

# **Speedway Children’s Charities**

Financial Report  
December 31, 2020

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**Speedway Children's Charities**

**Statement of Financial Position  
December 31, 2020**

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<b>Assets</b>	
Cash	\$ 229,458
Accounts receivable	53,236
Contributions receivable, net of discount	87,484
Prepaid expenses	10,408
Other assets	26,350
Property and equipment, net	<u>8,856</u>
<b>Total assets</b>	<b><u>\$ 415,792</u></b>
<b>Liabilities and Net Assets</b>	
Liabilities:	
Accounts payable and other liabilities	\$ 108,910
Deferred income	<u>34,819</u>
<b>Total liabilities</b>	<b><u>143,729</u></b>
Net assets:	
Without donor restrictions	183,993
With donor restrictions	<u>88,070</u>
	<u>272,063</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 415,792</u></b>

See notes to financial statements.

## Speedway Children's Charities

### Statement of Activities

Fifteen Months Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and event revenues:			
Support:			
Contributions	\$ 1,427,578	\$ -	\$ 1,427,578
Special event contributions	476,333	-	476,333
Donated goods and services	518,451	-	518,451
Releases from restriction	128,070	(128,070)	-
<b>Total support</b>	<u>2,550,432</u>	<u>(128,070)</u>	<u>2,422,362</u>
Event revenues:			
Special event fundraiser revenue	594,213	-	594,213
Less direct benefit costs	(316,568)	-	(316,568)
Net income from special event fundraisers (does not include \$452,029 of special event contributions)	<u>277,645</u>	<u>-</u>	<u>277,645</u>
<b>Total support and event revenues</b>	<u>2,828,077</u>	<u>(128,070)</u>	<u>2,700,007</u>
Expenses:			
Program services	4,109,900	-	4,109,900
Fundraising	1,220,887	-	1,220,887
Management and general	272,720	-	272,720
	<u>5,603,507</u>	<u>-</u>	<u>5,603,507</u>
<b>Change in net assets</b>	<u>(2,775,430)</u>	<u>(128,070)</u>	<u>(2,903,500)</u>
Net assets:			
Beginning	<u>2,959,423</u>	<u>216,140</u>	<u>3,175,563</u>
Ending	<u>\$ 183,993</u>	<u>\$ 88,070</u>	<u>\$ 272,063</u>

See notes to financial statements.

**Speedway Children's Charities**

**Statement of Functional Expenses  
Fifteen Months Ended December 31, 2020**

	Special Events	Program Services	Fund-Raising	Management and General	Total
Grants	\$ -	\$ 4,096,996	\$ -	\$ -	\$ 4,096,996
Donated goods and services (Note 4)	-	-	518,451	-	518,451
Catering, entertainment, and other event expenses	290,254	-	-	-	290,254
Salaries	-	10,778	518,987	182,945	712,710
Meetings and other	-	-	71,859	-	71,859
Office expense	20,094	-	19,281	-	39,375
Payroll taxes	-	1,151	44,879	-	46,030
Travel	4,699	-	224	11,508	16,431
Employee benefits	-	975	38,030	10,544	49,549
Professional fees	-	-	-	9,752	9,752
Advertising and promotion	-	-	-	34,381	34,381
Insurance	410	-	3,606	-	4,016
Tax and license	1,111	-	-	17,194	18,305
Depreciation	-	-	120	6,396	6,516
Occupancy	-	-	5,110	-	5,110
	-	-	340	-	340
<b>Total expenses</b>	<b>\$ 316,568</b>	<b>\$ 4,109,900</b>	<b>\$ 1,220,887</b>	<b>\$ 272,720</b>	<b>\$ 5,920,075</b>

See notes to financial statements.

**Speedway Children's Charities**

**Statement of Cash Flows**

**Fifteen Months Ended December 31, 2020**

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Cash flows from operating activities:	
Change in net assets	\$ (2,903,500)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	5,110
Change in discount on receivables	(4,711)
Changes in assets and liabilities:	
Decrease in:	
Accounts receivable	109,118
Contributions receivable	128,070
Prepaid expenses	10,798
Increase(decrease) in:	
Accounts payable and other liabilities	13,463
Grants payable	(4,800)
Deferred income	(77,094)
<b>Net cash used in operating activities</b>	<u>(2,723,546)</u>
<b>Net decrease in cash</b>	(2,723,546)
Cash:	
Beginning	<u>2,953,004</u>
Ending	<u>\$ 229,458</u>

See notes to financial statements.

## Speedway Children's Charities

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** Speedway Children's Charities (the Organization), a nonprofit organization, hosts and sponsors a wide range of events and promotions 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.

