



Speedway Children's Charities

Consolidated Financial Statements
As of September 30, 2016

Together with
Independent Auditor's Report

SPEEDWAY CHILDREN'S CHARITIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements **Speedway Children's Charities** (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and cash flows for the year 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.

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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of expenses on page 10 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 27, 2016

BGW CPA, PLLC

SPEEDWAY CHILDREN'S CHARITIES
STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2016

ASSETS

CURRENT ASSETS:

Cash	\$2,888,265
Accounts receivable	652,022
Pledge receivable	16,750
Prepaid expenses	24,141
Other assets	23,404
Total current assets	3,604,582

FURNITURE, FIXTURES, AND EQUIPMENT, net	11,480
Total assets	\$3,616,062

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and other liabilities	\$169,215
Grants payable - current portion	58,913
Deferred income	105,860
Total current liabilities	333,988

GRANTS PAYABLE, net	19,300
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UNRESTRICTED NET ASSETS	3,262,774
Total liabilities and net assets	\$3,616,062

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, 2016

SUPPORT AND EVENT REVENUES:

Support:

Contributions	\$1,244,435
Special event contributions	2,070,271
Donated services and items, special event fund raisers	675,030
Donated services and items, general	598,226
Total support	<u>4,587,962</u>

Event Revenues:

Special event fund raiser revenue	1,275,494
Less: direct benefit costs, includes \$674,474 of donated service items	(1,631,356)

Net deficit from special event fund raisers (does not include
\$2,070,271 of special event contributions or \$675,030 of
donated services and items, special event fund raisers)

	<u>(355,862)</u>
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Total support and event revenues	<u>4,232,100</u>
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Loss on Disposal	(226)
Total revenue and other changes	<u>4,231,874</u>

EXPENSES:

Program costs	2,781,331
Fund-raising, includes \$598,226 of donated services and items	1,208,128
Management	105,518
Total expenses	<u>4,094,977</u>

CHANGE IN UNRESTRICTED NET ASSETS	<u>136,897</u>
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BEGINNING UNRESTRICTED NET ASSETS	<u>3,125,877</u>
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ENDING UNRESTRICTED NET ASSETS	<u><u>\$3,262,774</u></u>
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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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in unrestricted net assets	\$136,897
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,107
Loss on disposal of furniture, fixtures, and equipment	226
Change in discount on net present value of grants payable	1,229
Donated items and services	(1,273,256)
Cost of donated items and services used in special events and fundraising activities	1,272,700
Increase in accounts receivable	(159,847)
Increase in pledged receivable	(16,750)
Increase in prepaid expenses	(11,641)
Increase in other assets	(200)
Increase in accounts payable and other liabilities	60,621
Decrease in grants payable	(52,879)
Increase in deferred income	69,912
Net cash provided by operating activities	<u>31,119</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of furniture, fixtures and equipment	<u>(1,924)</u>
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NET INCREASE IN CASH

29,195

CASH, beginning of year

2,859,070

CASH, end of year

\$2,888,265

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

SPEEDWAY CHILDREN'S CHARITIES

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

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, 2016, 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, 2016. 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	\$297,666
Auction Item	294,113
Equipment Use	13,151
Facility Use	193,223
Food & Beverage	87,948
Prize	140,125
Service	214,819
Printing	12,410
Other	19,801
Total	<u><u>\$1,273,256</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, 2016 are as follows:

Due in one year or less	\$58,913
Due in one to five years	20,000
Total unconditional grants payable	<u>78,913</u>
Less: discount to net present value (3.25%)	<u>(700)</u>
Total unconditional grants payable	<u><u>\$78,213</u></u>

Changes in grants payable for the year ended September 30, 2016 are as follows:

Balance, October 1, 2015	\$129,863
Payments	(91,791)
Additions	38,912
Change in discount	1,229
Balance, September 30, 2016	<u><u>\$78,213</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	\$34,435
Computer equipment	9,912
Vehicles	8,779
	<hr/>
	53,126
Less: accumulated depreciation	(41,646)
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	<u>\$11,480</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 2013 through 2015 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, 2016 have been evaluated to determine proper recognition and disclosure in the financial statements. Subsequent events and transactions were evaluated through January 27, 2016 which represents the date the financial statements were available to be issued.

Subsequent to September 30, 2016, the Organization has committed to contribute approximately \$2,974,000 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, 2016

Grants	\$2,766,789
Fund-raising expenses	695,284
Director compensation	60,461
Professional/Accounting	22,000
Travel	38,180
Salaries	383,875
Payroll taxes	42,134
Employee benefits	27,071
Depreciation	4,107
Office expense	31,569
Tax and license	5,960
Advertising and promotion	6,169
Insurance	9,835
Occupancy	1,543
Total expenses	<u><u>\$4,094,977</u></u>