

FINANCIAL STATEMENTS

Motorsports Charities, Inc. d/b/a The NASCAR Foundation
Years Ended December 31, 2021 and 2020
With Report of Independent Auditors

Ernst & Young LLP



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

Financial Statements

Years Ended December 31, 2021 and 2020

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Report of Independent Auditors

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

Opinion

We have audited the 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, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation at December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation’s ability to continue as a going concern for one year after the date that the 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 financial statements as a whole are free of 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Ernst + Young LLP

June 6, 2022

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

Statements of Financial Position

	December 31	
	2021	2020
Assets		
Cash and cash equivalents	\$ 5,406,844	\$ 4,061,245
Contributions receivable	304,182	64,194
Other assets	1,148	1,491
Total assets	<u>\$ 5,712,174</u>	<u>\$ 4,126,930</u>
Liabilities and net assets		
Liabilities:		
Due to related parties, net	\$ 62,805	\$ 11,622
Accounts payable and other accrued expenses	232,015	78,981
Deferred revenue	145,386	94,764
Total liabilities	<u>440,206</u>	<u>185,367</u>
Net assets:		
Without donor restrictions	4,671,968	3,841,563
With donor restrictions	600,000	100,000
Total net assets	<u>5,271,968</u>	<u>3,941,563</u>
Total liabilities and net assets	<u>\$ 5,712,174</u>	<u>\$ 4,126,930</u>

See accompanying notes.

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

Statements of Activities

	Year Ended December 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Contribution revenue	\$ 3,726,186	\$ 500,000	\$ 4,226,186
In-kind contributions	567,594	–	567,594
Other revenue	642	–	642
Total revenue, gains, and other support	<u>4,294,422</u>	<u>500,000</u>	<u>4,794,422</u>
Expenses			
Fundraising	712,718	–	712,718
Program services	2,460,987	–	2,460,987
Management and general	290,312	–	290,312
Total expenses	<u>3,464,017</u>	<u>–</u>	<u>3,464,017</u>
Change in net assets	830,405	500,000	1,330,405
Net assets, beginning of year	3,841,563	100,000	3,941,563
Net assets, end of year	<u>\$ 4,671,968</u>	<u>\$ 600,000</u>	<u>\$ 5,271,968</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	<u>3,412,242</u>	<u>–</u>	<u>3,412,242</u>
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 Cash Flows

	Year Ended December 31	
	2021	2020
Operating activities		
Change in net assets	\$ 1,330,405	\$ 529,321
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Changes in assets and liabilities:		
Contributions receivable	(239,988)	380,497
Due from related parties, net	-	55,000
Other assets	343	2,332
Due to related parties, net	51,183	(4,023)
Accounts payable and other accrued expenses	153,034	(141,449)
Deferred revenue	50,622	(22,132)
Net cash provided by operating activities	1,345,599	799,546
Cash and cash equivalents		
Beginning of year	4,061,245	3,261,699
End of year	\$ 5,406,844	\$ 4,061,245

See accompanying notes.

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

Notes to Financial Statements

December 31, 2021

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.

On March 13, 2020, the US President declared a National Emergency concerning the Novel Coronavirus Disease (COVID-19) outbreak. Following this declaration, federal, state, and local government actions and decrees were taken to eliminate or restrict large gatherings, which negatively affected certain of the Foundation's fundraising efforts in 2021 and 2020.

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 are stated at their net realizable value and include unconditional promises to give as well as related party receivables from directors, officers and other affiliates. Unconditional promises to give that are expected to be collected in future years, are recorded at the present value of the estimated future cash flows when deemed significant. The discounts on these amounts are computed using risk-free interest rates applicable to the years in which the promises are received. An allowance for uncollectible contributions is recorded when collectability is uncertain based on the Foundation's analysis of past collection experience, current economic conditions, pledge activity and other judgmental factors.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,406,844	\$ 4,061,245
Contributions receivable	304,182	64,194
Available financial assets	<u>5,711,026</u>	<u>4,125,439</u>
Less assets not available to be used within one year:		
Donor established endowment funds not appropriated for spending	<u>(600,000)</u>	<u>(100,000)</u>
Available financial assets, net	<u>\$ 5,111,026</u>	<u>\$ 4,025,439</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

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.

