



November 5, 2015

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, 2014, 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 prior year summarized comparative information has been derived from the Foundation's 2013 financial statements, and our report dated November 10, 2014, stated that we were not aware of any material modifications that should be made to those statements.

John Waddell + Co., CPAs

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Financial Position
December 31, 2014
(with comparative totals for 2013)**

ASSETS

	2014	2013
Cash	\$ 8,524	\$ 32,549
Accounts receivable	20,945	3,845
Gift shop inventory	24,487	15,517
Prepaid expenses	14,647	16,383
Prepaid vehicle expenses	3,638	6,778
Property and equipment, net	66,079	66,724
Cash restricted or designated, primarily for long term purposes	34,461	60,545
Museum exhibit vehicles	279,343	280,863
Collections	406,245	383,203
	\$ 858,369	\$ 866,407

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 27,175	\$ 13,042
Accrued expenses	24,208	20,008
Deferred revenue	17,247	36,476
Other liabilities	17,400	16,550
	86,030	86,076
Total Liabilities		
Net Assets		
Unrestricted		
Board designated	-	20,478
Undesignated	722,171	710,216
Temporarily restricted	50,168	49,637
	772,339	780,331
Total Net Assets	\$ 858,369	\$ 866,407

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, 2014
(with comparative totals for 2013)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Revenue				
Admissions	\$ 122,651	\$ -	\$ 122,651	\$ 123,528
Contributions	51,850	14,585	66,435	88,823
Memberships	42,974	-	42,974	42,439
In-kind contributions	268,200	-	268,200	285,163
Docent income	8,659	-	8,659	8,674
Vehicle sales and consignment income	\$ 131,671			
Less: Cost of goods sold	<u>(17,003)</u>	3,000	114,668	82,309
Facility rental	142,703	-	142,703	145,643
Exhibit income	67,958	-	67,958	38,081
Special events	\$ 153,415			
Less: Cost of direct benefits to donors	<u>(46,860)</u>	-	106,555	77,512
Education	63,418	-	63,418	64,208
Library income	767	-	767	6,424
Investment income	24	-	24	63
Gift shop and online sales	\$ 45,861			
Less: Cost of goods sold	<u>(15,188)</u>	-	30,673	25,261
Other income	26,480	-	26,480	9,691
Net assets released from restriction	17,054	(17,054)	-	-
Total Revenue	<u>1,061,634</u>	<u>531</u>	<u>1,062,165</u>	<u>997,819</u>
Expenses				
Program services	803,284	-	803,284	762,709
Management and general	101,259	-	101,259	56,331
Fundraising and membership development	165,614	-	165,614	93,282
Total Expenses	<u>1,070,157</u>	<u>-</u>	<u>1,070,157</u>	<u>912,322</u>
Change in Net Assets	(8,523)	531	(7,992)	85,497
Net Assets, Beginning of Year	730,694	49,637	780,331	694,834
Net Assets, End of Year	<u>\$ 722,171</u>	<u>\$ 50,168</u>	<u>\$ 772,339</u>	<u>\$ 780,331</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, 2014
(with comparative totals for 2013)**

	2014	2013
Cash Flows from Operating Activities:		
Change in net assets	\$ (7,992)	\$ 85,497
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,216	13,159
Loss on disposition of equipment	-	-
Realized and unrealized losses on collection items	-	5,529
Realized and unrealized losses on exhibit items	4,000	17,300
Donated exhibit items	(2,480)	(50,530)
Donated collection vehicles	(23,042)	-
Donated library gifts	-	-
Donated equipment	-	(19,603)
Changes in certain operating assets and liabilities:		
Accounts receivable	(17,100)	(436)
Gift shop inventory	(8,970)	(2,748)
Prepaid expenses	1,736	(304)
Prepaid vehicle expenses	3,140	390
Accounts payable	14,133	(17,148)
Accrued expenses	4,200	(118)
Deferred revenue	(19,229)	6,508
Other liabilities	850	(2,725)
Cash restricted for long-term purposes	26,084	(24,731)
Net Cash Provided (Used) by Operating Activities	(7,454)	10,040
Cash Flows from Investing Activities		
Purchases of property and equipment	(16,571)	(15,528)
Proceeds from sale of collections	-	19,655
Net Cash Used by Investing Activities	(16,571)	4,127
Cash Flows from Financing Activities		
Borrowings (repayments) on line of credit	-	(15,182)
Net Cash Provided (Used) by Financing Activities	-	(15,182)
Net Increase (Decrease) in Cash	(24,025)	(1,015)
Cash, Beginning of Year	32,549	33,564
Cash, End of Year	\$ 8,524	\$ 32,549

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

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements
December 31, 2014**

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, 2014**

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 \$683 during the year ended December 31, 2014.

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, 2014**

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, 2013, 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 5, 2015.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2014:

Leasehold improvements	\$	654,266
Furniture and fixtures		101,885
Equipment and software		29,625
Vehicles		<u>8,602</u>
		794,378
Less accumulated depreciation		<u>(728,299)</u>
	\$	<u><u>66,079</u></u>

Depreciation expense amounted to \$17,216 for the year ended December 31, 2014.

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements
December 31, 2014**

NOTE 3 COLLECTIONS

Collections consist of the following as of December 31, 2014:

Vehicles	\$	281,574
Library		104,671
Lithographs		20,000
		406,245
	\$	406,245

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, 2014. Subsequent to year end, the Foundation negotiated a new lease agreement with City staff. The proposed lease agreement expires December 31, 2020, with three additional 5 year renewals and is expected to be voted upon at a City Council meeting in late November 2015.

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
2015	\$ 2,400	\$ 724	\$ 3,124
2016	-	724	724
2017	-	543	543
	\$ 2,400	\$ 1,991	\$ 4,391
	2,400	1,991	4,391

Total rent expense under all of the above leases amounted to \$252,000.

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 \$93 during the year ended December 31, 2014. One of the lines was closed in October 2015.

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements
December 31, 2014**

NOTE 6 RESTRICTIONS ON ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2014:

New Home Fund	\$	14,221
Technology Fund		7,751
Collections		21,444
Speed exhibit		2,250
Grant writer funding		4,502
		4,502
	\$	50,168

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, 2014:

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).

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

	Fair Value	Level 1 (quoted prices for identical assets in an active market)	Level 2 (significant observable inputs)	Level 3 (significant unobservable inputs)
Museum exhibit vehicles	\$ 279,343	\$ -	\$ 262,843	\$ 16,500

There were no changes in the Level 3 assets during the year ended December 31, 2014.