Kars 4 Kids Inc. and Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2015

Roth&Co BEYOND BUSINESS
INDEPENDENT AUDITOR’S REPORT

To The Board of Directors
Kars 4 Kids Inc. and Subsidiaries
Lakewood, New Jersey

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Kars 4 Kids Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2015, and the related consolidated statements of activities and changes in net assets, and consolidated statement of cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Kars 4 Kids Inc. and Subsidiaries as of December 31, 2015, and the changes in their net assets and their cash flows for the year 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 basic consolidated financial statements as a whole. The supporting schedules are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Respectfully submitted,

Roth & Company LLP
Lakewood, New Jersey
May 18, 2016
ASSETS

CURRENT ASSETS
Cash $150,574
Accounts receivable, net 3,984,546
Pledges receivable 1,292,545
Mortgage receivable, current portion 14,667
Donated real estate - held for sale 1,958,921
TOTAL CURRENT ASSETS $7,401,253

FIXED ASSETS
Furniture, fixtures and equipment 80,672
Accumulated depreciation (73,261)
TOTAL FIXED ASSETS 7,411

OTHER ASSETS
Donated real estate - held for investment 1,213,052
Mortgage receivable 65,333
TOTAL OTHER ASSETS 1,278,385

TOTAL ASSETS $8,687,049

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES
Accounts payable $2,688,143
Accrued expenses 109,533
Grant payable 1,600,000
TOTAL CURRENT LIABILITIES $4,397,676

NET ASSETS
Unrestricted net assets 4,289,373

TOTAL LIABILITIES AND NET ASSETS $8,687,049
# Kars 4 Kids Inc. and Subsidiaries

## Consolidated Statement of Activities and Changes in Net Assets

**For The Year Ended December 31, 2015**

<table>
<thead>
<tr>
<th>REVENUE</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Donations, net</td>
<td>$ 39,071,455</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program expenses</td>
<td>$ 23,519,812</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>2,527,176</td>
</tr>
<tr>
<td>Fundraising expenses</td>
<td>13,110,424</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td><strong>39,157,412</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE IN UNRESTRICTED NET ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(85,957)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UNRESTRICTED NET ASSETS - BEGINNING</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,375,330</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UNRESTRICTED NET ASSETS - ENDING</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 4,289,373</td>
</tr>
</tbody>
</table>
CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets $ (85,957)

Adjustments to reconcile change in net assets to net cash used in operating activities

Depreciation $ 9,370
Bad debt expense 37,084
Noncash donations (2,076,690)
Loss on donated real estate held for sale 82,210
Noncash grant expense 263,542

Changes in operating assets and liabilities

Accounts receivable, net 1,096,436
Pledges receivable (1,292,545)
Accounts payable 542,013
Accrued expenses (14,981)
Grant payable 900,000

Total adjustments (453,561)

NET CASH USED IN OPERATING ACTIVITIES (539,518)

CASH FLOWS FROM INVESTING ACTIVITIES

Capital expenditures (8,200)
Collections of mortgages 395,000
Capital expenditures incurred for real estate held for sale (202,575)
Capital expenditures incurred for real estate held for investment (73,769)
Proceeds from sales of donated real estate 408,180

NET CASH PROVIDED BY INVESTING ACTIVITIES 518,636

NET DECREASE IN CASH (20,882)

CASH, BEGINNING 171,456

CASH, ENDING $ 150,574

NON CASH INVESTING AND FINANCING ACTIVITIES

Real estate sold through owner-financing $ 100,000

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization
Kars 4 Kids Inc., a nonprofit corporation organized under the laws of the State of New Jersey in August 2000, provides and supports outreach and educational services to children and their families throughout the United States.

Basis of Presentation
The accompanying consolidated financial statements include the accounts of Kars 4 Kids Inc. and its wholly owned subsidiaries JFY Capital LLC and K4K LLC. The LLC's were formed to hold investments in real estate, mortgage notes and real estate donations. All material intercompany balances and transactions have been eliminated in consolidation.

Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America and accordingly reflect all significant receivables, payables and other assets and liabilities.

Income Tax Status
The organization is exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents
Cash and cash equivalents consist primarily of cash on deposit, certificates of deposit, money market accounts, and investment grade commercial paper that are readily convertible into cash and purchased with original maturities of three months or less.

Accounts Receivable and Pledges Receivable
Accounts receivable consists of the estimated net proceeds of subsequent sales of vehicles donated and picked up during the current year. Such vehicles are delivered directly to dealers for subsequent sale by the transporters that receive them from donors. The organization does not assume ownership, risk of loss, or any liability for the donated vehicles and consequently recognizes them as sold upon pickup.

