

# Financial Statements and Independent Auditor's Report

## America Can! Cars for Kids

For the years ended June 30, 2023 and 2022



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AMERICA CAN! CARS FOR KIDS

JUNE 30, 2023 AND 2022

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**LANE GORMAN TRUBITT, LLC**  
Accountants & Advisors

## **Independent Auditor's Report**

Board of Trustees  
America Can! Cars for Kids

### **Opinion**

We have audited the accompanying financial statements of America Can! Cars for Kids ("Cars for Kids"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2023 and 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cars for Kids as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Cars for Kids 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 Cars for Kids' ability to continue as a going concern within one year after the date that the financial statements are 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 generally accepted auditing standards 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.

## **Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

In performing an audit in accordance with generally accepted auditing standards, 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 Cars for Kids' 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 Cars for Kids' 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.

*LANE GORMAN TRUBETT, LLC*

Dallas, Texas  
October 24, 2023

America Can! Cars for Kids  
STATEMENTS OF FINANCIAL POSITION  
June 30,

	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,551,633	\$ 555,308
Inventory	1,218,344	904,393
Prepaid expenses	19,984	127,746
Total current assets	2,789,961	1,587,447
CERTIFICATE OF DEPOSIT	1,564,339	250,000
PROPERTY AND EQUIPMENT - NET	2,328,566	2,403,130
Total assets	\$ 6,682,866	\$ 4,240,577
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	\$ -	\$ 168,511
Accounts payable	410,327	405,186
Accrued liabilities	316,795	266,861
Accrued wages payable	15,358	106,187
Total current liabilities	742,480	946,745
LONG-TERM DEBT, less current maturities	-	-
Total liabilities	742,480	946,745
<b>NET ASSETS</b>		
Without donor restrictions	5,940,386	3,293,832
Total liabilities and net assets	\$ 6,682,866	\$ 4,240,577

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

America Can! Cars for Kids  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Year Ended June 30, 2023 and Ten Months Ended June 30, 2022

	Year Ended June 30, 2023	Year Ended June 30, 2022
<b>REVENUES AND GAINS</b>		
Contributions of nonfinancial assets		
Auction revenue from sales of cars, boats and other vehicles	\$ 8,948,685	\$ 11,292,599
Cars, boats and other vehicles	1,218,344	904,393
Consignment revenue	140,538	158,265
Other income	4,215,676	19,084
<b>TOTAL REVENUES AND SUPPORT</b>	<b>14,523,243</b>	<b>12,374,341</b>
<b>EXPENSES</b>		
Program service expenses		
Advertising	1,145,374	1,409,231
Auction costs	2,517,682	2,688,663
Contributions to the Charter Holder	2,382,941	3,496,356
<b>Total program service expenses</b>	<b>6,045,997</b>	<b>7,594,250</b>
General and administration expenses		
General administration	1,529,396	1,664,322
Plant maintenance and operations	336,486	370,465
Debt service	2,935	15,568
Security and monitoring services	245,028	191,422
<b>Total general and administration expenses</b>	<b>2,113,845</b>	<b>2,241,777</b>
Fundraising	3,716,847	4,196,617
<b>TOTAL EXPENSES</b>	<b>11,876,689</b>	<b>14,032,644</b>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	2,646,554	(1,658,303)
NET ASSETS - Without donor restrictions, beginning of year	3,293,832	4,952,135
NET ASSETS - Without donor restrictions, end of year	<b>\$ 5,940,386</b>	<b>\$ 3,293,832</b>

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

America Can! Cars for Kids  
STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2023

	Program Services	Supporting Services		Total
		General and Administration	Fundraising	
Advertising	\$ 1,145,374	\$ -	\$ 3,455,621	\$ 4,600,995
Auction costs	68,458	-	-	68,458
Contributions	2,382,941	-	-	2,382,941
Data processing	-	412,325	-	412,325
Depreciation	-	147,678	-	147,678
Employee benefits	96,891	7,355	14,305	118,551
Insurance	-	104,128	-	104,128
Interest	-	2,935	-	2,935
Meals, travel & entertainment	-	37,036	-	37,036
Other	-	23,298	-	23,298
Payroll taxes	114,128	8,664	16,849	139,641
Professional fees	-	761,197	-	761,197
Rent & lease	-	29,882	-	29,882
Repairs & maintenance	-	50,481	-	50,481
Salaries	1,558,357	118,303	230,072	1,906,732
Security fees	-	245,028	-	245,028
Supplies	-	54,733	-	54,733
Taxes	-	2,960	-	2,960
Utilities	-	107,842	-	107,842
Vehicle preparation	679,848	-	-	679,848
Total functional expenses	<u>\$ 6,045,997</u>	<u>\$ 2,113,845</u>	<u>\$ 3,716,847</u>	<u>\$ 11,876,689</u>

