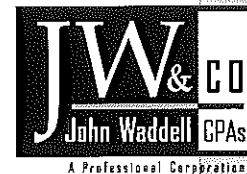


**CALIFORNIA VEHICLE FOUNDATION**

Reviewed Financial Statements

December 31, 2013

November 10, 2014



## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors  
California Vehicle Foundation  
Sacramento, California

We have reviewed the accompanying Statement of Financial Position of California Vehicle Foundation (a nonprofit organization) as of December 31, 2013, and the related Statements of Activity and Cash Flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2012, were audited by us, and we expressed an unqualified opinion on them in our report dated September 2, 2013, but we have not performed any auditing procedures since that date.

*John Waddell & Co., CPAs*

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Financial Position  
December 31, 2013  
(with comparative totals for 2012)**

**ASSETS**

	(Reviewed) 2013	(Audited) 2012
Cash	\$ 32,786	\$ 33,564
Accounts receivable	3,845	3,409
Gift shop inventory	15,517	12,769
Prepaid expenses	16,383	16,079
Prepaid vehicle expenses	6,778	7,168
Property and equipment, net	66,724	44,752
Cash restricted or designated, primarily for long term purposes	60,308	35,814
Museum exhibit vehicles	280,863	247,633
Collections	383,203	408,387
	\$ 866,407	\$ 809,575

**LIABILITIES AND NET ASSETS**

Liabilities		
Accounts payable	\$ 4,254	\$ 19,422
Accrued expenses	28,796	30,894
Deferred revenue	36,476	29,968
Line of credit	-	15,182
Other liabilities	16,550	19,275
	86,076	114,741
Total Liabilities	86,076	114,741
Net Assets		
Unrestricted		
Board designated	20,478	20,478
Undesignated	710,216	651,995
Temporarily restricted	49,637	22,361
	780,331	694,834
Total Net Assets	780,331	694,834
	\$ 866,407	\$ 809,575

See independent accountants' review report and notes to financial statements.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Activity  
For the Year Ended December 31, 2013  
(with comparative totals for 2012)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>(Reviewed) 2013 Total</u>	<u>(Audited) 2012 Total</u>
<b>Revenue</b>				
Admissions	\$ 123,528	\$ -	\$ 123,528	\$ 115,671
Contributions	75,063	13,760	88,823	65,066
Memberships	42,439	-	42,439	35,881
In-kind contributions	285,163	-	285,163	264,100
Docent income	8,674	-	8,674	7,716
Vehicle sales and consignment income	\$ 136,471			
Less: Cost of goods sold	<u>(54,162)</u>	19,655	82,309	91,753
Facility rental	145,643	-	145,643	137,361
Exhibit income	38,081	-	38,081	45,077
Special events	\$ 92,922			
Less: Cost of direct benefits to donors	<u>(15,410)</u>	-	77,512	63,747
Education	64,208	-	64,208	15,335
Library income	6,424	-	6,424	4,634
Investment income	63	-	63	65
Gift shop and online sales	\$ 44,101			
Less: Cost of goods sold	<u>(18,840)</u>	-	25,261	20,078
Other income	9,691	-	9,691	6,292
Net assets released from restriction	6,139	(6,139)	-	-
<b>Total Revenue</b>	<u>970,543</u>	<u>27,276</u>	<u>997,819</u>	<u>872,776</u>
<b>Expenses</b>				
Program services	762,709	-	762,709	749,369
Management and general	56,331	-	56,331	47,639
Fundraising and membership development	93,282	-	93,282	89,841
<b>Total Expenses</b>	<u>912,322</u>	<u>-</u>	<u>912,322</u>	<u>886,849</u>
<b>Change in Net Assets</b>	<b>58,221</b>	<b>27,276</b>	<b>85,497</b>	<b>(14,073)</b>
<b>Net Assets, Beginning of Year</b>	<u>672,473</u>	<u>22,361</u>	<u>694,834</u>	<u>708,907</u>
<b>Net Assets, End of Year</b>	<u>\$ 730,694</u>	<u>\$ 49,637</u>	<u>\$ 780,331</u>	<u>\$ 694,834</u>

