

Financial Statements and Independent Auditor's Report

America Can! Cars for Kids

For the year ended June 30, 2022 and the ten-month
period ended June 30, 2021



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AMERICA CAN! CARS FOR KIDS

JUNE 30, 2022 AND 2021

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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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2022 and the ten-month period ended June 30, 2021, 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, 2022 and 2021, 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
November 18, 2022

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

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 555,308	\$ 2,687,086
Accounts receivable	-	86,118
Inventory	904,393	704,782
Prepaid expenses	127,746	171,192
Total current assets	1,587,447	3,649,178
CERTIFICATE OF DEPOSIT	250,000	-
PROPERTY AND EQUIPMENT - NET	2,403,130	2,394,261
Total assets	\$ 4,240,577	\$ 6,043,439
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 168,511	\$ 241,729
Accounts payable	405,186	254,724
Accrued liabilities	266,861	292,896
Accrued wages payable	106,187	133,793
Total current liabilities	946,745	923,142
LONG-TERM DEBT, less current maturities	-	168,162
Total liabilities	946,745	1,091,304
NET ASSETS		
Without donor restrictions	3,293,832	4,952,135
Total liabilities and net assets	\$ 4,240,577	\$ 6,043,439

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, 2022 and Ten Months Ended June 30, 2021

	Year Ended June 30, 2022	Ten Months Ended June 30, 2021
REVENUES AND GAINS		
Contributions of nonfinancial assets		
Auction revenue from sales of cars, boats and other vehicles	\$ 11,292,599	\$ 10,479,802
Thrift store revenue	-	48,596
Cars, boats and other vehicles	904,393	704,782
Consignment revenue	158,265	149,598
Gain on extinguishment of debt	-	310,000
Other income	19,084	161,281
TOTAL REVENUES AND SUPPORT	12,374,341	11,854,059
EXPENSES		
Program service expenses		
Advertising	1,409,231	823,939
Auction costs	2,688,663	2,336,447
Contributions to the Charter Holder	3,496,356	2,781,339
Total program service expenses	7,594,250	5,941,725
General and administration expenses		
General administration	1,664,322	1,176,114
Plant maintenance and operations	370,465	298,872
Debt service	15,568	21,736
Security and monitoring services	191,422	64,555
Total general and administration expenses	2,241,777	1,561,277
Fundraising	4,196,617	2,565,158
TOTAL EXPENSES	14,032,644	10,068,160
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,658,303)	1,785,899
NET ASSETS - Without donor restrictions, beginning of year	4,952,135	3,166,236
NET ASSETS - Without donor restrictions, end of year	\$ 3,293,832	\$ 4,952,135

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

America Can! Cars for Kids
STATEMENT OF FUNCTIONAL EXPENSES
Year 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
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
STATEMENT OF FUNCTIONAL EXPENSES
Ten Months Ended June 30, 2021

	Program Services	Supporting Services		Total
		General and Administration	Fundraising	
Advertising	\$ 823,939	\$ -	\$ 2,471,816	\$ 3,295,755
Auction costs	124,606	-	-	124,606
Contributions	2,781,339	-	-	2,781,339
Data processing	-	271,154	-	271,154
Depreciation	-	114,950	-	114,950
Employee benefits	186,086	8,037	10,774	204,897
Insurance	-	41,550	-	41,550
Interest	-	21,736	-	21,736
Meals, travel & entertainment	-	1,904	-	1,904
Other	-	12,489	-	12,489
Payroll taxes	121,847	5,263	7,054	134,164
Professional fees	-	748,138	-	748,138
Rent & lease	-	38,937	-	38,937
Repairs & maintenance	-	51,483	-	51,483
Salaries	1,304,312	56,333	75,514	1,436,159
Security fees	-	64,555	-	64,555
Supplies	-	19,839	-	19,839
Taxes	-	12,171	-	12,171
Thrift store	43,887	-	-	43,887
Utilities	-	92,738	-	92,738
Vehicle preparation	555,709	-	-	555,709
Total functional expenses	<u>\$ 5,941,725</u>	<u>\$ 1,561,277</u>	<u>\$ 2,565,158</u>	<u>\$ 10,068,160</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, 2022 and Ten Months Ended June 30, 2021

	Year Ended June 30, 2022	Ten Months Ended June 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,658,303)	\$ 1,785,899
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation	138,704	114,950
Gain on extinguishment of debt	-	(310,000)
Changes in operating assets and liabilities		
Accounts receivable	86,118	(48,368)
Inventory	(199,611)	235,648
Prepaid expenses	43,446	(73,200)
Accounts payable	150,462	(1,044,000)
Accrued liabilities	(26,035)	(63,340)
Accrued wages payable	(27,606)	99,577
Net cash provided by (used in) operating activities	(1,492,825)	697,166
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificate of deposit	(250,000)	-
Acquisition of property and equipment	(147,573)	(15,499)
Net cash used in investing activities	(397,573)	(15,499)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(241,380)	(192,388)
Net cash provide used in financing activities	(241,380)	(192,388)
Net increase (decrease) in cash and cash equivalents	(2,131,778)	489,279
Cash and cash equivalents at beginning of year	2,687,086	2,197,807
Cash and cash equivalents at end of year	\$ 555,308	\$ 2,687,086
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 15,568	\$ 21,736
Cash paid for unrelated business income tax - net	\$ 11,407	\$ 529

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 five 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”).