Pledges receivable consists of the estimated collectible amount of net proceeds of subsequent sales of vehicles donated during the current year but not yet picked up as of year end.
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Accounts Receivable and Pledges Receivable (continued)
Estimated provisions for losses on these receivables are recorded each period in the statement of activities and changes in net assets. In evaluating the collectability of the receivables, the organization considers the age of the account’s past history and the financial condition of the liable party. Any changes in these factors or in the actual collections of these receivables in subsequent periods may require changes in the estimated allowance for doubtful accounts. Changes in these estimates are charged or credited to the results of operations in the period of change. There has been no experience of significant credit losses and management believes that no material credit risk exists.

Fixed Assets
Fixed assets are carried at cost. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. Depreciation for furniture, fixtures and equipment is computed using the straight line method over its estimated useful life of 5 to 7 years.

Donated Goods and Services
The organization receives various donated goods and services. Donations of used cars, which account for a majority of the organization’s revenue, are valued at the estimated net proceeds of subsequent sales of such vehicles. Donations of real estate are valued at estimated net realizable value.

Revenue and Support
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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. Donor restricted contributions whose restrictions are met in the same reporting period in which the contribution is recognized are recorded as unrestricted support.
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Revenue and Support (continued)
Contributions are recognized as support when received or when evidenced by a promise to give. An allowance for uncollectible contributions is provided based on management’s evaluation of potential uncollectible amounts at year end.

Advertising
The organization uses dual-purpose advertising designed to promote its programs and to raise funds at the same time. In accordance with generally accepted accounting principles, these joint costs are allocated between program and fundraising, see note 5.

Use of Estimates
The preparation of financial statements in conformity with the accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable are presented net of an allowance for doubtful accounts of $37,084 at December 31, 2015.

NOTE 3 DONATED REAL ESTATE – HELD FOR SALE

The organization is holding 55 parcels of donated real property consisting primarily of vacant land and residential properties which the organization intends to sell. The estimated value of such properties is $1,958,921 at December 31, 2015.

NOTE 4 DONATED REAL ESTATE – HELD FOR INVESTMENT

The organization is holding 87 parcels of donated real property consisting primarily of vacant land which the organization intends to hold. The estimated value of such properties is $1,213,052 at December 31, 2015.
NOTE 5  ALLOCATION OF JOINT ACTIVITIES

During 2015, the organization conducted activities that included requests for contributions, as well as program and general and administrative components. Those activities included website costs and radio, television, billboard and newspaper campaigns. The costs of conducting those activities included a total of $16,941,967 of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program</td>
<td>$5,120,523</td>
</tr>
<tr>
<td>General and administrative</td>
<td>100,856</td>
</tr>
<tr>
<td>Fundraising</td>
<td>11,720,588</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$16,941,967</td>
</tr>
</tbody>
</table>

NOTE 6  RELATED PARTY TRANSACTIONS

The organization distributed most of its grants to an affiliated nonprofit organization under common management. Total grants to related organizations during 2015 amounted to $17,196,997, of which $1,600,000 was outstanding as of December 31, 2015. In addition, the organizations share premises, and certain overhead costs are allocated between them based on usage.

The organization is a guarantor on a $12,000,000 term note for the same affiliated organization with an outstanding balance of $11,051,574 at December 31, 2015. The note matures in September 2022 and is secured by real property of the related organization. The note accrues interest at a per annum rate equal to the bank’s prime rate plus .75%, with an interest rate floor of 3.75% per annum. Interest and principal payments of $63,340 are due monthly for the remaining term.

NOTE 7  FAIR VALUE MEASUREMENTS

As required by U.S. GAAP, the organization uses applicable guidance for defining fair value, the initial recording and periodic remeasurement of certain assets and liabilities measured at fair value and related disclosures for instruments measured at fair value. Fair value accounting guidance establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is
NOTE 7  FAIR VALUE MEASUREMENTS (continued)

significant to the instrument’s fair value measurement. The three levels within the fair value hierarchy are described as follows:

Level 1: Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the organization’s own assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which might include the organization’s own financial data such as internally developed pricing models, discounted cash flow methodologies, as well as instruments for which the fair value determination requires significant management judgment.

A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For assets that are measured using quoted prices in active markets (Level 1), the total fair value is the published market price per unit multiplied by the number of units held without consideration of transaction costs. Assets and liabilities that are measured using significant other observable inputs (Level 2) are primarily valued by reference to quoted prices of similar assets or liabilities in active markets, adjusted for any terms specific to that asset or liability. For all other assets and liabilities for which unobservable inputs are used (Level 3), fair value is derived through the use of fair value models, such as a discounted cash flow model or other standard pricing models that the organization deems reasonable.
NOTE 7 FAIR VALUE MEASUREMENTS (continued)

The following table summarizes financial asset instruments subject to recurring fair value measurements as of December 31, 2015.

