

CAR DONATION FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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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, 2023 and 2022, 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, 2023 and 2022, 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.

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
July 24, 2024

**CAR DONATION FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 4,159,563	\$ 3,376,295
Accounts Receivable	1,382,284	994,216
Prepaid Expenses	117,139	189,795
Inventory, Net	6,024,486	6,624,222
Total Assets	\$ 11,683,472	\$ 11,184,528
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 3,226,645	\$ 2,734,976
Contributions Payable	386,406	379,223
Accrued Fees	543,322	525,159
Total Liabilities	4,156,373	3,639,358
NET ASSETS		
Without Donor Restrictions	7,527,099	7,545,170
Total Liabilities and Net Assets	\$ 11,683,472	\$ 11,184,528

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	Without Donor Restrictions	
	2023	2022
REVENUE AND SUPPORT		
Contributed Vehicles Received	\$ 61,319,137	\$ 60,089,629
Auction and Towing Fees	<u>(8,621,536)</u>	<u>(7,657,125)</u>
Net Revenue	52,697,601	52,432,504
Interest Income	181,421	61,609
Total Revenue and Support, Net	<u>52,879,022</u>	<u>52,494,113</u>
EXPENSES		
Program Services Expense:		
Direct Donations to Charities	13,209,428	16,278,932
Other Program Expense	<u>122,431</u>	<u>106,337</u>
Total Program Services Expense	13,331,859	16,385,269
Support Services Expense:		
Management and General	472,058	423,697
Fundraising	<u>39,093,176</u>	<u>36,713,900</u>
Total Supporting Services Expense	<u>39,565,234</u>	<u>37,137,597</u>
Total Expenses	<u>52,897,093</u>	<u>53,522,866</u>
CHANGE IN NET ASSETS	(18,071)	(1,028,753)
Net Assets - Beginning of Year	<u>7,545,170</u>	<u>8,573,923</u>
NET ASSETS - END OF YEAR	<u><u>\$ 7,527,099</u></u>	<u><u>\$ 7,545,170</u></u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2023 Total</u>
Wages	\$ 70,000	\$ 140,000	\$ 70,000	\$ 280,000
Payroll Taxes and Benefits	9,509	19,017	9,509	38,035
Professional Expense	-	-	35,504	35,504
Legal Fees	-	150,000	-	150,000
Accounting Fees	-	70,596	-	70,596
Insurance Expense	23,190	79,057	3,162	105,409
Travel Expense	14,897	-	-	14,897
Advertising	-	-	26,492,288	26,492,288
Donations	13,209,428	-	-	13,209,428
Administrative Fees and Administrative Costs	-	-	12,477,878	12,477,878
Rent Expense	4,835	9,670	4,835	19,340
Bank Fees	-	2,964	-	2,964
Office Expense	-	754	-	754
Subtotal	<u>13,331,859</u>	<u>472,058</u>	<u>39,093,176</u>	<u>52,897,093</u>
Seller Fees (Netted with Revenue)	<u>8,621,536</u>	<u>-</u>	<u>-</u>	<u>8,621,536</u>
Total Expenses	<u><u>\$ 21,953,395</u></u>	<u><u>\$ 472,058</u></u>	<u><u>\$ 39,093,176</u></u>	<u><u>\$ 61,518,629</u></u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>
Wages	\$ 62,500	\$ 125,000	\$ 62,500	\$ 250,000
Payroll Taxes and Benefits	9,260	18,519	9,260	37,039
Professional Expense	-	-	23,102	23,102
Legal Fees	-	150,000	-	150,000
Accounting Fees	-	63,639	-	63,639
Insurance Expense	15,898	54,197	2,168	72,263
Travel Expense	13,809	-	-	13,809
Advertising	-	-	23,053,596	23,053,596
Donations	16,278,932	-	-	16,278,932
Administrative Fees and Administrative Costs	-	-	13,558,404	13,558,404
Rent Expense	4,870	9,739	4,870	19,479
Bank Fees	-	2,405	-	2,405
Office Expense	-	198	-	198
Subtotal	<u>16,385,269</u>	<u>423,697</u>	<u>36,713,900</u>	<u>53,522,866</u>
Seller Fees (Netted with Revenue)	<u>7,657,125</u>	<u>-</u>	<u>-</u>	<u>7,657,125</u>
Total Expenses	<u><u>\$ 24,042,394</u></u>	<u><u>\$ 423,697</u></u>	<u><u>\$ 36,713,900</u></u>	<u><u>\$ 61,179,991</u></u>

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (18,071)	\$ (1,028,753)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
(Increase) Decrease in Assets:		
Accounts Receivable	(388,068)	686,795
Inventory, Net	599,736	164,014
Prepaid Expenses	72,656	(39,415)
Increase (Decrease) in Liabilities:		
Accounts Payable	491,669	(40,664)
Contributions Payable	7,183	(605,130)
Accrued Fees	18,163	37,374
Net Cash Provided (Used) by Operating Activities	783,268	(825,779)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	783,268	(825,779)
Cash and Cash Equivalents - Beginning of Year	3,376,295	4,202,074
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,159,563	\$ 3,376,295

See accompanying Notes to Financial Statements.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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, 2023 and 2022.

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. These are considered contributions receivable. There is no allowance recorded for the years ended 2023 and 2022. 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, 2023 and 2022 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 \$1,085 and \$1,167 for the years ended December 31, 2023 and 2022, respectively.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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% are factored for those remaining vehicles after known sales in inventory as of December 31, 2023 and 2022. 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, 2023 and 2022. The Organization estimates the December 31, 2023 and 2022 accrued fees based on known vehicle sales and associated fees from the early part 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 \$26,492,288 and \$23,053,596 for the years ended December 31, 2023 and 2022, 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, 2023 AND 2022**

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.

Adoption of New Accounting Standards

At the beginning of 2023, the Organization adopted FASB ASU 2013-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (CECL), as amended, which modified the measurement of expected credit losses. The adoption of this standard did not have an impact on the Organization's financial statements.

Subsequent Events

Subsequent events were evaluated through July 24, 2024, 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 40% of the auctions were facilitated by one auction house for the year ended December 31, 2023 and approximately 49% of the accounts receivable balance at December 31, 2023 was owed by two auction houses.

Approximately 44% of the auctions were facilitated by one auction house for the year ended December 31, 2022 and approximately 54% of the accounts receivable balance at December 31, 2022 was owed by three auction houses.

**CAR DONATION FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 2 CONCENTRATIONS (CONTINUED)

During 2023 and 2022, 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 27% and 28% of the Organization's expenses for the years ended December 31, 2023 and 2022, and approximately 35% and 40% of the Organization's accounts payable at December 31, 2023 and 2022, respectively.

During 2023 and 2022, 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 2023 and 2022, the employee was eligible for a matching contribution of \$1,000 per pay period up to a maximum of \$24,000 per year. In 2023 and 2022, 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.

	<u>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 4,159,563	\$ 3,376,295
Accounts Receivable	1,382,284	994,216
Inventory, Net	<u>6,024,486</u>	<u>6,624,222</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 11,566,333</u>	<u>\$ 10,994,733</u>



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