Change in Fiscal Year End

The fiscal year end of Cars for Kids was changed from August 31 to June 30 in 2021. Accordingly the prior year financial statements are prepared for ten months from September 1, 2020 to June 30, 2021 and as a result, the comparative amounts in the financial statements and the related notes are not comparable.

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, 2022 and 2021. 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.

America Can! Cars for Kids
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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.

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.

Certificate 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, 2022 and 2021, respectively.

Recoveries of accounts receivable previously written off are recorded when received. Recoveries of amounts previously written off were approximately \$0 and \$152,500 during the periods ending June 30, 2022 and 2021, 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.

Cars for Kids received contributions of goods and materials and processed these contributions as merchandise available for sale in its retail thrift store, which was closed prior to June 30, 2021. Financial accounting standards require that contributions received be recognized as revenues or gains in the period received and as corresponding assets, measured at their fair value.

Cars for Kids believed the contributed thrift store inventory did not possess an attribute that was easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It was only through the value-added processes that prepared the donated inventory for sale, that the donated inventory had value. Accordingly, contributed thrift store inventory was valued at zero prior to being offered for sale. Cars for Kids considered the costs associated with bringing the donated inventory to sale (i.e., donation collection, transportation, sorting and pricing expenses) in its estimate of the fair value of inventory. The difference between period-end inventory valuations is shown on the statement of activities and changes in net assets as thrift store costs.

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, sales of thrift store goods 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.

Thrift Store Goods – Cars for Kids sells donated goods through its thrift store and recognizes revenue at the point of sale, at which point the earnings process is deemed to be complete. For each sale, Cars for Kids considers their performance obligation to be the delivery of the related goods. The transaction price is determined with the customer at the time of sale and clearly identifiable on the receipt. Cars for Kids receives payment directly from the customer at the time of sale. The retail thrift store was closed prior to June 30, 2021

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. The full extent to which the COVID-19 pandemic could continue to directly or indirectly impact the School's results of operations and financial condition, including revenues, expenses, reserves and allowances will depend on future developments that remain uncertain at this time, particularly as virus variants continue to spread.

Personal Leave

Employees under 5 years of employment earn 10 days paid personal and sick leave per year, employees with 5 -15 years of employment earn 15 days paid personal and sick leave per year, employees with 15 -20 years of employment earn 20 days paid personal and sick leave per year, and employees with more than 20 years of employment earn 30 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.

America Can! Cars for Kids
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021, unrelated business income tax expense of \$4,381 and \$11,407, 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, 2022 and 2021 were \$5,342,923 and \$3,295,755, 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 February 2016, the FASB issued Accounting Standards Update (“ASU”) Update 2016-02, *Leases (Topic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP - which requires only capital leases to be recognized on the statement of financial position - the new ASU will require both types of leases to be recognized on the statement of financial position. Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for Topic 842. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021 and for interim reporting periods within fiscal years beginning after December 15, 2022. Early application of the amendments in this ASU is permitted.

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, 2022 and 2021, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 555,208	\$ 2,687,086
Certificate of deposit	250,000	-
Accounts receivable	-	86,118
Financial assets, at period-end	805,308	2,773,204
Less: amounts unavailable for general expenditure within one year	250,000	-
Total financial assets available to meet cash needs within one year	\$ 555,308	\$ 2,773,204

As part of its mission, Cars for Kids generally remits cash in excess of immediate requirements to the Charter Holder. 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 \$904,393 in inventory as of June 30, 2022 will provide the resources to add additional liquidity to Cars for Kids.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2022	2021
Building and improvements	\$ 3,033,102	\$ 2,885,529
Vehicles	12,100	12,100
Computer equipment	94,683	94,683
Furniture and equipment	120,419	120,419
	3,260,304	3,112,731
Less accumulated depreciation	(857,174)	(718,470)
	\$ 2,403,130	\$ 2,394,261

For the periods ended June 30, 2022 and 2021, depreciation expense was \$138,704 and \$114,950, respectively.

America Can! Cars for Kids
NOTES TO FINANCIAL STATEMENTS

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, 2022 and 2021 was \$168,511 and \$409,891, respectively.

Maturities of the mortgage loan are as follows for the years ended June 30:

2023	\$	168,511
Thereafter		-
		168,511
Less current maturities		(168,511)
Total noncurrent	\$	-

Economic Injury Disaster Loan Advance

On April 22, 2020, Cars for Kids received an Economic Injury Disaster Loan (“EIDL”) Advance from the United States Small Business Administration (“SBA”), which is a grant program offered together with the economic injury loan program under the Coronavirus Aid, Relief, and Economic Security Act. The EIDL Advance does not have to be repaid and has been reflected in the June 30, 2021 statement of activities and changes in net assets, as a \$10,000 gain on extinguishment of debt. The outstanding balance of the advance at June 30, 2022 and 2021 was \$0.

