

CAR DONATION FOUNDATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

**CAR DONATION FOUNDATION
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YEAR ENDED DECEMBER 31, 2017**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Car Donation Foundation
St. Louis Park, Minnesota

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, 2017, 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.

Auditors' 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.

Board of Directors
Car Donation Foundation

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, 2017, 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.

Emphasis-of-Matter Regarding Restatement

As discussed in Note 4 to the financial statements, certain adjustments as of December 31, 2016 were discovered during the current year audit. Accordingly, amounts reported for inventory, accrued expenses and contributions payable have been restated in the 2016 financial statements. The 2016 financial statements are not presented herein, and the restatement is presented as a change in beginning net assets as of January 1, 2017. Our opinion is not modified with respect to that matter.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 10, 2018

**CAR DONATION FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

ASSETS

Cash and Cash Equivalents	\$ 2,218,210
Accounts Receivable	616,792
Prepaid Expenses	43,774
Inventory, Net	<u>4,744,174</u>
Total Assets	<u><u>\$ 7,622,950</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$ 2,140,391
Contributions Payable	659,813
Accrued Fees	<u>833,144</u>
Total Liabilities	3,633,348

NET ASSETS

Unrestricted	<u>3,989,602</u>
Total Liabilities and Net Assets	<u><u>\$ 7,622,950</u></u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>
REVENUE AND SUPPORT	
Contributed Vehicles Received	\$ 44,738,223
Auction and Towing Fees	(11,999,932)
Net Revenue	32,738,291
 EXPENSES	
Program Services Expense:	
Direct Donations to Charities	10,946,862
Other Program Expense	74,691
Total Program Services Expense	11,021,553
Support Services Expense:	
Management and General	414,810
Fundraising	20,415,231
Total Supporting Services Expense	20,830,041
Total Expenses	31,851,594
 CHANGE IN NET ASSETS	 886,697
Net Assets - Beginning of Year as Previously Reported	4,880,019
Restatement	(1,777,114)
Net Assets - Beginning of Year as Restated	3,102,905
 NET ASSETS - END OF YEAR	 \$ 3,989,602

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 886,697
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Increase in Assets:	
Accounts Receivable	(26,270)
Inventory, Net	(583,100)
Prepaid Expenses	(32,501)
Increase in Liabilities:	
Accounts Payable	251,776
Contributions Payable	39,728
Accrued Fees	92,718
Net Cash Provided by Operating Activities	629,048
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 629,048
 Cash and Cash Equivalents - Beginning of Year	 <u>1,589,162</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	 <u><u>\$ 2,218,210</u></u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Activities

Car Donation Foundation (the Organization) was organized in 2007 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted 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.

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.

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

The Organization did not have any temporarily or permanently restricted net assets at December 31, 2017.

Cash Equivalents

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

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 the Organization. There is no allowance recorded for the year ended 2017. All amounts are considered fully collectible by management.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The Organization estimates the December 31, 2017 inventory value based on known vehicle sales from January and February 2018 and the average sale price per vehicle during 2017. All of the known sales from January and February 2018 will be valued at their actual sale price. The remaining vehicles are determined to either be abandoned or simply in inventory. Vehicles that are considered abandoned are vehicles held over 150 days as of March 1, 2018 when a new agreement with the auction house was put in place. There is also an average of 3% abandonment that was determined based on historical abandonment trends. All vehicles determined to be abandoned are fully reserved for. The remaining vehicles after known sales and abandonment are valued at the average sale price during 2017.

Contributions Payable

The Organization's contributions payable consists of December 2017 donations to charities that were not paid by the Organization until January 2018. These year-end donations are determined by the amount of vehicles actually sold before year-end and are based on board approval of the amounts to be paid. Certain charities have a contractual agreement which outlines the terms of contributions provided.

Accrued Fees

The Organization's accrued fees consist of fees owed to auction houses as of December 31, 2017 for inventory held. The Organization estimates the December 31, 2017 accrued fees based on known vehicle sales and associated fees from January and February 2018 and the average fee price per vehicle during 2017.

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.

Advertising Expense

The Organization expenses advertising costs when the advertising occurs. Advertising and promotion expenses were \$10,756,645 for the year ended December 31, 2017.

Functional Expenses

Salary and related expenses are allocated based on time spent and the best estimates of management. Certain costs are not allocated; they are directly coded to a function based on the nature of the account. All other expenses are allocated based on the nature of the account.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is incorporated as a nonprofit corporation under the applicable laws of the state of Minnesota. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

The Organization follows guidance in the income tax standard regarding the recognition of uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this guidance had no impact on the Organization's financial status. The Organization's tax return is subject to review and examination by federal authorities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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.

Subsequent Events

Subsequent events were evaluated through May 10, 2018, 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 48% of the auctions were facilitated by one auction house for the year and approximately 35% of the accounts receivable balance at December 31, 2017 was owed by one auction house.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 CONCENTRATIONS (CONTINUED)

During 2017, management of the Organization's day-to-day fundraising was provided by a company that also provides other services to the Organization. This company accounted for approximately 23% of the Organization's expenses for the year and approximately 59% of the Organization's accounts payable at December 31, 2017.

During 2017, the Organization used one professional fundraiser to collect and sell 100% of the cars raised as donations to the Organization. The agreement with the professional fundraiser includes set administrative fees charged to the Organization.

NOTE 4 RESTATEMENT

Beginning net assets as of December 31, 2016 have been restated as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
December 31, 2016 Net Assets as				
Previously Reported	\$ 4,880,019	\$ -	\$ -	\$ 4,880,019
Inventory	(416,603)	-	-	(416,603)
Accrued Fees	(740,426)	-	-	(740,426)
Contributions Payable	(620,085)	-	-	(620,085)
December 31, 2017 Restated				
Net Assets	<u>\$ 3,102,905</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,102,905</u>

The beginning net assets of December 31, 2016 have been restated to properly reflect the 2016 inventory balance. Inventory was estimated in a different manner in the prior year. It has been updated to more closely reflect the fair value of saleable vehicles held as well as to record a reserve against vehicles that are determined not to be saleable. The amount of the restatement was \$416,603.

The beginning net assets of December 31, 2016 have been restated to properly reflect the accrual for fees relating to the inventory balance held at year-end. These fees include towing charges and storage fees. There were no accrued fees recorded at December 31, 2016. The amount of the restatement was \$740,426.

The beginning net assets of December 31, 2016 have been restated to properly reflect the contributions payable at year-end resulting from December vehicle sales. There were no contributions payable recorded at December 31, 2016. The amount of the restatement was \$620,085.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 SUBSEQUENT EVENT

The Organization has agreed to provide donations to Make-A-Wish Foundation of America to help the national organization continue its mission. These donations will not interfere with the ongoing donations the Organization provides to its recipient charities. The arrangement calls for a pledge of \$250,000 (paid subsequent to year-end) and annual donations of \$125,000 until 2024. The arrangement may be rescinded if required by either party.