

**CAR DONATION FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**CAR DONATION FOUNDATION  
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CliftonLarsonAllen LLP  
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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 statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses 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 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 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.

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, 2019 and 2018, 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 11, 2020

**CAR DONATION FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,372,916	\$ 2,521,084
Accounts Receivable	766,332	634,051
Prepaid Expenses	71,834	49,600
Inventory, Net	3,835,229	4,903,231
Total Assets	\$ 7,046,311	\$ 8,107,966
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 2,495,574	\$ 2,480,525
Contributions Payable	603,507	733,972
Accrued Fees	417,445	676,288
Total Liabilities	3,516,526	3,890,785
<b>NET ASSETS</b>		
Without Donor Restrictions	3,529,785	4,217,181
Total Liabilities and Net Assets	\$ 7,046,311	\$ 8,107,966

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	Without Donor Restrictions	
	2019	2018
<b>REVENUE AND SUPPORT</b>		
Contributed Vehicles Received	\$ 53,943,804	\$ 52,202,293
Auction and Towing Fees	(12,654,742)	(12,681,670)
Net Revenue	41,289,062	39,520,623
 <b>EXPENSES</b>		
Program Services Expense:		
Direct Donations to Charities	14,393,236	14,641,043
Other Program Expense	91,747	84,833
Total Program Services Expense	14,484,983	14,725,876
Support Services Expense:		
Management and General	430,777	443,347
Fundraising	27,060,698	24,123,821
Total Supporting Services Expense	27,491,475	24,567,168
Total Expenses	41,976,458	39,293,044
 <b>CHANGE IN NET ASSETS</b>	(687,396)	227,579
Net Assets - Beginning of Year	4,217,181	3,989,602
 <b>NET ASSETS - END OF YEAR</b>	\$ 3,529,785	\$ 4,217,181

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2019**

	Program	Management and General	Fundraising	2019 Total
Wages	\$ 62,500	\$ 125,000	\$ 62,500	\$ 250,000
Payroll Taxes	4,994	9,988	4,994	19,976
Professional Expense	-	-	28,189	28,189
Legal Fees	-	183,970	-	183,970
Accounting Fees	-	56,136	-	56,136
Insurance Expense	12,972	42,706	1,722	57,400
Travel Expense	6,667	-	-	6,667
Advertising	-	-	14,651,282	14,651,282
Donations	14,393,236	-	-	14,393,236
Admin Fees and Administrative Costs	-	-	12,307,397	12,307,397
Rent Expense	4,614	9,228	4,614	18,456
Bank Fees	-	1,810	-	1,810
Office Expense	-	1,939	-	1,939
Subtotal	<u>14,484,983</u>	<u>430,777</u>	<u>27,060,698</u>	<u>41,976,458</u>
Seller Fees (Netted with Revenue)	12,654,742	-	-	12,654,742
Total Expenses	<u>\$ 27,139,725</u>	<u>\$ 430,777</u>	<u>\$ 27,060,698</u>	<u>\$ 54,631,200</u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2018**

	Program	Management and General	Fundraising	2018 Total
Wages	\$ 62,500	\$ 125,000	\$ 62,500	\$ 250,000
Payroll Taxes	2,923	5,846	2,923	11,692
Professional Expense	-	-	22,981	22,981
Legal Fees	-	216,125	-	216,125
Accounting Fees	-	60,933	-	60,933
Insurance Expense	6,464	21,278	858	28,600
Travel Expense	8,898	-	-	8,898
Advertising	-	-	11,896,276	11,896,276
Donations	14,641,043	-	-	14,641,043
Admin Fees and Administrative Costs	-	-	12,134,235	12,134,235
Rent Expense	4,048	8,096	4,048	16,192
Bank Fees	-	1,326	-	1,326
Office Expense	-	4,743	-	4,743
Subtotal	<u>14,725,876</u>	<u>443,347</u>	<u>24,123,821</u>	<u>39,293,044</u>
Seller Fees (Netted with Revenue)	<u>12,681,670</u>	<u>-</u>	<u>-</u>	<u>12,681,670</u>
Total Expenses	<u>\$ 27,407,546</u>	<u>\$ 443,347</u>	<u>\$ 24,123,821</u>	<u>\$ 51,974,714</u>

See accompanying Notes to Financial Statements.