See independent accountants' review report and notes to financial statements.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Cash Flows  
For the Year Ended December 31, 2013  
(with comparative totals for 2012)**

	<u>(Reviewed)</u> <u>2013</u>	<u>(Audited)</u> <u>2012</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 85,497	\$ (14,073)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	13,159	11,489
Loss on disposition of equipment	-	817
Realized and unrealized losses on collection items	5,529	921
Realized and unrealized losses on exhibit items	17,300	5,850
Donated exhibit items	(50,530)	(5,200)
Donated collection vehicles	-	(37,830)
Donated library gifts	-	(1,219)
Donated equipment	(19,603)	-
Changes in certain operating assets and liabilities:		
Accounts receivable	(436)	6,066
Gift shop inventory	(2,748)	1,717
Prepaid expenses	(304)	(1,805)
Prepaid vehicle expenses	390	8,981
Accounts payable	(15,168)	4,757
Accrued expenses	(2,098)	3,638
Deferred revenue	6,508	7,199
Other liabilities	(2,725)	(1,125)
Cash restricted for long-term purposes	(24,494)	41
Net Cash Provided (Used) by Operating Activities	<u>10,277</u>	<u>(9,776)</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(15,528)	(1,948)
Proceeds from sale of collections	19,655	-
Net Cash Used by Investing Activities	<u>4,127</u>	<u>(1,948)</u>
Cash Flows from Financing Activities		
Borrowings (repayments) on line of credit	(15,182)	15,182
Net Cash Provided (Used) by Financing Activities	(15,182)	15,182
Net Increase (Decrease) in Cash	(778)	3,458
Cash, Beginning of Year	<u>33,564</u>	<u>30,106</u>
Cash, End of Year	<u>\$ 32,786</u>	<u>\$ 33,564</u>

See independent accountants' review report and notes to financial statements.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

California Vehicle Foundation dba California Automobile Museum (the Foundation) is a nonprofit corporation whose purpose is to preserve, exhibit, and teach the story of, the automobile and its influence on our lives. The Foundation operates the California Automobile Museum in Sacramento, California, conducts various educational programs, and holds special events of interest to auto enthusiasts. The Foundation also conducts a vehicle donation program and a classic car and truck consignment program.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Cash**

Cash consists of cash and short-term investments not restricted for long-term purposes with maturities of three months or less when purchased.

**Accounts Receivable**

Accounts receivable are stated at unpaid balances. Management believes all of the receivables are collectible; accordingly, no allowance for doubtful accounts has been established. Receivables are determined to be past due based on contractual terms.

**Gift Shop Inventory**

Gift shop inventory is stated at the lower of cost or market using the average cost method.

**Museum Exhibits and Collections**

Museum exhibits and collections consist of vehicles held for exhibition to the public, a library of magazines, new car sales brochures, factory repair manuals maintained for educational purposes, and 1253 lithograph negatives from Lorin Sorensen's Ford Life Magazine. All museum exhibits and collections are inexhaustible and are protected, cared for, and preserved.

Items that are subject to a policy requiring proceeds from the sale of an item to be reinvested in other similar items are reported as collections. Collections are recorded at cost if purchased and at fair value at the date received if donated.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Museum Exhibits and Collections – Continued**

Items that are not subject to a policy requiring proceeds from the sale of an item to be reinvested in other similar items are reported as museum exhibits. Museum exhibit items are stated at the lower of cost or current fair value. Donated exhibit items are stated at the lower of fair value at the date of donation or current fair value.

**Property and Equipment**

Property and equipment purchases in excess of \$500 are capitalized at cost, if purchased, and fair value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, except for leasehold improvements, which are depreciated over the remaining life of the lease.

**Memberships**

Membership income is recorded when received and is essentially unrestricted contribution income.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions that are temporarily restricted are then reclassified to unrestricted net assets upon satisfaction of the restriction. Restricted contributions whose restrictions are met within the same reporting period are classified as unrestricted support.

Contributions of services are recognized if the services received create nonfinancial assets or require specialized skills. The museum is served by 300 volunteers whose services do not meet the above criteria for recognition. However, without these auto enthusiasts, the Foundation would not be a viable enterprise.