5. PAYCHECK PROTECTION PROGRAM

On April 15, 2020, Cars for Kids received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the SBA under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender (the “PPP Lender”), for an aggregate principal amount of \$300,000 (the “PPP Loan”). The PPP Loan bore interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, and had an initial maturity date of April 15, 2022 and is unsecured and guaranteed by the SBA.

The principal amount of the PPP Loan is subject to forgiveness under the PPP upon Cars for Kids’ request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP, including payroll costs, covered rent and interest on mortgage obligations, and covered utility payments incurred by Cars for Kids. Cars for Kids used the proceeds for purpose consistent with the PPP. Cars for Kids applied for forgiveness of the PPP Loan and on June 7, 2021, Cars for Kids received notice from the PPP Lender that their application for forgiveness was approved by the SBA in the amount of \$300,000, and the forgiveness of the PPP Loan has been reflected in the June 30, 2021 statement of activities and changes in net assets as a gain on extinguishment of debt.

Forgiveness applications for loans under \$2 million are reviewed and approved by the PPP Lender that is servicing the loan. The SBA may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan, however loans in excess of \$2 million are subject to additional review and approval by the SBA. The reviews may include the loan forgiveness application, as well as whether Cars for Kids met the eligibility requirements of the program and received the proper loan amount, and as a result of such reviews, adjustments could be required to the recognition of the gain on extinguishment of debt.

6. 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, 2022 and 2021, totaled \$60,606 and \$47,347, respectively.

America Can! Cars for Kids
NOTES TO FINANCIAL STATEMENTS

7. 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, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included:

	2022	2021
Cars, boats and other vehicles	\$ 12,196,992	\$ 11,184,584
Household goods – Thrift store	-	48,596
	\$ 12,196,992	\$ 11,233,180

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 Charter Holder. 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, 2022 and 2021, totaled \$11,292,599 and \$10,479,802, respectively. Contributions of cars, boats and other vehicles included in inventory at June 30, 2022 and 2021, totaled \$904,393 and \$704,782, respectively. Inventory is valued at the average sales price for the previous twelve months.

It is Cars for Kids' policy to sell all contributed household goods at the Thrift store. Household goods sold are valued according to the actual cash proceeds on their disposition. Cars for Kids believes the contributed thrift store inventory does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. Accordingly, contributed thrift store inventory is valued at zero.

8. CONTRIBUTIONS TO AFFILIATED ORGANIZATIONS

During the periods ended June 30, 2022 and 2021, Cars for Kids contributed cash to the Charter Holder totaling \$3,496,356 and \$2,781,339, respectively for charter school operations.

9. 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.

During the periods ended June 30, 2022 and 2021, Cars for Kids was Plaintiff in ongoing matters with Kars4Kids and Arch Insurance. Expenses related to these matters are included in the accompanying statements of activities and changes in net assets. Funds spent on these matters totaled \$796,407 and \$228,309 for the periods ended June 30, 2022 and 2021 respectively.

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NOTES TO FINANCIAL STATEMENTS

9. COMMITMENTS AND CONTINGENCIES (Continued)

Lease Commitments

Cars for Kids leases several pieces of equipment under non-cancelable operating leases that expire through November 2025. Minimum future lease payments under these non-cancelable operating leases are as follows for the years ended June 30:

2023	\$	23,484
2024		18,187
2025		9,371
Thereafter		-
	<u>\$</u>	<u>51,042</u>

The accompanying statements of activities and changes in net assets include rent and lease expense of \$38,718 and \$38,937 for the periods ended June 30, 2022 and 2021, respectively.

Global Pandemic

In December 2019, a novel strain of coronavirus (“COVID-19”) was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a “Public Health Emergency of International Concern” and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has caused disruptions to the global economy and financial markets with management continuing to monitor conditions. Cars for Kids is following local, state and federal guidelines. While Cars for Kids expects this matter might impact its results, the extent of the impact of COVID-19 on its operational and financial performance will depend on future developments, including the duration and spread of the outbreak government imposed restrictions and the impact of COVID-19 on its customers and donors and overall market conditions, all of which are highly uncertain and cannot be predicted.

10. RELATED PARTY TRANSACTIONS

During the periods ended June 30, 2022 and 2021, Cars for Kids approved payments totaling \$140,000 and \$422,551, respectively, to Marqcom, Inc. for a software license utilized by the Charter Holder’s curriculum. Marqcom, Inc. is a corporation owned by the Chief Executive Officer “CEO”) of the Charter Holder and these payments were in addition to his employment contract and performance bonuses.

Cars for Kids holds cash and cash equivalents and a note payable totaling \$205,549 and \$168,511, respectively, at June 30, 2022 with a bank whose CEO is also a member of the Charter Holder’s Board of Directors. At June 30, 2021, these amounts totaled \$1,316,228 and \$409,891, respectively.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 18, 2022, the date the financial statements were available to be issued.