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

America Can! Cars for Kids  
STATEMENT OF FUNCTIONAL EXPENSES  
Ten Months Ended June 30, 2022

	Program Services	Supporting Services		Total
		General and Administration	Fundraising	
Advertising	\$ 1,409,231	\$ -	\$ 3,933,692	\$ 5,342,923
Auction costs	141,989	-	-	141,989
Contributions	3,496,356	-	-	3,496,356
Data processing	-	390,913	-	390,913
Depreciation	-	138,704	-	138,704
Employee benefits	206,736	10,663	28,015	245,414
Insurance	-	85,588	-	85,588
Interest	-	15,568	-	15,568
Meals, travel & entertainment	-	15,845	-	15,845
Other	-	12,721	-	12,721
Payroll taxes	108,005	5,571	14,636	128,212
Professional fees	-	1,023,704	-	1,023,704
Rent & lease	-	38,718	-	38,718
Repairs & maintenance	-	83,543	-	83,543
Salaries	1,625,514	83,843	220,274	1,929,631
Security fees	-	191,422	-	191,422
Supplies	-	31,093	-	31,093
Taxes	-	4,751	-	4,751
Thrift store	-	-	-	-
Utilities	-	109,130	-	109,130
Vehicle preparation	606,419	-	-	606,419
Total functional expenses	<u>\$ 7,594,250</u>	<u>\$ 2,241,777</u>	<u>\$ 4,196,617</u>	<u>\$ 14,032,644</u>

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



America Can! Cars for Kids  
STATEMENTS OF CASH FLOWS  
Year Ended June 30, 2023 and Ten Months Ended June 30, 2022

	Year Ended June 30, 2023	Ten Months Ended June 30, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,646,554	\$ (1,658,303)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities		
Depreciation	147,678	138,704
Changes in operating assets and liabilities		
Accounts receivable	-	86,118
Inventory	(313,951)	(199,611)
Prepaid expenses	107,762	43,446
Accounts payable	5,141	150,462
Accrued liabilities	49,934	(26,035)
Accrued wages payable	(90,829)	(27,606)
Net cash provided by (used in) operating activities	2,552,289	(1,492,825)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificate of deposit	(1,314,339)	(250,000)
Acquisition of property and equipment	(73,114)	(147,573)
Net cash used in investing activities	(1,387,453)	(397,573)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on long-term debt	(168,511)	(241,380)
Net cash provide used in financing activities	(168,511)	(241,380)
Net increase (decrease) in cash and cash equivalents	996,325	(2,131,778)
Cash and cash equivalents at beginning of year	555,308	2,687,086
Cash and cash equivalents at end of year	\$ 1,551,633	\$ 555,308
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during the year for interest	\$ 2,935	\$ 15,568
Cash paid for unrelated business income tax - net	\$ 4,381	\$ 11,407

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

America Can! Cars for Kids  
NOTES TO FINANCIAL STATEMENTS

## NATURE OF BUSINESS

America Can! Cars for Kids (“Cars for Kids”) is a not-for-profit organization formed in 2013 and is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. Cars for Kids fundraises by auctioning off donated and consigned vehicles, boats, and other items. Periodically, Cars for Kids will analyze its needs to fund its operations and approve transfers of excess funds to the beneficiaries.

Cars for Kids is governed by its independent Board of Trustees which comprised of eight members. The Board of Trustees is selected pursuant to the bylaws of Cars for Kids and has the authority to make decisions and significantly influence operations. The Board of Trustees has the primary accountability for the fiscal affairs of Cars for Kids.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied by Cars for Kids in the preparation of the accompanying financial statements is as follows:

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

#### Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net assets without donor restrictions* - Net assets not subject to donor-imposed stipulations.

*Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations. Cars for Kids has no net assets with donor stipulations as of June 30, 2023 and 2022. In the event Cars for Kids receives these donor-imposed stipulations in the future, some donor-imposed stipulations may be temporary in nature, such as those that will be met, either by actions of Cars for Kids and/or the passage of time. When a restriction expires, net assets with donor restrictions would be reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Some net assets may be subject to donor-imposed stipulations that will never lapse, thus requiring that the principal be invested in perpetuity and only the income may be used in accordance with the donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date of donation.

#### Adoption of New Accounting Pronouncement

On January 1, 2022, the Company adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 842, Leases. Under the new guidance, the Company recognized right-of-use (“ROU”) assets and lease liabilities for leases with terms greater than 12 months. Lessees are now required to classify leases as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

America Can! Cars for Kids  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement (Continued)

The Company has elected to utilize the following practical expedients:

- The Company did not reassess whether any expired or existing contracts are or contain leases upon adoption;
- The Company retained the classification of leases (e.g., operating or finance lease) existing as of the date of adoption;
- The Company did not reassess initial direct costs for any existing leases upon adoption;
- The Company utilized hindsight in determining the lease term; that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset and in assessing impairment of the Company's ROU assets;
- The Company has chosen to account for each separate lease component of a contract and its associated non-lease components as a single lease component;
- The Company has elected to exclude leases with terms less than 12 months, including any probable renewal options, from balance sheet recognition.
- For leases that the implicit borrowing rate is not known, the Company has elected to utilize the risk-free rate for the asset class, such as facility leases.

Management has assessed the impact of adopting ASC Topic 842, Leases. The new ASC has no material impact on the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand and in banks. This category also includes all highly liquid investment instruments with an original maturity of three months or less. Cars for Kids places its cash equivalents with high credit quality financial institutions located in the United States, which at times, may exceed federally insured limits. Cars for Kids has not experienced any losses on such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Certificates of Deposit

Cars for Kids invests cash in excess of short-term liquidity policy requirements in certificates of deposit. Certificates of deposit, with original maturities greater than three months, are recorded at cost. These investments do not qualify as securities as defined in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 320, *Investments – Debt and Equity Securities*, thus fair value disclosures required by ASC 820, *Fair Value Measurement*, for certificates of deposit are not provided. Net realized gains (losses) are reflected in interest income in the accompanying statements of activities and changes in net assets.

Accounts Receivable

Accounts receivable are carried at their net realizable value. An estimate is made for doubtful accounts based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Accounts receivable are written off when deemed uncollectible. Management has determined that no allowance for doubtful accounts is necessary at June 30, 2023 and 2022, respectively.

Recoveries of accounts receivable previously written off are recorded when received. Recoveries of amounts previously written off were approximately \$0 and \$0 during the periods ending June 30, 2023 and 2022, respectively, and is included in other income on the statement of activities and changes in net assets.

Inventory

Inventory consists of donated cars, boats and other vehicles and is valued at the average sales price for the previous twelve months.

America Can! Cars for Kids  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is computed over the estimated useful lives of the assets, which range from three to thirty years, using the straight-line method. Expenditures for additions, major renewals and betterments are capitalized at cost when purchased and are defined as assets with an estimated useful life of more than one year and a cost of \$5,000 or more. Donations of assets are recorded at fair value at the date of donation, which is then treated as cost.

Revenue Recognition

Revenue consists of sales of used vehicle auction sales, used vehicle consignment sales and other income. Revenues are recorded net of taxes collected from customers and remitted to government agencies. Cars for Kids has evaluated each revenue stream as follows:

*Used Vehicles* – Cars for Kids auctions used vehicles and recognizes revenue at the point of sale, at which point the earnings process is deemed to be complete. For each vehicle sale, Cars for Kids considers their performance obligation to be the delivery of the related vehicle. The transaction price is determined with the customer at the time of sale and clearly identifiable on the auction invoice. Cars for Kids receives payment directly from the customer at the time of sale.

