundation maintains financial assets, which consist of cash and short-term investments, to meet normal operating expenses and liabilities that come due. The Foundation invests in cash and cash equivalents to maximize returns within the approved investment policy and to manage unanticipated liquidity needs.

4. Endowment Fund

In December 2020, the Foundation received a \$100,000 contribution to the Endowment Fund. The Endowment Fund is for the support of the Betty Jane France Humanitarian Award (the BJFH Award), namely, to fund the operation, promotion and administrative costs of the BJFH Award as well as costs associated with the maintenance of the Endowment Fund. The Foundation at its sole discretion may annually transfer principal and interest from the Endowment Fund to the BJFH Award budget, provided that the combined net earnings and principal used towards the BJFH Award budget in any one year does not exceed 7% of the total value of the Fund. The primary objective for the management of the Endowment Fund assets is to preserve principal while avoiding excess risk through use of investments that are moderate growth and income and to adjust spending based upon the total income generated. Net assets are classified as with donor restrictions since the gift is restricted as to the purpose to provide current income and long-term protection of the BJFH Award. At December 31, 2020, the value of the Endowment Fund was \$100,000, none of which is restricted in perpetuity.

5. Donated Services and Materials

The Foundation received accounting, human resource, legal and technical services totaling \$190,000 and \$236,000 for the years ended December 31, 2020 and 2019, respectively. The contributions are recorded at estimated cost and are reflected as in-kind contribution revenues and fundraising, program services and management and general expenses in the statements of activities.

Advertising, contributed to promote and support the Foundation's initiatives and mission, was estimated at \$932,822 and \$507,696 for the years ended December 31, 2020 and 2019, respectively. The contributions are recorded at estimated fair value and reflected as in-kind, contributions revenue and fundraising and program services expenses in the accompanying statements of activities. The Foundation also received advertising to promote the BJFH Award at an estimated value of \$202,500 and \$45,000 for the years ended December 31, 2020 and 2019, respectively. The contributed advertising promoted the philanthropic and community efforts of the revenue and program services expense in the accompanying statements of activities.

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

Notes to Financial Statements (continued)

6. Functional Expenses

Expenses are presented below by functional and natural classification. Natural expenses directly attributable to a specific functional expense category are reported as expenses of those functional categories. Natural expenses attributed to more than one functional expense category are allocated based on estimates of time and effort.

The functional expenses classification for the year ended December 31, 2020, is as follows:

	Fundraising	Program Services	Management and General	Total
In-kind contributions	\$ 537,611	\$ 734,311	\$ 53,400	\$ 1,325,322
Salaries and benefits	189,577	233,180	135,432	558,189
Professional services	34,368	57,711	15,355	107,434
Supplies	22,744	24,551	25,115	72,410
Postage, shipping, and printing	14,141	20,392	1,444	35,977
Purchased services	2,667	1,134	2,878	6,679
Promotional expenses	183,342	98,700	2,910	284,952
Travel	2,926	9,012	756	12,694
Distributions	-	1,143,417	-	1,143,417
Other	46,135	16,897	16,852	79,884
Total expenses	<u>\$ 1,033,511</u>	<u>\$ 2,339,305</u>	<u>\$ 254,142</u>	<u>\$ 3,626,958</u>

The functional expenses classification for the year ended December 31, 2019, is as follows:

	Fundraising	Program Services	Management and General	Total
In-kind contributions	\$ 343,448	\$ 378,048	\$ 67,200	\$ 788,696
Salaries and benefits	212,210	243,723	158,052	613,985
Professional services	46,471	83,067	15,679	145,217
Supplies	25,627	20,590	20,930	67,147
Postage, shipping, and printing	17,699	24,312	2,283	44,294
Purchased services	10	7	3,056	3,073
Promotional expenses	345,224	98,188	5,035	448,447
Travel	21,218	36,487	15,484	73,189
Distributions	-	1,486,804	-	1,486,804
Other	63,428	17,220	20,747	101,395
Total expenses	<u>\$ 1,075,335</u>	<u>\$ 2,388,446</u>	<u>\$ 308,466</u>	<u>\$ 3,772,247</u>

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

Notes to Financial Statements (continued)

7. Related Parties

NASCAR Holdings, LLC (Holdings) and its wholly owned subsidiaries are an affiliated organization of the Foundation. During the years ended December 31, 2020 and 2019, Holdings donated cash of \$72,897 and \$94,029, respectively, to the Foundation, as well as contributed accounting, human resource, legal and technical services of \$190,000 and \$236,000, 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 Holdings totaling \$1,135,322 and \$552,696 for the years ended December 31, 2020 and 2019, 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 Holdings share a variety of expenses in the ordinary course of business. For the years ended December 31, 2020 and 2019, the Foundation paid Holdings for production services, catering, equipment rentals, tickets, printing expenses and various other office expenses totaling \$130,224 and \$149,314, respectively. The Foundation was a subtenant of a Holdings leased property and paid rents to Holdings totaling \$48,000 for the years ended December 31, 2020 and 2019. The Foundation also paid Holdings \$0 and \$10,000 for seating at the NASCAR Cup Series Banquet during the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Foundation had receivables from Holdings of \$0 and \$55,000 and payables to Holdings of \$11,622 and \$15,645, respectively, recorded as due from and due to related parties, respectively, in the accompanying statements of financial position.

The Foundation also received donations for fundraising activities from its directors, officers and other affiliates totaling \$127,290 and \$125,545 for the years ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, the Foundation had receivables from its directors, officers and other affiliates totaling \$0 and \$10,000, respectively, recorded as due from related parties in the accompanying statements of financial position.

8. 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, 2020, 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, 2020 and 2019, was \$48,000.

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

Notes to Financial Statements (continued)

9. Support

The Foundation raises funds and partners with experts to improve the lives and health of children. To help support its mission, the Foundation has several major events throughout the year, including Taste of the 24, a Charity Poker Tournament and Over the Edge.

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

10. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 11, 2021, 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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