

CAR DONATION FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Car Donation Foundation which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Car Donation 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 from 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 Car Donation Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.



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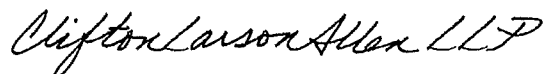
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 Car Donation 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 Car Donation 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 21, 2022

**CAR DONATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,202,074	\$ 3,653,159
Accounts Receivable	1,681,011	1,480,854
Prepaid Expenses	150,380	51,997
Inventory, Net	<u>6,788,236</u>	<u>5,405,544</u>
Total Assets	<u>\$ 12,821,701</u>	<u>\$ 10,591,554</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 2,775,640	\$ 2,687,793
Contributions Payable	984,353	1,088,959
Accrued Fees	<u>487,785</u>	<u>507,452</u>
Total Liabilities	4,247,778	4,284,204
NET ASSETS		
Without Donor Restrictions	<u>8,573,923</u>	<u>6,307,350</u>
Total Liabilities and Net Assets	<u>\$ 12,821,701</u>	<u>\$ 10,591,554</u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Without Donor Restrictions	
	2021	2020
REVENUE AND SUPPORT		
Contributed Vehicles Received	\$ 74,739,473	\$ 58,059,936
Auction and Towing Fees	(9,039,486)	(8,912,359)
Net Revenue	65,699,987	49,147,577
Interest Income	28,172	15,384
Total Revenue and Support, Net	65,728,159	49,162,961
EXPENSES		
Program Services Expense:		
Direct Donations to Charities	24,850,948	19,303,019
Other Program Expense	91,940	90,588
Total Program Services Expense	24,942,888	19,393,607
Support Services Expense:		
Management and General	412,564	422,243
Fundraising	38,106,134	26,569,546
Total Supporting Services Expense	38,518,698	26,991,789
Total Expenses	63,461,586	46,385,396
CHANGE IN NET ASSETS	2,266,573	2,777,565
Net Assets - Beginning of Year	6,307,350	3,529,785
NET ASSETS - END OF YEAR	<u>\$ 8,573,923</u>	<u>\$ 6,307,350</u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program	Management and General	Fundraising	2021 Total
Wages	\$ 62,500	\$ 125,000	\$ 62,500	\$ 250,000
Payroll Taxes and Benefits	9,148	18,296	9,148	36,592
Professional Expense	-	-	36,220	36,220
Legal Fees	-	150,000	-	150,000
Accounting Fees	-	64,559	-	64,559
Insurance Expense	12,223	41,669	1,667	55,559
Travel Expense	3,322	-	-	3,322
Advertising	-	-	20,239,703	20,239,703
Donations	24,850,948	-	-	24,850,948
Administrative Fees and Administrative Costs	-	-	17,752,149	17,752,149
Rent Expense	4,747	9,493	4,747	18,987
Bank Fees	-	2,858	-	2,858
Office Expense	-	689	-	689
Subtotal	24,942,888	412,564	38,106,134	63,461,586
Seller Fees (Netted with Revenue)	9,039,486	-	-	9,039,486
Total Expenses	<u>\$ 33,982,374</u>	<u>\$ 412,564</u>	<u>\$ 38,106,134</u>	<u>\$ 72,501,072</u>

See accompanying Notes to Financial Statements.

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

	Program	Management and General	Fundraising	2020 Total
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
Administrative 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	19,393,607	422,243	26,569,546	46,385,396
Seller Fees (Netted with Revenue)	8,912,359	-	-	8,912,359
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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,266,573	\$ 2,777,565
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(200,157)	(714,522)
Inventory, Net	(1,382,692)	(1,570,315)
Prepaid Expenses	(98,383)	19,837
Increase (Decrease) in Liabilities:		
Accounts Payable	87,847	192,219
Contributions Payable	(104,606)	485,452
Accrued Fees	(19,667)	90,007
Net Cash Provided by Operating Activities	<u>548,915</u>	<u>1,280,243</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	548,915	1,280,243
Cash and Cash Equivalents - Beginning of Year	<u>3,653,159</u>	<u>2,372,916</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,202,074</u></u>	<u><u>\$ 3,653,159</u></u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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, 2021 and 2020.

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 2021 and 2020. 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, 2021 and 2020 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 \$1,095 and \$787 for the years ended December 31, 2021 and 2020, respectively.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 1.7% and 1.9% are factored for those remaining vehicles after known sales in inventory as of December 31, 2021 and 2020, 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, 2021 and 2020. The Organization estimates the December 31, 2021 and 2020 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 \$20,239,703 and \$12,584,384 for the years ended December 31, 2021 and 2020, 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, 2021 AND 2020**

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 21, 2022, 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 41% of the auctions were facilitated by one auction house for the year ended December 31, 2021 and approximately 59% of the accounts receivable balance at December 31, 2021 was owed by two auction houses.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 CONCENTRATIONS (CONTINUED)

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 house.

During 2021 and 2020, 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% of the Organization's expenses for the years ended December 31, 2021 and 2020, and approximately 58% and 54% of the Organization's accounts payable at December 31, 2021 and 2020, respectively.

During 2021 and 2020, 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 2021, the employee was eligible for a matching contribution of \$1,000 per pay period up to a maximum of \$24,000 per year. In 2021 and 2020, there were matching contributions of \$24,000 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.

	2021	2020
Cash and Cash Equivalents	\$ 4,202,074	\$ 3,653,159
Accounts Receivable	1,681,011	1,480,854
Inventory, Net	6,788,236	5,405,544
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 12,671,321</u>	<u>\$ 10,539,557</u>

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