*Consignment Vehicles* – Cars for Kids auctions vehicles on consignment for a fee and recognizes consignment fee revenue at the point of sale, at which point the earnings process is deemed to be complete. For each consignment sale, Cars for Kids considers their performance obligation to be the delivery of the related consigned vehicle. The transaction price is determined with the consignor at the time of consignment and is clearly identifiable on the consignment agreement. Cars for Kids receives payment directly from the customer at the time of sale.

*Other Income* - Consists of recoveries of accounts receivable previously written off, insurance reimbursements, forfeited customer deposits, and towing costs covered by donors. Revenue associated with these items is recorded when the services or activities are provided, and Cars for Kids does not believe it is required to provide additional services or activities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures 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.

Personal Leave

Employees under 5 years of employment earn 10 days paid personal and sick leave per year, employees with 5 -10 years of employment earn 15 days paid personal and sick leave per year, employees with 10 years of employment earn 20 days paid personal and sick leave per year. There is no liability for unpaid accumulated leave since Cars for Kids does not have a policy to pay any amounts when the employees separate from service.

Income Taxes

Cars for Kids is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code (the "Code") according to the United States Internal Revenue Service determination letter dated October 1985, except to the extent it has unrelated business taxable income.

America Can! Cars for Kids  
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing Cars for Kids' financial statements to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expenses in the current period. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. However, the conclusions regarding the uncertainty in income taxes will be subjective to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

Tax positions taken related to Cars for Kids' tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken would more likely than not be sustained by examination. For the periods ended June 30, 2023 and 2022, unrelated business income tax expense of \$2,357 and \$4,381, respectively, were recorded.

Cars for Kids recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. Cars for Kids' informational returns filed in the U.S. federal jurisdiction are generally subject to examination for three years after the later of the due date or date of filing.

Advertising Costs

Advertising costs are expensed when incurred. Total advertising costs for the periods ended June 30, 2023 and 2022 were \$4,600,995 and \$5,342,923, respectively, and are included in fundraising expenses in the accompanying statements of activities and changes in net assets.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of Cars for Kids. These expenses include salaries and the related payroll taxes. Natural expenses attributable to more than one functional expense category are allocated using a time and effort cost allocation technique.

Recent Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit ("NFP") entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in this ASU improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments do not change the recognition and measurement requirements. The Foundation adopted ASU No. 2020-07 effective June 1, 2022. The amendments in this ASU were applied on a retrospective basis. The adoption of this accounting standard did not have a material impact on the Cars for Kids' financial statements.

Cars for Kids is currently assessing the impact this recent accounting pronouncement will have on its financial statements.

America Can! Cars for Kids  
NOTES TO FINANCIAL STATEMENTS

2. LIQUIDITY

The following reflects Cars for Kids' financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date due to donor imposed restrictions or internal designations. Amounts not available include amounts set aside for operations and that could be drawn upon if the Board of Directors approves the action.

As of June 30, 2023 and 2022, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 1,551,633	\$ 555,308
Certificate of deposit	1,564,339	250,000
Accounts receivable	-	-
Financial assets, at period-end	3,115,972	805,308
Less: amounts unavailable for general expenditure within one year	-	(250,000)
Total financial assets available to meet cash needs within one year	\$ 3,115,972	\$ 555,308

As part of its mission, Cars for Kids generally remits cash in excess of immediate requirements to the Beneficiary. During their routine monitoring of liquidity, Cars for Kids adjusts these remittances to ensure there are cash reserves maintained to meet its operating needs and other contractual commitments. The certificate of deposit can be readily liquidated to pay for general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, Cars for Kids anticipates collecting sufficient revenue and support to cover general expenditures. Specifically, the \$1,218,344 in inventory as of June 30, 2023 will provide the resources to add additional liquidity to Cars for Kids.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2023	2022
Building and improvements	\$ 3,033,102	\$ 3,033,102
Vehicles	64,889	12,100
Computer equipment	94,683	94,683
Furniture and equipment	140,744	120,419
	3,333,418	3,260,304
Less accumulated depreciation	(1,004,852)	(857,174)
	\$ 2,328,566	\$ 2,403,130

For the periods ended June 30, 2023 and 2022, depreciation expense was \$147,678 and \$138,704, respectively.

