

SPEEDWAY CHILDREN'S CHARITIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS:	
Statement of Financial Position.....	3
Statement of Activities.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6
SUPPLEMENTAL INFORMATION:	
Statement of Expenses.....	10



BGW CPA, PLLC

advisory | tax | attest

1616 Camden Road, Suite 510, Charlotte NC 28203

7930 W Kenton Circle, Suite 100, Huntersville NC 28078

28 Schenck Parkway, Bldg 2B, Suite 200, Asheville NC 28803

220 North King Street, Hendersonville NC 28792

P 704-552-0553 F 704-496-2210 www.trustbgw.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Speedway Children's Charities:

We have audited the accompanying statement of financial position of **Speedway Children's Charities** (a nonprofit organization) as of September 30, 2015, and the related statements of activities and cash flows for the year then ended.

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.

Auditor's 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 from 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Speedway Children's Charities** as of September 30, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of expenses for the year ended September 30, 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Charlotte, North Carolina,
January 25, 2016

BGW CPA, PLLC

SPEEDWAY CHILDREN'S CHARITIES
STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2015

ASSETS

CURRENT ASSETS:

Cash	\$2,859,070
Accounts receivable	492,175
Prepaid expenses	12,500
Other assets	22,648
Total current assets	<u>3,386,393</u>

FURNITURE, FIXTURES, AND EQUIPMENT, net

13,889

Total assets

\$3,400,282

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and other liabilities	\$108,594
Grants payable - current portion	91,792
Deferred income	35,948
Total current liabilities	<u>236,334</u>

GRANTS PAYABLE, net

38,071

UNRESTRICTED NET ASSETS

3,125,877

Total liabilities and net assets

\$3,400,282

The accompanying notes to financial statements are an integral part of these statements.

SPEEDWAY CHILDREN'S CHARITIES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

SUPPORT AND EVENT REVENUES:

Support:

Contributions	\$1,148,029
Special event contributions	1,920,342
Donated services and items, special event fund raisers	712,849
Donated services and items, general	617,348
Total support	<u>4,398,568</u>

Event Revenues:

Special event fund raiser revenue	1,112,792
Less: direct benefit costs, includes \$712,849 of donated service items	<u>(1,451,369)</u>

Net deficit from special event fund raisers (does not include \$1,920,342 of special event contributions or \$712,849 of donated services and items, special event fund raisers)	<u>(338,577)</u>
--	------------------

Total event revenues	4,059,991
----------------------	-----------

Gain on disposal	25,200
Total support and event revenues	<u>4,085,191</u>

EXPENSES:

Program costs	2,141,416
Fund-raising, includes \$617,348 of donated services and items	1,212,493
Management	115,108
Total expenses	<u>3,469,017</u>

CHANGE IN UNRESTRICTED NET ASSETS	<u>616,174</u>
-----------------------------------	----------------

BEGINNING UNRESTRICTED NET ASSETS	<u>2,509,703</u>
-----------------------------------	------------------

ENDING UNRESTRICTED NET ASSETS	<u><u>\$3,125,877</u></u>
--------------------------------	---------------------------

The accompanying notes to financial statements are an integral part of these statements.

SPEEDWAY CHILDREN'S CHARITIES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in unrestricted net assets	\$616,174
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation	4,435
Gain on disposal of furniture, fixtures, and equipment	(25,200)
Donated items and services	(1,330,197)
Cost of donated items and services used in special events and fundraising activities	1,330,197
Increase in accounts receivable	(314,331)
Decrease in prepaid expenses	6,256
Decrease in other assets	977
Increase in accounts payable and other liabilities	30,461
Decrease in grants payable	(297,869)
Decrease in deferred income	(43,594)
Net cash used by operating activities	<u>(22,691)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture, fixtures and equipment	(1,895)
Proceeds from sale of fixed assets	25,200
Net cash provided by investing activities	<u>23,305</u>
NET INCREASE IN CASH	<u>614</u>
CASH, beginning of year	<u>2,858,456</u>
CASH, end of year	<u><u>\$2,859,070</u></u>

The accompanying notes to financial statements are an integral part of these statements.

SPEEDWAY CHILDREN'S CHARITIES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - Speedway Children's Charities (the Organization) hosts and sponsors a wide range of events and promotions geared around Race Week at various speedways in which contributions are received for the purpose of distributing funds to charitable organizations which provide medical, social, and educational services to children.

Public support, revenue and accounts receivable - Contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Contributions of cash and other assets are reported as temporarily restricted if they are restricted with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support.

Accounts receivable represent amounts due for contributions and special event revenue. Any account receivable balances deemed uncollectible are removed from accounts receivable and recorded as a bad debt expense. The Organization estimates that uncollectible accounts are minimal, and it has not estimated or booked any reserves for losses due to uncollectible accounts.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Special event fund raisers - The Organization holds dinners, golf tournaments, auctions and raffles as its major fund-raising events. Special event fund raiser revenue is recorded based on the fair value of the benefit received by the donor and is recognized when the event occurs. Any amounts in excess of the fair value of the benefit received are reported as special event contributions. The portion of a special event payment that is a contribution is recognized as revenue when received if the contribution is not conditioned on the event taking place. If the contribution portion of the special event payment is conditioned upon the event taking place, the contribution is deferred. Amounts received from event sponsors are included in special event contributions.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Furniture, fixtures and equipment – Furniture, fixtures and equipment are valued at cost, if purchased, or fair market value at the time of gift, if donated. Generally, the Organization only capitalizes expenditures for items over five hundred dollars. Depreciation is provided over the estimated useful lives of the respective assets using the straight line method. The estimated useful lives used in computing depreciation for equipment are principally five to fifteen years.