<table>
<thead>
<tr>
<th>Assets</th>
<th>Fair Value</th>
<th>Quoted prices in active markets for identical assets Level 1</th>
<th>Significant other observable inputs Level 2</th>
<th>Significant unobservable inputs Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$150,574</td>
<td>$150,574</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated real estate held for sale</td>
<td>1,958,921</td>
<td>-</td>
<td></td>
<td>1,958,921</td>
</tr>
<tr>
<td>Donated real estate held for investment</td>
<td>1,213,052</td>
<td>-</td>
<td>-</td>
<td>1,213,052</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$3,322,547</td>
<td>$150,574</td>
<td>-</td>
<td>$3,171,973</td>
</tr>
</tbody>
</table>

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Donated Real Estate

Beginning balance

Purchases, issuances, sales, and settlements (net) 1,124,102

Ending balance $3,171,973

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2015.

Level 3 Fair Value Measurements

*Donated Real Estate – Held for sale*

Donated Real Estate – Held for sale consists of donated real estate. The fair value of the donated real estate is based on comparable sales values less estimated expenses to hold and sell.
NOTE 7  FAIR VALUE MEASUREMENTS (continued)

Level 3 Fair Value Measurements (continued)

Donated Real Estate – Held for investment
Donated Real Estate – Held for investment consists of donated real estate. The fair value of the donated real estate is based on net realizable comparable sales values.

NOTE 8  CONCENTRATIONS OF CREDIT RISK

Cash
At times the organization may maintain cash balances in excess of the Federal Deposit Insurance Corporation’s insured limits. The organization has not experienced any losses in such accounts and does not believe it is exposed to any significant risk of loss on cash.

Accounts Receivable and Donated Goods
The organization’s primary source of revenue is donations of used vehicles, which are sold at auction by independent car dealers. At December 31, 2015, one car dealer accounted for approximately 72% of total accounts receivable.

NOTE 9  CONTINGENCIES

Trademark Settlement
The organization had reached an agreement under the terms of a trademark infringement settlement in which Kars 4 Kids Inc. was required to make certain payments in exchange for specific trademark rights. The parties are currently disputing the enforceability of the settlement and the terms thereof and the case has been referred back to the court for a ruling.

NOTE 10  SUBSEQUENT EVENTS

The organization has evaluated subsequent events through May 18, 2016, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.
<table>
<thead>
<tr>
<th>PROGRAM EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and payroll taxes</td>
<td>$980,110</td>
</tr>
<tr>
<td>Advertising</td>
<td>5,120,523</td>
</tr>
<tr>
<td>Grants and subsidies</td>
<td>17,380,295</td>
</tr>
<tr>
<td>Office and miscellaneous</td>
<td>36,115</td>
</tr>
<tr>
<td>Printing and postage</td>
<td>2,769</td>
</tr>
<tr>
<td><strong>TOTAL PROGRAM EXPENSES</strong></td>
<td>$23,519,812</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GENERAL AND ADMINISTRATIVE EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and payroll taxes</td>
<td>$1,216,689</td>
</tr>
<tr>
<td>Advertising</td>
<td>100,856</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>37,084</td>
</tr>
<tr>
<td>Bank and credit card charges</td>
<td>58,198</td>
</tr>
<tr>
<td>Computer charges</td>
<td>164,827</td>
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<tr>
<td>Depreciation</td>
<td>9,370</td>
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<tr>
<td>Insurance</td>
<td>11,454</td>
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<tr>
<td>Licenses and permits</td>
<td>161,664</td>
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<tr>
<td>Office and miscellaneous</td>
<td>49,000</td>
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<tr>
<td>Professional fees</td>
<td>709,634</td>
</tr>
<tr>
<td>Rent</td>
<td>8,400</td>
</tr>
<tr>
<td><strong>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</strong></td>
<td>$2,527,176</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUNDRAISING EXPENSES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and payroll taxes</td>
<td>$1,182,892</td>
</tr>
<tr>
<td>Advertising</td>
<td>11,720,588</td>
</tr>
<tr>
<td>Office and miscellaneous</td>
<td>33,590</td>
</tr>
<tr>
<td>Printing and postage</td>
<td>24,917</td>
</tr>
<tr>
<td>Professional fees</td>
<td>9,493</td>
</tr>
<tr>
<td>Promotions</td>
<td>138,944</td>
</tr>
<tr>
<td><strong>TOTAL FUNDRAISING EXPENSES</strong></td>
<td>$13,110,424</td>
</tr>
</tbody>
</table>

SEE INDEPENDENT AUDITORS' REPORT