

MARTIN TRUEX JR. FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Martin Truex Jr. Foundation, Inc.

We have audited the accompanying financial statements of Martin Truex Jr. Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and cash flows, for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 Martin Truex Jr. Foundation, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of functional expenses as of December 31, 2015 and 2014 are presented for purposes of additional analysis and are 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,
May 2, 2016

BGW CPA, PLLC

MARTIN TRUEX JR. FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 and 2014

ASSETS

CURRENT ASSETS:	<u>2015</u>	<u>2014</u>
Cash	\$150,440	\$100,098
Investments	104,391	-
Accounts receivable	-	971
Other assets	5,643	28,823
Total current assets	<u>260,474</u>	<u>129,892</u>
 VEHICLE AND TRAILER, net	 3,886	 6,617
 Total assets	 <u><u>\$264,360</u></u>	 <u><u>\$136,509</u></u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES:		
Accounts payable and other liabilities	\$83,105	\$86,009
Current portion of grants payable	100,000	-
Deferred revenue	-	5,000
Total current liabilities	<u>183,105</u>	<u>91,009</u>
 NON-CURRENT PORTION OF GRANTS PAYABLE, net of discount	 96,750	 -
 UNRESTRICTED NET (DEFICIT) ASSETS	 (15,495)	 45,500
Total liabilities and net (deficit) assets	<u><u>\$264,360</u></u>	<u><u>\$136,509</u></u>

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

MARTIN TRUEX JR. FOUNDATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
UNRESTRICTED SUPPORT AND EARNED REVENUES:		
Cash and stock contributions	\$166,215	\$10,938
In-kind donations	67,901	37,600
Special events and sponsorships	359,116	343,758
Investment income	4,002	-
Other	11,212	3,562
Total unrestricted support and earned revenue	<u>608,446</u>	<u>395,858</u>
EXPENSES:		
Program	345,085	116,153
Administrative	91,645	29,805
Fundraising	232,711	263,779
Total expenses	<u>669,441</u>	<u>409,737</u>
CHANGE IN UNRESTRICTED NET (DEFICIT) ASSETS	(60,995)	(13,879)
BEGINNING UNRESTRICTED NET ASSETS	<u>45,500</u>	<u>59,379</u>
ENDING UNRESTRICTED NET (DEFICIT) ASSETS	<u><u>(\$15,495)</u></u>	<u><u>\$45,500</u></u>

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

MARTIN TRUEX JR. FOUNDATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 and 2014

CASH FLOWS FROM OPERATING ACTIVITIES:	2015	2014
Change in unrestricted net (deficit) assets	(\$61,348)	(\$13,879)
Adjustments to reconcile change in net deficit to net cash provided by (used in) operating activities:		
Depreciation expense	2,731	2,730
Change in discount on grants payable	(3,250)	-
Investment income reinvested	(3,751)	-
In-kind contributions received	(67,901)	(37,600)
Cost of donated items and services used in special events and fund-raising activities	67,901	40,057
Decrease in accounts receivable	971	1,159
Decrease (increase) in other assets	23,180	(6,161)
(Decrease) increase in accounts payable and other liabilities	(2,551)	1,858
(Decrease) increase in deferred revenue	(5,000)	570
Increase in grants payable	200,000	-
Net cash provided by (used in) operating activities	150,982	(11,266)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(100,640)	-
NET INCREASE (DECREASE) IN CASH	50,342	(11,266)
CASH, beginning of year	100,098	111,364
CASH, end of year	\$150,440	\$100,098

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

MARTIN TRUEX JR. FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization – Martin Truex Jr. Foundation, Inc. (the Foundation) is a non-profit corporation that was established on July 20, 2007, under the laws of the State of North Carolina. It operates in Mooresville, North Carolina. The Foundation is dedicated to providing funds to nonprofit charitable organizations that strive to positively impact the lives of children in need.

Support, revenue and accounts receivable - Contributions are generally available for unrestricted use in the year received unless specifically restricted by the donor. 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. All contributions received during 2015 and 2014 were unrestricted.

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. At December 31, 2015 and 2014, no reserve for losses due to uncollectible accounts was considered necessary by the Foundation, and there were no significant delinquent accounts receivable balances.

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 and sponsorship revenue - The Foundation holds golf tournaments, auctions and raffles as its major fund-raising events. Special event 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 events and sponsorships.

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.

Investments – The Foundation holds investments in marketable debt and equity securities. These securities consist of various mutual funds and are stated at fair value as determined from identical investments in active markets which are considered level 1 inputs under financial accounting standards hierarchy. The Foundation has classified all of these securities as other than trading. The Foundation records these securities at their fair value and records interest and dividend income as it is earned, and unrealized gains and losses from changes in fair value are recognized in earnings as they occur.

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. Investments in marketable debt and equity securities are carried at fair market value. The fair value of long-term grants payable is estimated by discounting the future cash flows using a risk-adjusted discount rate in accordance with the *Fair Value Measurements* section of the Financial Accounting Standards Board Codification (FASB ASC 820-10). Under FASB ASC 820-10, this method is considered a level 3 valuation in the fair value measurement hierarchy, which is defined as using significant unobservable inputs.

The Foundation elected the fair value option for long-term grants payable as allowed by FASB ASC 820-10. Accordingly, the discount rate used to estimate the fair value of the future cash flows is revised at each measurement period. The Organization has elected the fair value option to allow changes in the discount rate at each measurement period to be reported in the statement of activities as they occur.

Vehicle and trailer – The Foundation’s vehicle and trailer are reported at the fair market value at the time they were donated. Depreciation is provided over the estimated useful lives of the respective assets using the straight line method. The estimated useful life used in computing depreciation for the vehicle and trailer is five years.

