



Speedway Children's Charities

Financial Statements
As of September 30, 2018

Together with
Independent Auditor's Report

SPEEDWAY CHILDREN'S CHARITIES

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018

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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 of **Speedway Children's Charities** (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, 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, 2018, 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 25, 2019

BGW CPA, PLLC

SPEEDWAY CHILDREN'S CHARITIES
STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018

ASSETS

CURRENT ASSETS:

Cash	\$3,039,375
Accounts receivable	157,094
Prepaid expenses	10,918
Other assets	23,218
Total current assets	<u>3,230,605</u>

FURNITURE, FIXTURES, AND EQUIPMENT, net

11,921

Total assets

\$3,242,526

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable and other liabilities	\$114,036
Grants payable	76,925
Deferred income	122,445
Total current liabilities	<u>313,406</u>

UNRESTRICTED NET ASSETS

2,929,120

Total liabilities and net assets

\$3,242,526

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, 2018

SUPPORT AND EVENT REVENUES:

Support:

Contributions	\$1,207,376
Special event contributions	2,219,259
Donated services and items, special event fund raisers	481,462
Donated services and items, general	658,244
Total support	<u>4,566,341</u>

Event Revenues:

Special event fund raiser revenue	1,192,954
Less: direct benefit costs	(1,346,125)
Net deficit from special event fund raisers (does not include \$2,219,259 of special event contributions or \$481,462 of donated services and items, special event fund raisers)	<u>(153,171)</u>
Total support and event revenues	<u>4,413,170</u>

EXPENSES:

Program costs	3,259,354
Fund-raising, includes \$658,244 of donated services and items	1,312,290
Management	100,190
Total expenses	<u>4,671,834</u>

CHANGE IN UNRESTRICTED NET ASSETS	<u>(258,664)</u>
BEGINNING UNRESTRICTED NET ASSETS	<u>3,187,784</u>
ENDING UNRESTRICTED NET ASSETS	<u><u>\$2,929,120</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in unrestricted net assets	(\$258,664)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	4,899
Donated items and services	(1,139,706)
Cost of donated items and services used in special events and fundraising activities	1,139,706
Decrease in accounts receivable	73,140
Increase in prepaid expenses	(3,534)
Increase in accounts payable and other liabilities	17,571
Increase in grants payable	4,000
Increase in deferred income	57,306
Net cash used in operating activities	<u>(105,282)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of furniture, fixtures and equipment	<u>(6,065)</u>
NET DECREASE IN CASH	(111,347)
CASH, beginning of year	<u>3,150,722</u>
CASH, end of year	<u><u>\$3,039,375</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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - Speedway Children's Charities (the 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.

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.

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, 2018, 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, 2018. 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 received summarized by category are as follows:

Advertising	\$153,236
Auction Item	221,414
Equipment Use	24,025
Facility Use	197,621
Food & Beverage	103,146
Prize	52,085
Service	330,304
Printing	13,222
Other	44,653
Total	<u><u>\$1,139,706</u></u>

Speedway Motorsports, Inc. provides 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. FURNITURE, FIXTURES AND EQUIPMENT:

Furniture, fixtures and equipment are summarized as follows:

Furniture and fixtures	\$30,033
Computer equipment	12,658
Vehicles	8,779
	<u>51,470</u>
Less: accumulated depreciation	<u>(39,549)</u>
	<u><u>\$11,921</u></u>

4. 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 2015 through 2017 are still subject to examination by the IRS.

5. 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.

6. SUBSEQUENT EVENT:

Events and transactions occurring after September 30, 2018 have been evaluated to determine proper recognition and disclosure in the financial statements. Subsequent events and transactions were evaluated through January 25, 2019 which represents the date the financial statements were available to be issued.

Subsequent to September 30, 2018, the Organization has committed to contribute approximately \$2,860,000 to various children's charities.

SPEEDWAY CHILDREN'S CHARITIES

STATEMENT OF EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Grants	\$3,245,875
Fund-raising expenses	765,555
Director compensation	60,000
Professional/Accounting	22,000
Travel	31,619
Salaries	424,519
Payroll taxes	40,494
Employee benefits	31,897
Depreciation	4,899
Office expense	21,507
Tax and license	6,795
Advertising and promotion	7,178
Insurance	7,653
Occupancy	1,843
Total expenses	<u><u>\$4,671,834</u></u>