Donor contributions to the Endowment Fund for the years ended December 31, 2021 and 2020 were \$500,000 and \$100,000 respectively. These amounts are recorded as contribution revenues with donor restrictions in the accompanying statements of activities. Of these amounts, contributions from related parties were \$400,000 and \$0, respectively with \$225,000 and \$0 of the contributions representing unconditional promises to give that are due in future years. At December 31, 2021 \$108,333 is due within one year and the remaining \$116,667 is due in one to two years. The outstanding balances are included in contributions receivable in the accompanying statements of financial position. The Foundation deems the receivables to be fully collectible and thus, no allowance has been recorded against them.

For the years ended December 31, 2021 and 2020, there were no appropriations of endowment funds for expenditures and the value of the Endowment Fund was \$600,000 and \$100,000 respectively, none of which is restricted in perpetuity.

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

Notes to Financial Statements (continued)

5. Donated Services and Materials

The Foundation received accounting, human resource, legal and technical services totaling \$210,890 and \$190,000 for the years ended December 31, 2021 and 2020, 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 \$326,704 and \$932,822 for the years ended December 31, 2021 and 2020, 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 \$30,000 and \$202,500 for the years ended December 31, 2021 and 2020, respectively. The contributed advertising promoted the philanthropic and community efforts of the revenue and program services expense in the accompanying statements of activities.

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, 2021, is as follows:

	Fundraising	Program Services	Management and General	Total
In-kind contributions	\$ 241,308	\$ 267,819	\$ 58,467	\$ 567,594
Salaries and benefits	206,925	235,880	174,665	617,470
Professional services	17,951	75,248	15,101	108,300
Supplies	18,975	46,098	6,225	71,298
Postage, shipping, and printing	23,726	39,782	2,650	66,158
Purchased services	4,400	3,300	2,912	10,612
Promotional expenses	149,651	92,203	3,153	245,007
Travel	1,569	37,428	10,014	49,011
Distributions	-	1,646,227	-	1,646,227
Other	48,213	17,002	17,125	82,340
Total expenses	\$ 712,718	\$ 2,460,987	\$ 290,312	\$ 3,464,017

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

Notes to Financial Statements (continued)

6. Functional Expenses (continued)

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>

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, 2021 and 2020, Holdings donated cash of \$68,750 and \$72,897, respectively, to the Foundation, as well as contributed accounting, human resource, legal and technical services of \$210,890 and \$190,000, 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 \$356,704 and \$1,135,322 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, the Foundation paid Holdings for production and digital services, tickets, printing expenses and various other office expenses totaling \$101,064 and \$130,224, 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, 2021 and 2020. At December 31, 2021 and 2020, the Foundation had net payables to Holdings of \$62,805 and \$11,622 respectively, recorded net due to related parties in the accompanying statements of financial position.

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

Notes to Financial Statements (continued)

7. Related Parties (continued)

In addition to the contributions to the Endowment Fund referenced in Note 4, the Foundation also received donations for fundraising activities from its directors, officers and other affiliates totaling \$152,931 and \$127,290 for the years ended December 31, 2021 and 2020, respectively. At December 31, 2021 and 2020, in addition to receivables for the Endowment Fund referenced in Note 4, the Foundation had receivables from its directors, officers and other affiliates related to fundraising activities totaling \$10,000 and \$0, respectively, recorded as contributions receivable 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, 2021, 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, 2021 and 2020, was \$48,000.

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.

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

Notes to Financial Statements (continued)

10. Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 6, 2022, the date the financial statements were available to be issued.

As part of the Endowment Fund to support the BJFH Award referenced in Note 4, the Foundation Board of Directors established a non-restricted quasi endowment and transferred \$1,000,000 on January 25, 2022 from the cash operating account to an investment account. The restricted endowment contributions received of \$375,000 as of December 31, 2021, were also transferred to the investment account.

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