

# **Speedway Children's Charities**

Financial Report  
December 31, 2021

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Speedway Children's Charities

### Opinion

We have audited the financial statements of Speedway Children's Charities (the Organization), which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's 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 auditor's 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 the Organization'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 the Organization'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.

*RSM US LLP*

Greensboro, North Carolina  
August 19, 2022

**Speedway Children's Charities**

**Statement of Financial Position  
December 31, 2021**

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**Assets**

Cash	\$	638,903
Accounts receivable		103,252
Prepaid expenses		35,122
Other assets		26,350
Property and equipment, net		<u>5,807</u>
<b>Total assets</b>	<b>\$</b>	<b><u><u>809,434</u></u></b>

**Liabilities and Net Assets**

Liabilities:

Accounts payable and other liabilities	\$	146,438
Deferred revenue		<u>194,153</u>
<b>Total liabilities</b>		<b>340,591</b>

Net assets:

Without donor restrictions		<u>468,843</u>
<b>Total liabilities and net assets</b>	<b>\$</b>	<b><u><u>809,434</u></u></b>

See notes to financial statements.

**Speedway Children's Charities**

**Statement of Activities  
Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Support and event revenues:			
Support:			
Contributions	\$ 1,986,020	\$ -	\$ 1,986,020
Special event contributions	765,461	-	765,461
Donated goods and services	610,868	-	610,868
Releases from restriction	88,070	(88,070)	-
<b>Total support</b>	<b>3,450,419</b>	<b>(88,070)</b>	<b>3,362,349</b>
Event revenues:			
Special event fundraiser revenue	726,235	-	726,235
Less direct benefit costs	(411,100)	-	(411,100)
Net income from special event fundraisers (does not include \$765,461 of special event contributions)	315,135	-	315,135
<b>Total support and event revenues</b>	<b>3,765,554</b>	<b>(88,070)</b>	<b>3,677,484</b>
Expenses:			
Program services	2,063,968	-	2,063,968
Fundraising	1,184,687	-	1,184,687
Management and general	232,049	-	232,049
	<b>3,480,704</b>	<b>-</b>	<b>3,480,704</b>
<b>Change in net assets</b>	<b>284,850</b>	<b>(88,070)</b>	<b>196,780</b>
Net assets:			
Beginning	183,993	88,070	272,063
Ending	<b>\$ 468,843</b>	<b>\$ -</b>	<b>\$ 468,843</b>

See notes to financial statements.

## Speedway Children's Charities

### Statement of Functional Expenses Year Ended December 31, 2021

	Special Events	Program Services	Fundraising	Management and General	Total
Grants	\$ -	\$ 2,053,190	\$ -	\$ -	\$ 2,053,190
Donated goods and services (Note 4)	-	-	610,868	-	610,868
Catering, entertainment, and other event expenses	325,045	-	-	-	325,045
Salaries	-	9,142	453,481	165,464	628,087
Meetings and other	-	-	27,003	-	27,003
Office expense	67,630	-	14,562	-	82,192
Payroll taxes	-	994	38,763	9,939	49,696
Travel	10,333	-	8,413	-	18,746
Employee benefits	-	642	25,049	6,423	32,114
Professional fees	7,402	-	-	39,309	46,711
Advertising and promotion	690	-	573	-	1,263
Insurance	-	-	2,756	3,476	6,232
Tax and license	-	-	170	7,438	7,608
Depreciation	-	-	3,049	-	3,049
<b>Total expenses</b>	<b>\$ 411,100</b>	<b>\$ 2,063,968</b>	<b>\$ 1,184,687</b>	<b>\$ 232,049</b>	<b>\$ 3,891,804</b>

See notes to financial statements.

## Speedway Children's Charities

### Statement of Cash Flows Year Ended December 31, 2021

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Cash flows from operating activities:	
Change in net assets	\$ 196,780
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	3,049
Change in discount on receivables	(586)
Changes in assets and liabilities:	
Increase (decrease) in:	
Accounts receivable	(50,016)
Contributions receivable	88,070
Prepaid expenses	(24,714)
Increase in:	
Accounts payable and other liabilities	37,528
Deferred revenue	159,334
<b>Net cash provided by operating activities</b>	<u>409,445</u>
<b>Net increase in cash</b>	409,445
Cash:	
Beginning	<u>229,458</u>
Ending	<u>\$ 638,903</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.

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. At December 31, 2021, the Organization had no 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, 2021.

**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 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. The deferred revenue amount at year-end is expected to be recognized as revenue in the next fiscal year.

**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 2018.

During the year ended December 31, 2021, 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 August 19, 2022, 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, 2021:

Financial assets:

Cash	\$ 638,903
Accounts receivable	103,252
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 742,155</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 Receivable

Accounts receivable at December 31, 2021, are expected to be collected within one year.

#### Note 4. Donated Goods and Services

The Organization received \$610,868 in donated goods and services for the year ended December 31, 2021. 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 year ended December 31, 2021, summarized by category are as follows:

Facility use	\$	324,970
Service		95,061
Prizes		86,929
Equipment use		38,796
Raffle items		34,397
Salary, tax and benefits		30,715
Total donated goods and services revenue and expense	\$	<u>610,868</u>

#### Note 5. Property and Equipment

Property and equipment at December 31, 2021, are summarized as follows:

Furniture and fixtures	\$	14,036
Computer equipment		10,023
Vehicles		13,813
		<u>37,872</u>
Less accumulated depreciation		(32,065)
	\$	<u>5,807</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 year ended December 31, 2021, the Organization received \$461,971 in contributions and event revenue and \$437,167 in donated goods and services from SM. At December 31, 2021, the Organization had a receivable from SM totaling \$32,555 for contributions and event revenue not yet paid to the Organization. During the year ended December 31, 2021, the Organization utilized SM resources, comprised of salaries, benefits and event costs, totaling \$718,094. The Organization reimburses SM for these costs. At December 31, 2021, the Organization owed SM \$72,732 for those expense reimbursements, which is in accounts payable and other liabilities in the accompanying statement of financial position.

Contribution revenue recognized from gifts made by the Organization's Board of Directors totaled approximately \$13,716 and in-kind donations from the same group totaled approximately \$1,400, each for the year ended December 31, 2021.

## **Speedway Children's Charities**

### **Notes to Financial Statements**

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#### **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.

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.