**Change in fiscal year:** On February 4, 2020, the Board of Directors authorized to change Speedway Children's Charities year-end from a fiscal period ending on September 30, to December 31. The change in fiscal year was made for accounting and reporting purposes. In accordance with this change, the statement of activities, functional expenses and cash flows for the period ended December 31, 2020, cover a period of fifteen months.

A summary of the Organization's significant accounting policies follows:

**Basis of presentation:** The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

**Net assets without donor restrictions:** Net assets that are not subject to donor (or certain grantor) imposed restrictions, and therefore, available for the support of general operating activities, including acquisition of property and equipment.

**Net assets with donor restrictions:** Some donor-imposed restrictions that will be met by the passage of time or other events or purpose specified by the donor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Perpetual in nature net asset earnings are used to fund general operations. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of December 31, 2020, there was one multi-year contribution receivable that resulted in \$88,070 in time restricted net assets with donor restrictions.

**Financial risk:** The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant financial risk on cash and cash equivalents.

**Accounts and contributions receivable:** Receivables represent amounts due for unconditional promises to give and special event revenue. Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on receivables are computed using a rate commensurate with the risk of the contributions receivable in accordance with fair value accounting standards. Amortization of the discount is included in contribution revenue. Management also determines an allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. All receivables were deemed to be collectible and therefore there was no allowance for doubtful accounts at December 31, 2020.

**Property 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 \$500. 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 are principally 5 to 15 years.



## Speedway Children's Charities

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Contributions:** Unconditional contributions are recorded when received. Contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor that limit the use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with restrictions that are met in the same reporting period are reported as support without donor restrictions.

Unconditional promises to give are recognized as revenue or gains in the period received and as assets, or as decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Donated goods and services:** Contributions of donated noncash assets are recorded at their fair values in the period received in the accompanying statement of activities. 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. See Note 4 for further descriptions of the donated goods and services.

**Special event fund raisers:** The Organization recognizes revenue arising from exchange transactions in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contract with customers as follows: i) identify the contract with the customer; ii) identify the performance obligations in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligations in the contract; and v) recognize revenue when or as the performance obligations are satisfied. The adoption of ASC topic 606 in 2020 had no significant effect on the timing or amount of revenue recognition, or the change in net assets.

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, which is determined to be the transaction price. The revenue is recognized when the event occurs, as that is when the performance obligation is deemed to be satisfied. 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 recognized at the time of the event. Amounts received from event sponsors are included in special event contributions. For special event fund-raiser revenue and conditional contributions, where cash received prior to event occurring, the funds are recorded as deferred revenue until the event occurs

**Functional allocation of expenses:** The costs of providing various events and programs have been summarized on a functional basis. Expenses are allocated based on estimates of time and effort, supplies and materials usage, and space and equipment usage. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but that provide for the overall support and direction of the organization.

**Use of estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Speedway Children's Charities

### Notes to Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Income taxes:** The Organization is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contributions deductions and has been classified as an organization that is not a private foundation. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes.

Management evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance under the accounting topic for uncertainty in income taxes. Generally, the Organization is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2017.

During for the period from October 1, 2019 to December 31, 2020, the Organization had no unrelated taxable business income.

**Upcoming accounting pronouncements:** In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this ASU make improvements to the information provided in consolidated financial statements and accompanying notes of not-for-profit entities with contributed nonfinancial assets, or gifts-in-kind. The amendments in this ASU should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact of the pending adoption of this new standard on financial statements.

**Subsequent events:** The Organization evaluated subsequent events through September 22, 2021, which is the date the financial statements were available to be issued.

#### Note 2. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the balance sheet date comprise the following at December 31, 2020:

Financial assets:

Cash	\$ 229,458
Accounts and contributions receivable, net	140,720
Total financial assets available	<u>370,178</u>

Less those unavailable for general expenditures within one year due to:

Contractual or donor-imposed restrictions:	
Net assets with donor restrictions	<u>(88,070)</u>
Reduction of available financial assets	<u>(88,070)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 282,108</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available when its general expenditures, liabilities and other obligations are due. The Organization has net assets without donor restrictions that are used as reserves to fund program opportunities that are not currently in the budget and to cover unexpected expenses.

## Speedway Children's Charities

### Notes to Financial Statements

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#### Note 3. Accounts and Contributions Receivables

Accounts and contributions receivable at December 31, 2020, are expected to be collected within one year and include a discount of \$586 based on a discount rate of 0.67%.