**CAR DONATION FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (687,396)	\$ 227,579
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(132,281)	(17,259)
Inventory, Net	1,068,002	(159,057)
Prepaid Expenses	(22,234)	(5,826)
Increase (Decrease) in Liabilities:		
Accounts Payable	15,049	340,134
Contributions Payable	(130,465)	74,159
Accrued Fees	(258,843)	(156,856)
Net Cash Provided (Used) by Operating Activities	(148,168)	302,874
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(148,168)	302,874
Cash and Cash Equivalents - Beginning of Year	2,521,084	2,218,210
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,372,916	\$ 2,521,084

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**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:

*Without Donor Restrictions* – Those resources not subject to donor-imposed restrictions. These are resources over which the Organization has discretionary control.

*With Donor Restrictions* – Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or passage of time. These may also have restrictions that they be maintained permanently by the Organization.

The Organization did not have any net assets with donor restrictions at December 31, 2019 and 2018.

**Cash Equivalents**

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

**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 years ended 2019 and 2018. All amounts are due within one year and are considered fully collectible by management.

**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, 2019 and 2018 inventory value based on known vehicle sales from the early part of the following fiscal year and the average sale price per vehicle during the current fiscal year. All known sales from the early part of the following year are valued at their actual sale price. The remaining vehicles are included at fair value using average sale price or devalued in anticipation of processing as abandoned. The average sales price per vehicle was \$576.58 and \$540.58 for the years ended December 31, 2019 and 2018, respectively.

**CAR DONATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventory (Donated Vehicles Held for Sale)(Continued)**

Vehicles that are devalued as abandoned are those vehicles held over 150 days at one of its major auction houses. Based on historical abandonment trends, an additional abandonment rate of 2.1% and 2.2% are factored for those remaining vehicles after known sales in inventory as of December 31, 2019 and 2018, respectively. Vehicles determined to be eligible for abandonment based on aging are fully reserved.

**Contributions Payable**

The Organization's contributions payable consists of December donations to charities that were not paid by the Organization until January of the following fiscal year. 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 for inventory held as of December 31, 2019 and 2018. The Organization estimates the December 31, 2019 and 2018 accrued fees based on known vehicle sales and associated fees from January and February of the following fiscal year and the average fee per vehicle during the current fiscal year.

**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 \$14,651,282 and \$11,896,276 for the years ended December 31, 2019 and 2018, respectively.

**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.

**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.

**CAR DONATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes (Continued)**

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 June 11, 2020, which is the date the financial statements were available to be issued.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, business, and communities. Specific to the Organization, COVID-19 may impact various parts of its 2020 operations and financial results, including fewer donated vehicles as well as other additional, unanticipated costs.

Management believes the Organization is taking appropriate actions to address negative impacts on current operations. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**NOTE 2 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 68% of the auctions were facilitated by one auction house for the year ended December 31, 2019 and approximately 22% of the accounts receivable balance at December 31, 2019 was owed by one auction house.

**CAR DONATION FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**NOTE 2 CONCENTRATIONS (CONTINUED)**

Approximately 74% of the auctions were facilitated by one auction house for the year ended December 31, 2018 and approximately 42% of the accounts receivable balance at December 31, 2018 was owed by one auction house.

During 2019 and 2018, 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 22% and 23% of the Organization's expenses for the years ended December 31, 2019 and 2018, respectively and approximately 49% and 52% of the Organization's accounts payable at December 31, 2019 and 2018, respectively.

During 2019 and 2018, 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 3 RETIREMENT PLAN**

The Organization sponsors a 403(b) retirement plan (a defined contribution plan) which covers the Organization's employee. In 2019, the employee was eligible for a matching contribution of \$1,000 per pay period up to a maximum of \$24,000 per year. In 2019 and 2018, there were matching contributions of \$8,000 and \$-0-, respectively, made by the Organization to the plan.

**NOTE 4 LIQUIDITY DISCLOSURE**

The Organization has financial assets available within one year of the balance sheet date consisting of the financial assets listed below. None of the assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet. As part of the contractual agreements regarding proceeds from the sale of donated cars, the Foundation receives a set 2% of the gross sales price to fund their general and administrative operations. This 2% does not factor in the amounts paid for contributions to charities. Contributions paid are generally calculated based on the executed agreements. Any cash from the 2% gross fee that is in excess of expenses is reviewed by management monthly and by the board at their quarterly meetings. This excess cash is free and available to fund additional contributions to nonprofit organizations.

	2019	2018
Cash and Cash Equivalents	\$ 2,372,916	\$ 2,521,084
Accounts Receivable	766,332	634,051
Inventory, Net	<u>3,835,229</u>	<u>4,903,231</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 6,974,477</u>	<u>\$ 8,058,366</u>