4. NOTES PAYABLE

Mortgage Loan

On September 11, 2016, Cars for Kids entered into a note payable agreement to finance their facility. This note payable matures on February 11, 2023, and is collateralized by the property and bears interest at 5%. Monthly installments of principal and interest are \$21,412. The outstanding balance of the note at June 30, 2023 and 2022 was \$0 and \$168,511, respectively.

America Can! Cars for Kids  
NOTES TO FINANCIAL STATEMENTS

5. DEFINED CONTRIBUTION PLAN

Cars for Kids contributes 6% of all eligible employees' salary into the America Can! Cars for Kids 401(k) Profit Sharing Plan and Trust. Cars for Kids' contributions for the periods ended June 30, 2023 and 2022, totaled \$60,065 and \$60,606, respectively.

6. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Donated materials and equipment are reflected as contributions in the accompanying financial statements and are recorded at their fair market value at the date of receipt. Cars for Kids reports gifts of property and equipment as increases in net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as increases in net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Cars for Kids reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) required specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

For the periods ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the statements of activities included:

	<u>2023</u>	<u>2022</u>
Cars, boats and other vehicles	<u>\$ 10,167,029</u>	<u>\$ 12,196,992</u>

Cars for Kids recognized contributed nonfinancial assets within revenue, including cars, boats and other vehicles, and household goods for the thrift store. Proceeds from the sales of these contributed nonfinancial assets are used to support the Beneficiary. Contributed nonfinancial assets did not have donor-imposed restrictions.

It is Cars for Kids' policy to sell all contributed cars, boats and other vehicles as soon as possible at auction or for salvage. Cars, boats and other vehicles sold are valued according to the actual cash proceeds on their disposition. Auction proceeds for the periods ended June 30, 2023 and 2022, totaled \$8,948,685 and \$11,292,599, respectively. Contributions of cars, boats and other vehicles included in inventory at June 30, 2023 and 2022, totaled \$1,218,344 and \$904,393, respectively. Inventory is valued at the average sales price for the previous twelve months.

7. CONTRIBUTIONS TO AFFILIATED ORGANIZATIONS

During the periods ended June 30, 2023 and 2022, Cars for Kids contributed cash to the Beneficiary totaling \$2,382,941 and \$3,496,356, respectively for beneficiary operations.

8. COMMITMENTS AND CONTINGENCIES

Litigation

Cars for Kids can be involved in various lawsuits in the normal course of business. Management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Accordingly, no provision for any contingent liabilities that may result has been made in the financial statement. Management believes that losses resulting from these matters, if any, would be covered under Cars for Kids' professional liability insurance policy and would not have a material effect on the financial position of Cars for Kids.

In the year ending June 30, 2023, Cars for Kids reached a settlement regarding litigation with an insurance provider. The results of this settlement was Cars for Kids receiving a settlement of reimbursements for legal expenses, included in other income.

America Can! Cars for Kids  
NOTES TO FINANCIAL STATEMENTS

8. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation (Continued)

During the periods ended June 30, 2023 and 2022, Cars for Kids was Plaintiff in ongoing matters with Kars4Kids. Expenses related to these matters are included in the accompanying statements of activities and changes in net assets. Funds spent on these matters totaled \$533,953 and \$291,082 for the periods ended June 30, 2023 and 2022, respectively.

Lease Commitments

Cars for Kids leases several pieces of equipment under non-cancelable operating leases that expire through November 2024. Minimum future lease payments under these non-cancelable operating leases are as follows for the years ended June 30:

2024	\$	18,187
2025		9,371
Thereafter		-
	<u>\$</u>	<u>27,558</u>

The accompanying statements of activities and changes in net assets include rent and lease expense of \$29,882 and \$38,718 for the periods ended June 30, 2023 and 2022, respectively.

9. RELATED PARTY TRANSACTIONS

During the periods ended June 30, 2023 and 2022, Cars for Kids approved payments totaling \$- and \$140,000, respectively, to Marqcom, Inc. for a software license utilized by the Beneficiary's curriculum. Marqcom, Inc. is a corporation owned by the Chief Executive Officer "CEO") of the Beneficiary and these payments were in addition to his employment contract and performance bonuses.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 24, 2023, the date the financial statements were available to be issued.