

CAR DONATION FOUNDATION
(A NONPROFIT ORGANIZATION)
ST. LOUIS PARK, MINNESOTA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2015

CAR DONATION FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Car Donation Foundation
St. Louis Park, MN

We have audited the accompanying financial statements of Car Donation Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year 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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from 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 audit. We conducted our audit 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 Car Donation Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
January 29, 2016

FINANCIAL STATEMENTS

CAR DONATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,200,098
Accounts receivable	559,445
Prepaid expenses	21,590
Inventory	<u>3,324,338</u>

TOTAL ASSETS \$ 5,105,471

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	<u>\$ 1,967,811</u>
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TOTAL LIABILITIES 1,967,811

NET ASSETS

Unrestricted	<u>3,137,660</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 5,105,471

CAR DONATION FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

SUPPORT AND REVENUE	
Contributed vehicles received	\$ 31,098,064
Auction and towing fees	<u>(4,275,764)</u>
TOTAL SUPPORT	26,822,300
EXPENSES	
PROGRAM SERVICES	
Direct donations to charities	<u>9,830,766</u>
SUPPORTING SERVICES	
Management and general	3,565,051
Fundraising	<u>13,935,901</u>
TOTAL SUPPORTING SERVICES	<u>17,500,952</u>
TOTAL EXPENSES	<u>27,331,718</u>
CHANGE IN NET ASSETS	(509,418)
NET ASSETS, BEGINNING OF YEAR	<u>3,647,078</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,137,660</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

CAR DONATION FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (509,418)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
(Increase) decrease in operating assets	
Accounts receivable	185,710
Inventory	304,782
Prepaid expenses	6,317
Increase (decrease) in operating liabilities	
Accounts payable	<u>(931,717)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(944,326)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,144,424</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 1,200,098</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

CAR DONATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Activities

Car Donation Foundation (the Organization) was organized in 2010 as a nonprofit corporation and operates exclusively for charitable purposes to facilitate the donation of motor vehicles and other property to charitable organizations. Donors contribute motor vehicles which are sold by wholesale auction houses to the general public. A share of the proceeds realized through the sale of vehicle donations is donated to charity.

B. Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and related changes are classified and reported as follows:

Unrestricted Net Assets - Unrestricted net assets are those resources over which the Organization has discretionary control. Designated amounts represent revenues that the Board of Directors has set aside for a particular purpose.

Temporarily Restricted Net Assets - Temporarily restricted net assets are those resources subject to donor imposed restrictions, which will be satisfied by actions of the Organization or passage of time. The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same fiscal year, as unrestricted net assets.

Permanently Restricted Net Assets - Permanently restricted net assets are those resources subject to donor imposed restrictions that they be maintained permanently by the Organization.

Car Donation Foundation (CDF) did not have any temporarily or permanently restricted net assets at December 31, 2015.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that may affect certain reported amounts and disclosures in the financial statements and accompanying notes. Actual results could differ from these estimates.

D. Cash Equivalents

All highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

E. Accounts Receivable

The Organization's accounts receivable are amounts due from auction houses for vehicles that have been sold, but the funds have not yet been received by CDF. All amounts are considered fully collectible. There were no bad debt expenses for 2015.

F. Inventory (Donated Vehicles Held for Sale)

The Organization's inventory consists of vehicles received from donors that are unsold as of the date of the financial statements. Since the actual sale price to be received for the vehicles is unknown, the Organization estimates the December 31, 2015 inventory value based on the average sale price per vehicle during January 2016.

CAR DONATION FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING - CONTINUED

G. Contribution Revenue

The Organization recognizes contribution revenue when the vehicle is donated. Donated value is based on final bid price on the date the vehicle is sold at auction, which approximates fair market value.

H. Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 290.05. Accordingly, no provision for income taxes is included in these financial statements. Because the Organization is a public charity, contributions may qualify for tax deductions by the contributors. However, any unrelated business income may be subject to taxation.

Management believes that it is not reasonably possible for any tax position benefits to increase or decrease significantly over the next 12 months. As of December 31, 2015, there were no income tax related accrued interest or penalties recognized in either the statement of financial position or the statement of activities.

The Organization files informational returns in the U.S. federal jurisdiction, in the state of Minnesota, and all other states in which CDF meets the requirements for filing. U.S. federal and state returns prior to 2012 are closed.

In addition, the finances and operations of the Organization were reviewed by the Minnesota Attorney General's office during 2015. The Organization believes this review was part of a larger review of car donations programs in general. The Organization has fully and promptly answered all the questions from the Minnesota Attorney General's office and is aware of no further questions or concerns regarding its operations.

I. Subsequent Events

Subsequent events were evaluated through January 29, 2016, which is the date the financial statements were available to be issued.

Note 2: CREDIT RISK

The Organization maintains cash balances with banks insured by the Federal Deposit Insurance Corporation (FDIC). These deposits may, from time to time, exceed the balances insured by the FDIC.

Note 3: CONCENTRATIONS

The Organization's sole activity is to facilitate the donation of motor vehicles and other property to charitable organizations. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the Internal Revenue Service. Changes in the administrative directives, rules and regulations, or the interpretation thereof, may occur with little notice.

Approximately 56% of the auctions were facilitated by one auction house.

During 2015, management of the Organization's day-to-day fundraising was provided by a company that also provides other services to CDF. This company accounted for approximately 46% of the Organization's expenses for the year and approximately 75% of the Organization's accounts payable at December 31, 2015.