Fair values of financial instruments - The carrying amounts reported in the statement of financial position for cash, accounts receivable, other current assets and current liabilities approximate fair values because of the short maturities of those instruments. The fair value of long-term grants payable is estimated by discounting the future cash flows using a risk-adjusted discount rate in accordance with the *Fair Value Measurements* section of the Financial Accounting Standards Board Codification (FASB ASC 820-10). Under FASB ASC 820-10, this method is considered a level 3 valuation in the fair value measurement hierarchy, which is defined as using significant unobservable inputs.

The Organization elected the fair value option for long-term grants payable as allowed by FASB ASC 820-10. Accordingly, the discount rate used to estimate the fair value of the future cash flows is revised at each measurement period. The Organization has elected the fair value option to allow changes in the discount rate at each measurement period to be reported in the statement of activities as they occur.

Concentration of credit risk - Financial instruments that potentially expose the Organization to concentrations of credit risk consist principally of cash and accounts receivable. The Organization maintains its cash on deposit with a federally insured financial institution located in North Carolina. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000.

Net assets - The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At September 30, 2015, and for the year then ended, all of the Organization's net assets and changes in net assets were unrestricted.

2. DONATED SERVICES, EQUIPMENT AND AUCTION ITEMS:

Speedway Children's Charities received donated services, equipment and auction items for the year ended September 30, 2015. The donations are reflected in the statement of activities as revenue. The expense related to these donations is included in the direct benefit costs and fund-raising expenses on the statement of activities.

The donations summarized by category are as follows:

Advertising	\$343,834
Auction Item	361,734
Equipment Use	25,600
Facility Use	176,448
Food & Beverage	109,487
Prize	65,181
Service	204,487
Other	43,426
Total	<u><u>\$1,330,197</u></u>

Speedway Motorsports, Inc. and Subsidiaries provide office space and administrative services to the Organization. The value of the office space and time spent by accounting personnel and payroll personnel is immaterial and has not been recorded on the financial statements.

3. GRANTS PAYABLE:

Unconditional grants payable at September 30, 2015 are as follows:

Due in one year or less	\$91,792
Due in one to five years	40,000
Total unconditional grants payable	<u>131,792</u>
Less: discount to net present value (3.25%)	<u>(1,929)</u>
Total unconditional grants payable	<u><u>\$129,863</u></u>

Changes in grants payable for the year ended September 30, 2015 are as follows:

Balance, October 1, 2014	\$427,732
Collections / payments	(369,661)
Additions	71,792
Balance September 30, 2015	<u><u>\$129,863</u></u>

Changes in discount for grants payable are reflected in the statement of activities as program cost.

4. FURNITURE, FIXTURES AND EQUIPMENT:

Furniture, fixtures and equipment are summarized as follows:

Furniture and fixtures	\$36,521
Computer equipment	11,950
Vehicles	8,279
	<u>56,750</u>
Less: accumulated depreciation	<u>(42,861)</u>
	<u><u>\$13,889</u></u>

5. INCOME TAXES:

Speedway Children's Charities is a not-for-profit organization that is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service (IRS) as other than a private foundation.

The Organization has implemented the provisions of FASB ASC 740-10 relating to the accounting for uncertainty in income tax positions. FASB ASC 740-10 prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions, including tax-exempt status, taken or expected to be taken in income tax returns. The Organization's income tax returns for its reporting periods ended during the years 2012 through 2014 are still subject to examination by the IRS.

6. CONCENTRATIONS:

A substantial portion of the funds raised by the Organization come from activities conducted in connection with races at eight speedways which are affiliated with Speedway Motorsports, Inc. and Subsidiaries. The Organization's ability to raise funds in the future depends partially on the continued success of the races at those speedways and the economic conditions in the local communities.

7. SUBSEQUENT EVENT:

Events and transactions occurring after September 30, 2015 have been evaluated to determine proper recognition and disclosure in the financial statements. Subsequent events and transactions were evaluated through January 25, 2016 which represents the date the financial statements were available to be issued.

Subsequent to September 30, 2015, the Organization has committed to contribute approximately \$2,639,000 to various children's charities. As of the report date, the majority of this amount has been contributed.

SPEEDWAY CHILDREN'S CHARITIES

STATEMENT OF EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2015

Grants	\$2,127,686
Fund-raising expenses	713,650
Professional/Accounting	26,757
Travel	47,558
Payroll services	501,843
Depreciation	4,435
Office expense	27,708
Tax and license	6,670
Advertising and promotion	963
Insurance	9,687
Occupancy	2,060
	<hr/>
Total expenses	<u><u>\$3,469,017</u></u>