#### Note 4. Donated Goods and Services

The Organization received \$518,451 in donated goods and services for the period from October 1, 2019 to December 31, 2020. The donations are reflected in the statement of activities as revenue. The expense related to these donations is included in the statement of functional expenses. The donations received during the period from October 1, 2019 to December 31, 2020 summarized by category are as follows:

Facility use	\$	154,011
Salary, tax and benefits		165,616
Advertising		23,069
Auction items		80,649
Food and beverage		31,754
Raffle items		10,232
Equipment use		21,430
Professional fees and services		25,142
Prizes		2,800
Office and printing		3,585
Other		163
Total donated goods and services revenue and expense	\$	<u>518,451</u>

#### Note 5. Property and Equipment

Furniture, fixtures and equipment as of December 31, 2020, are summarized as follows:

Furniture and fixtures	\$	14,922
Computer equipment		13,813
Vehicles		13,858
		<u>42,593</u>
Less accumulated depreciation		<u>(33,737)</u>
	\$	<u>8,856</u>

#### Note 6. Related Party Transactions

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, LLC and Subsidiaries (SM). 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. During the period from October 1, 2019 to December 31, 2020, the Organization received \$19,603 in contributions and event revenue and \$393,259 in donated goods and services from SM. During for the period from October 1, 2019 to December 31, 2020, the Organization utilized SM resources, comprised of salaries, benefits and event costs, totaling \$1,007,306. The Organization reimburses SM for these costs. At December 31, 2020, the Organization owed SM \$99,265 for those expense reimbursements, which is in accounts payable and other liabilities in the accompanying statement of financial position.

## Speedway Children's Charities

### Notes to Financial Statements

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#### **Note 6. Related Party Transactions (Continued)**

Contribution revenue recognized from gifts made by the Organization's Board of Directors totaled approximately \$7,534 and in-kind donations from the same group totaled approximately \$8,240, each for the period from October 1, 2019 to December 31, 2020.

#### **Note 7. Coronavirus**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus, resulting virus variants, and actions taken to mitigate the spread of the virus have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Organization operates.

To date, in response to governmental orders the Organization has had to cancel or limit attendance at planned in-person fundraising events held by the Organization. Further, events held by related parties at which the Organization solicits funds have also been cancelled, postponed, or required to limit attendance since the outset of the pandemic in early 2020. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. Management is continually monitoring the potential impact of the coronavirus on the Organization and will continue to adjust planned operations as necessary.



RSM US LLP

### Independent Auditor's Report on the Supplementary Information

Board of Directors  
Speedway Children's Charities

We have audited the financial statements of Speedway Children's Charities as of December 31, 2020 and for the period October 1, 2019 through December 31, 2020, and have issued our report thereon, dated September 22, 2021, which contains an unmodified opinion on those financial statements. See page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 of and for the period October 1, 2019 through December 31, 2020 as a whole.

*RSM US LLP*

Charlotte, North Carolina  
September 22, 2021

## Speedway Children's Charities

### Schedule of Activities

Three-Month Period From October 1, 2019 to December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and event revenues:			
Support:			
Contributions	\$ 107,615	\$ -	\$ 107,615
Special event contributions	214,531	-	214,531
Donated goods and services	212,553	-	212,553
Releases from restriction	88,070	(88,070)	-
<b>Total support</b>	<u>622,769</u>	<u>(88,070)</u>	<u>534,699</u>
Event revenues:			
Special event fundraiser revenue	341,909	-	341,909
Less direct benefit costs	(181,381)	-	(181,381)
Net income from special event fundraisers (does not include \$214,531 of special event contributions)	<u>160,528</u>	<u>-</u>	<u>160,528</u>
<b>Total support and event revenues</b>	<u>783,297</u>	<u>(88,070)</u>	<u>695,227</u>
Expenses:			
Program services	2,931,482	-	2,931,482
Fundraising	359,385	-	359,385
Management and general	59,520	-	59,520
	<u>3,350,387</u>	<u>-</u>	<u>3,350,387</u>
<b>Change in net assets</b>	<u>(2,567,090)</u>	<u>(88,070)</u>	<u>(2,655,160)</u>
Net assets:			
Beginning	<u>2,959,423</u>	<u>216,140</u>	<u>3,175,563</u>
Ending	<u>\$ 392,333</u>	<u>\$ 128,070</u>	<u>\$ 520,403</u>