Marketable securities and other noncash contributions are recorded at their estimated fair values at the date of donation.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising expense amounted to \$682 during the year ended December 31, 2013.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Income Tax Status**

The Foundation is a tax-exempt corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, and is classified as a public charity. The Foundation's tax returns are open to examination by the IRS and FTB for three and four years, respectively, from the date they are filed.

**Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2012, from which the summarized information was derived.

**Reclassifications**

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

**Subsequent Events**

Management has evaluated subsequent events through the date the financial statements were available to be issued, which was November 10, 2014.

**NOTE 2 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2013:

Leasehold improvements	\$ 654,266
Furniture and fixtures	95,898
Equipment and software	19,043
Vehicles	8,602
	<hr/>
	777,809
Less accumulated depreciation	(711,085)
	<hr/>
	\$ 66,724
	<hr/>

Depreciation expense amounted to \$13,159 for the year ended December 31, 2013.



**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2013**

**NOTE 3 COLLECTIONS**

Collections consist of the following as of December 31, 2013:

Vehicles	\$	258,532
Library		104,671
Lithographs		20,000
		383,203
	\$	383,203

**NOTE 4 LEASES**

The Foundation leases the land and building for the museum under a five-year bargain lease expiring in December 2015 with the City of Sacramento for \$200 per month. The lease contains a clause that the City can terminate the lease prior to the expiration of the lease term with six months written notice in order to implement any redevelopment plan approved by the Redevelopment Agency or the City. In-kind rent expense under this lease amounted to \$249,600 for the year ended December 31, 2013. The Foundation also received in-kind storage space from a company through early 2013. In-kind rent expense for this space amounted to \$3,000 for the year ended December 31, 2013.

In addition, the Foundation leased office equipment under a five-year lease agreement in 2012. Future minimum lease payments under these leases assuming the City does not terminate the museum lease are as follows:

	Museum Space	Office Equipment	Total
2014	\$ 2,400	\$ 724	\$ 3,124
2015	2,400	724	3,124
2016	-	724	724
2017	-	543	543
	\$ 4,800	\$ 2,715	\$ 7,515

Total rent expense under all of the above leases amounted to \$255,000.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2013**

**NOTE 5 LINES OF CREDIT**

The Foundation has two lines of credit of \$50,000 each with two banks that renew annually. Borrowings under these lines bear interest at 6.25% and 11.50%, respectively. As of December 31, there were no outstanding balances on either line of credit. Interest incurred and paid in cash amounted to \$458 during the year ended December 31, 2013.

**NOTE 6 RESTRICTIONS AND DESIGNATIONS ON ASSETS**

Temporarily restricted net assets consist of the following as of December 31, 2013:

New Home Fund	\$	11,566
Technology Fund		10,710
Education Fund		954
Collections		19,655
Speed exhibit		2,250
Grant writer funding		4,502
		<hr/>
	\$	<u>49,637</u>

Board designated net assets are designated to the New Home Fund and are included in cash restricted or designated for long term purposes. In 2012, the assets were designated for endowment.

**NOTE 7 FAIR VALUE MEASUREMENTS**

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Transfers between levels in the fair value hierarchy are deemed to have occurred when the methodology for the levels are changed significantly.

Following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies during the year ended December 31, 2013:

*Donated exhibit items:* Based on published values per the Collector Car Price Guide, if available (Level 2). For vehicles not included in the Collector Car Price Guide, valued at 75% of the appraised value (Level 3).

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2013**

**NOTE 7 FAIR VALUE MEASUREMENTS – CONTINUED**

The following table sets forth the fair value measurements for assets that are valued at fair value on a recurring basis:

	<u>Fair Value</u>	<u>Level 1 (quoted prices for identical assets in an active market)</u>	<u>Level 2 (significant observable inputs)</u>	<u>Level 3 (significant unobservable inputs)</u>
Museum exhibit vehicles	\$ 280,863	\$ -	\$ 264,363	\$ 16,500

There were no changes in the Level 3 assets during the year ended December 31, 2013.