

CAR DONATION FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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**CAR DONATION FOUNDATION
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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, 2020 and 2019, 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, 2020 and 2019, 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 23, 2021

**CAR DONATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
Cash and Cash Equivalents	3,653,159	\$ 2,372,916
Accounts Receivable	1,480,854	766,332
Prepaid Expenses	51,997	71,834
Inventory, Net	5,405,544	3,835,229
Total Assets	10,591,554	\$ 7,046,311
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	2,687,793	\$ 2,495,574
Contributions Payable	1,088,959	603,507
Accrued Fees	507,452	417,445
Total Liabilities	4,284,204	3,516,526
NET ASSETS		
Without Donor Restrictions	6,307,350	3,529,785
Total Liabilities and Net Assets	\$ 10,591,554	\$ 7,046,311

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Without Donor Restrictions	
	2020	2019
REVENUE AND SUPPORT		
Contributed Vehicles Received	\$ 58,059,936	\$ 53,943,804
Auction and Towing Fees	(8,912,359)	(12,654,742)
Net Revenue	49,147,577	41,289,062
Interest Income	15,384	-
Total Revenue and Support, Net	49,162,961	41,289,062
EXPENSES		
Program Services Expense:		
Direct Donations to Charities	19,303,019	14,393,236
Other Program Expense	90,588	91,747
Total Program Services Expense	19,393,607	14,484,983
Support Services Expense:		
Management and General	422,243	430,777
Fundraising	26,569,546	27,060,698
Total Supporting Services Expense	26,991,789	27,491,475
Total Expenses	46,385,396	41,976,458
CHANGE IN NET ASSETS	2,777,565	(687,396)
Net Assets - Beginning of Year	3,529,785	4,217,181
NET ASSETS - END OF YEAR	\$ 6,307,350	\$ 3,529,785

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total</u>
Wages	\$ 62,500	\$ 125,000	\$ 62,500	\$ 250,000
Payroll Taxes and Benefits	9,070	18,140	9,070	36,280
Professional Expense	-	-	24,240	24,240
Legal Fees	-	153,134	-	153,134
Accounting Fees	-	67,021	-	67,021
Insurance Expense	13,674	46,616	1,865	62,155
Travel Expense	736	-	-	736
Advertising	-	-	12,584,384	12,584,384
Donations	19,303,019	-	-	19,303,019
Admin Fees and Administrative Costs	-	-	13,882,879	13,882,879
Rent Expense	4,608	9,216	4,608	18,432
Bank Fees	-	1,850	-	1,850
Office Expense	-	1,266	-	1,266
Subtotal	<u>19,393,607</u>	<u>422,243</u>	<u>26,569,546</u>	<u>46,385,396</u>
Seller Fees (Netted with Revenue)	<u>8,912,359</u>	<u>-</u>	<u>-</u>	<u>8,912,359</u>
 Total Expenses	 <u>\$ 28,305,966</u>	 <u>\$ 422,243</u>	 <u>\$ 26,569,546</u>	 <u>\$ 55,297,755</u>

See accompanying Notes to Financial Statements.

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

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>
Wages	\$ 62,500	\$ 125,000	\$ 62,500	\$ 250,000
Payroll Taxes and Benefits	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)	<u>12,654,742</u>	<u>-</u>	<u>-</u>	<u>12,654,742</u>
 Total Expenses	 <u><u>\$ 27,139,725</u></u>	 <u><u>\$ 430,777</u></u>	 <u><u>\$ 27,060,698</u></u>	 <u><u>\$ 54,631,200</u></u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,777,565	\$ (687,396)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(714,522)	(132,281)
Inventory, Net	(1,570,315)	1,068,002
Prepaid Expenses	19,837	(22,234)
Increase (Decrease) in Liabilities:		
Accounts Payable	192,219	15,049
Contributions Payable	485,452	(130,465)
Accrued Fees	90,007	(258,843)
Net Cash Provided (Used) by Operating Activities	1,280,243	(148,168)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,280,243	(148,168)
Cash and Cash Equivalents - Beginning of Year	2,372,916	2,521,084
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,653,159	\$ 2,372,916

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019.

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 2020 and 2019. 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, 2020 and 2019 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 \$787.32 and \$576.58 for the years ended December 31, 2020 and 2019, respectively.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 1.9% and 2.1% are factored for those remaining vehicles after known sales in inventory as of December 31, 2020 and 2019, 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, 2020 and 2019. The Organization estimates the December 31, 2020 and 2019 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 \$12,584,384 and \$14,651,282 for the years ended December 31, 2020 and 2019, 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, 2020 AND 2019**

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 23, 2021, which is the date the financial statements were available to be issued.

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 22% of the auctions were facilitated by one auction house for the year ended December 31, 2020 and approximately 58% of the accounts receivable balance at December 31, 2020 was owed by two auction houses.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 CONCENTRATIONS (CONTINUED)

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.

During 2020 and 2019, 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 28% and 22% of the Organization's expenses for the years ended December 31, 2020 and 2019, respectively, and approximately 54% and 49% of the Organization's accounts payable at December 31, 2020 and 2019, respectively.

During 2020 and 2019, 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 2020, the employee was eligible for a matching contribution of \$1,000 per pay period up to a maximum of \$24,000 per year. In 2020 and 2019, there were matching contributions of \$24,000 and \$8,000, 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.

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 3,653,159	\$ 2,372,916
Accounts Receivable	1,480,854	766,332
Inventory, Net	<u>5,405,544</u>	<u>3,835,229</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 10,539,557</u>	<u>\$ 6,974,477</u>

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