**Speedway Children's Charities**

**Schedule of Activities**

**Twelve-Month Period From January 1, 2020 to December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and event revenues:			
Support:			
Contributions	\$ 1,319,963	\$ -	\$ 1,319,963
Special event contributions	261,802	-	261,802
Donated goods and services	305,898	-	305,898
Releases from restriction	40,000	(40,000)	-
<b>Total support</b>	<u>1,927,663</u>	<u>(40,000)</u>	<u>1,887,663</u>
Event revenues:			
Special event fundraiser revenue	252,304	-	252,304
Less direct benefit costs	<u>(135,187)</u>	<u>-</u>	<u>(135,187)</u>
Net income from special event fundraisers (does not include \$237,489 of special event contributions)	<u>117,117</u>	<u>-</u>	<u>117,117</u>
<b>Total support and event revenues</b>	<u>2,044,780</u>	<u>(40,000)</u>	<u>2,004,780</u>
Expenses:			
Program services	1,178,418	-	1,178,418
Fundraising	861,502	-	861,502
Management and general	213,200	-	213,200
	<u>2,253,120</u>	<u>-</u>	<u>2,253,120</u>
<b>Change in net assets</b>	<u>(208,340)</u>	<u>(40,000)</u>	<u>(248,340)</u>
Net assets:			
Beginning	<u>392,333</u>	<u>128,070</u>	<u>520,403</u>
Ending	<u>\$ 183,993</u>	<u>\$ 88,070</u>	<u>\$ 272,063</u>

**Speedway Children's Charities**

**Schedule of Functional Expenses  
Three-Month Period From October 1, 2019 to December 31, 2019**

	Special Events	Program Services	Fund-Raising	Management and General	Total
Grants	\$ -	\$ 2,929,549	\$ -	\$ -	\$ 2,929,549
Donated goods and services (Note 4)	-	-	212,553	-	212,553
Catering, entertainment, and other event expenses	173,820	-	-	-	173,820
Salaries	-	1,617	77,875	27,451	106,943
Meetings and other	-	-	47,902	-	47,902
Office expense	5,399	-	5,181	-	10,580
Payroll taxes	-	155	6,032	1,547	7,734
Travel	1,568	-	75	3,518	5,161
Employee benefits	-	161	6,268	1,608	8,037
Professional fees	-	-	-	19,615	19,615
Advertising and promotion	239	-	2,104	-	2,343
Insurance	355	-	-	5,491	5,846
Tax and license	-	-	5	290	295
Depreciation	-	-	1,159	-	1,159
Occupancy	-	-	231	-	231
<b>Total expenses</b>	<b>\$ 181,381</b>	<b>\$ 2,931,482</b>	<b>\$ 359,385</b>	<b>\$ 59,520</b>	<b>\$ 3,531,768</b>



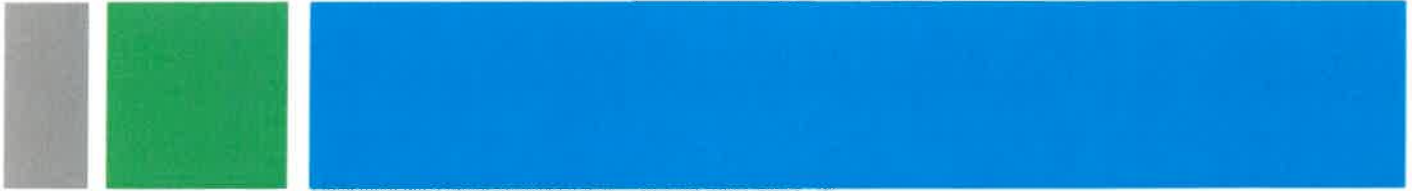
**Speedway Children's Charities**

**Schedule of Functional Expenses  
Twelve-Month Period From January 1, 2020 to December 31, 2020**

	Special Events	Program Services	Fund-Raising	Management and General	Total
Grants	\$ -	\$ 1,167,447	\$ -	\$ -	\$ 1,167,447
Donated goods and services	-	-	305,898	-	305,898
Catering, entertainment, and other event expenses	116,434	-	-	-	116,434
Salaries	-	9,161	441,112	155,494	605,767
Meetings and other	-	-	23,957	-	23,957
Office expense	14,695	-	14,100	-	28,795
Payroll taxes	-	996	38,847	9,961	49,804
Travel	3,131	-	149	7,026	10,306
Employee benefits	-	814	31,762	8,144	40,720
Professional fees	-	-	-	14,766	14,766
Advertising and promotion	171	-	1,502	-	1,673
Insurance	756	-	-	11,703	12,459
Tax and license	-	-	115	6,106	6,221
Depreciation	-	-	3,951	-	3,951
Occupancy	-	-	109	-	109
<b>Total expenses</b>	<b>\$ 135,187</b>	<b>\$ 1,178,418</b>	<b>\$ 861,502</b>	<b>\$ 213,200</b>	<b>\$ 2,388,307</b>

# Speedway Children's Charities

Report to the Board of Directors  
September 22, 2021





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September 22, 2021

Board of Directors  
Speedway Children's Charities  
Charlotte, North Carolina

We are pleased to present this report related to our audit of the financial statements of Speedway Children's Charities (the Organization) as of December 31, 2020 and for the period October 1, 2019 through December 31, 2020. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Organization's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the Organization.