Concentration of credit risk - Financial instruments that potentially expose the Foundation to concentrations of credit risk consist principally of cash. The Foundation 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 for up to \$250,000.

Net assets - The Foundation 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. As of December 31, 2015 and 2014 and for the years then ended, all of the Foundation’s net assets and changes in net assets (deficit) were unrestricted.

Advertising costs – The Foundation charges the cost of advertising to expense as incurred. Advertising expense for the years ended December 31, 2015 and 2014 was approximately \$16,000 and \$30,000, respectively.

2. DONATED SERVICES AND OTHER ITEMS:

The Foundation received donated services and other items for the years ended December 31, 2015 and 2014. The donations are reflected in the statements of activities as in-kind donations revenue. The expenses related to these donations are included in fundraising and administrative expenses on the statements of activities. Any unused items are included in other assets and held for future fundraising events.

The donated services and other items received for the years ended December 31, 2015 and 2014, summarized by category, are as follows:

	<u>2015</u>	<u>2014</u>
Advertising	\$4,000	\$24,600
Office supplies	2,072	-
Meals and entertainment	5,000	-
Professional fees	56,829	13,000
Total	<u>\$67,901</u>	<u>\$37,600</u>

3. INVESTMENTS:

During the year ended December 31, 2015, the Foundation received a contribution of stock valued at \$100,640 from an individual. Proceeds from the sale of stock were invested in various mutual funds.

Investments consisted of the following at December 31, 2015:

Short term investments	\$4,414
Fixed income mutual finds	48,187
Equity mutual funds	51,791
	<u>\$104,391</u>

4. VEHICLE AND TRAILER:

Vehicle and trailer at December 31, 2015 and 2014 are summarized as follows:

	<u>2015</u>	<u>2014</u>
Vehicle and trailer	\$13,653	\$13,653
Accumulated depreciation	(9,767)	(7,036)
	<u>\$3,886</u>	<u>\$6,617</u>

5. GRANT PAYABLE:

In March 2015, the Foundation made a pledge of \$300,000 payable over a three-year period from 2015 to 2017. Payments made during the years ended December 31, 2015 and 2014 totaling \$75,000 and \$25,000, respectively, were applied against the pledge. The long-term portion of the grant payable is reported at net present value using a risk-free interest rate of 3.25%. Changes in the discount for grants payable are reflected in the statement of activities as program cost. The remaining amount due at December 31, 2015 is summarized as follows:

Due in 2016	\$100,000
Due in 2017	<u>100,000</u>
	200,000
Less: discount to net present value (3.25%)	<u>(3,250)</u>
	<u><u>\$196,750</u></u>

6. INCOME TAXES:

The Foundation 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 Foundation 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 Foundation's income tax returns for its reporting periods ended during the years 2012 through 2014 are still subject to examination by the IRS.

7. RELATED PARTY TRANSACTIONS:

Management services - The Foundation is related to Martin Truex Jr., LLC (the Company), by a common member of the Foundation's board of directors. During the years ended December 31, 2015 and 2014, the Foundation reimbursed the Company for expenses related to management services totaling approximately \$88,000 and \$85,000, respectively.

Office space – The Company provides office space to the Foundation. The value of the office space and time spent by accounting personnel and payroll personnel is not significant and has not been recorded in the financial statements.

8. CONCENTRATION:

A substantial portion of the funds raised by the Foundation comes from activities conducted in connection with its annual golf tournament and fashion show. The Foundation received approximately 64% and 78% of its revenue and support from these fund-raising events during the years ended December 31, 2015 and 2014, respectively. The Foundation's ability to raise funds in the future depends partially on the continued success of these events and the economic conditions in the local communities.

9. SUBSEQUENT EVENTS:

Events and transactions occurring after December 31, 2015 have been evaluated to determine proper recognition and disclosure in the financial statements. Subsequent events and transactions were evaluated through May 2, 2016 which represents the date the financial statements were available to be issued.

MARTIN TRUEX JR. FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$858	\$15,594	\$16,452
Charitable contributions	322,534	-	-	322,534
Depreciation	2,731	-	-	2,731
Change in discount on grants payable	(3,250)	-	-	(3,250)
Bank charges and fees	-	242	6,093	6,335
Facility and equipment rental	-	-	108,059	108,059
Solicitation licenses	-	-	7,423	7,423
Management services	21,889	13,150	52,533	87,572
Meals and entertainment	243	58	7,426	7,727
Merchandise	-	17,607	12,274	29,881
Miscellaneous	40	667	535	1,242
Office supplies	250	1,773	5,535	7,558
Postage	-	78	652	730
Printing	286	55	2,821	3,162
Phone	-	1,001	-	1,001
Professional fees	-	55,283	13,082	68,365
Travel	362	873	684	1,919
	<u>\$345,085</u>	<u>\$91,645</u>	<u>\$232,711</u>	<u>\$669,441</u>

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

MARTIN TRUEX JR. FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Advertising	\$ -	\$2,270	\$28,037	\$30,307
Charitable contributions	91,825	-	-	91,825
Depreciation	2,730	-	-	2,730
Bank charges and fees	21	295	5,894	6,210
Facility and equipment rental	123	14	102,971	103,108
Solicitation licenses	-	-	13,006	13,006
Management services	21,267	12,760	51,040	85,067
Meals and entertainment	38	53	1,101	1,192
Merchandise	-	-	24,428	24,428
Miscellaneous	112	2,757	2,904	5,773
Office supplies	32	110	3,251	3,393
Postage	-	2	1,518	1,520
Printing	-	50	5,676	5,726
Professional fees	-	11,364	22,335	33,699
Travel	5	130	1,618	1,753
	<u>\$116,153</u>	<u>\$29,805</u>	<u>\$263,779</u>	<u>\$409,737</u>

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