*RSM US LLP*

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## REQUIRED COMMUNICATIONS

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

### Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated May 24, 2021. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

### Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication regarding the planned scope and timing of our audit and identified significant risks.

### Accounting Policies and Practices

#### Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

#### Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Organization.

The following is a description of significant accounting policies or their application that was adopted in the current year:

- Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*
- Accounting Standards Updated (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*

#### Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

#### Significant Unusual Transactions

Subsequent to the fiscal year ending September 30, 2019, the Organization modified its fiscal year-end from September 30 to December 31. With this fiscal year end modification, the period under audit and included in the audited financial statements is the 15-month period of October 1, 2019 to December 31, 2020.

We did not identify any significant unusual transaction during the period under audit.

#### Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached summary of Significant Accounting Estimates.

## **Audit Adjustments and Uncorrected Misstatements**

We are aware of one audit adjustment to reclass event revenue that was incorrectly recorded to contribution revenue. The entry decreased event revenue and increased contribution revenue by \$27,152.

We are not aware of any uncorrected misstatements.

## **Observations About the Audit Process**

### **Disagreements With Management**

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

### **Consultations With Other Accountants**

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

### **Significant Issues Discussed With Management**

No significant issues arising from the audit were discussed or the subject of correspondence with management.

### **Significant Difficulties Encountered in Performing the Audit**

We did not encounter any significant difficulties in dealing with management during the audit.

### **Difficult or Contentious Matters That Required Consultation**

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

## **Significant Written Communications Between Management and Our Firm**

Copies of significant written communications between our firm and the management of the Organization, including the representation letter provided to us by management, are attached as Exhibit A.

## SIGNIFICANT ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the Organization's December 31, 2021, financial statements.

### Allowance for Doubtful Accounts and Doubtful Promises to Give

<b>Accounting policy</b>	The Organization records an allowance for any receivable or promise to give whose collectability is questionable.
<b>Management's estimation process</b>	Management reviews its outstanding receivables or promises to give on a periodic basis and adjusts the allowance based on their review.
<b>Basis for our conclusion on the reasonableness of the estimate</b>	RSM reviewed the payment history of donors and collections on receivable balances and determined that the accounting policy and estimation process appear proper in accordance with accounting principles generally accepted in the United States of America.

### Contributions Receivable

<b>Accounting policy</b>	Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows.
<b>Management's estimation process</b>	Management estimates the value of contributions expected to be collected in future years at the present value of estimated future cash flows. The discounts on contributions receivable are computed using a rate commensurate with the risk of the contributions receivable in accordance with Accounting Standards Codification (ASC) 820, Fair Value Measurement, of the Financial Accounting Standards Board (FASB) ASC.
<b>Basis for our conclusion on the reasonableness of the estimate</b>	RSM examined the discount rate and method used by the Organization noting the accounting policy and estimation process appear proper in accordance with accounting principles generally accepted in the United States of America.

### Valuation of Donated Goods and Services

<b>Accounting policy</b>	The Organization recognizes contribution revenue for certain goods and services received at the fair value of those good and services. The organization reports these contributions as donated services revenue and expenses upon receipt.
<b>Management's estimation process</b>	Management reviews the estimated fair market value provided by the donor and compares to a price for a comparable item to determine the fair market value of the goods and services.
<b>Basis for our conclusion on the reasonableness of the estimate</b>	RSM reviewed and tested the assumptions the Organization used to measure fair value and determined the accounting policy and estimation process appear proper in accordance with accounting principles generally accepted in the United States of America.

## **Allocation of Functional Expenses**

### **Accounting policy**

Management allocates costs into the appropriate functional level based on the nature of the expense.

### **Management's estimation process**

Management allocates the accounts by project code which corresponds to the appropriate category within the functional expense calculation. Expenses are allocated based on estimates of time and effort, supplies and material usage, and space equipment usage.

### **Basis for our conclusion on the reasonableness of the estimate**

RSM obtained management's calculation of the allocation of functional expenses and analytically reviewed the calculation and detail tested supporting documentation for expenses, noting expenses appear properly classified in accordance with accounting principles generally accepted in the United States of America.



## **EXHIBIT A**

### **Significant Written Communications Between Management and Our Firm**