

October 25, 2010



Board of Directors
California Vehicle Foundation
dba California Automobile Museum
Sacramento, California

We have reviewed the accompanying Statement of Financial Position of California Vehicle Foundation dba California Automobile Museum (a nonprofit corporation) as of December 31, 2009, and the related Statements of Activity and Cash Flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of California Vehicle Foundation dba California Automobile Museum.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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 generally accepted accounting principles.

John Waddell & Co., CPAs

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Financial Position
December 31, 2009**

ASSETS

Cash	\$	45,470
Accounts receivable		28,702
Gift shop inventory		15,358
Prepaid expenses		14,851
Prepaid vehicle expenses		3,655
Property and equipment, net		34,658
Cash restricted or designated for long term purposes		31,044
Museum exhibits		224,947
Collections		371,375
		371,375
	\$	770,060

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$	21,311
Accrued expenses		16,296
Deferred revenue		22,627
Refundable advance		10,000
Rental retainer		6,500
Other liabilities		2,500
		2,500
Total Liabilities		79,234
Net Assets		
Unrestricted		
Board designated		20,478
Undesignated		652,382
Temporarily restricted		17,966
		17,966
Total Net Assets		690,826
	\$	770,060

See accompanying notes to financial statements and accountants' report.

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Activity
For the Year Ended December 31, 2009**

	Unrestricted	Temporarily Restricted	Total
Revenue			
Admissions	\$ 86,985	\$ -	\$ 86,985
Contributions	146,100	-	146,100
Memberships	78,080	-	78,080
In-kind contributions	105,000	-	105,000
Docent income	8,054	-	8,054
Vehicle donation and consignment income	122,602	-	122,602
Facility rental	99,603	-	99,603
Special events	49,107	7,400	56,507
Education	67,269	-	67,269
Library income	3,536	-	3,536
Investment income	164	-	164
Gift shop and online sales	38,068	-	38,068
Gain on sales of exhibit vehicles	12,054	-	12,054
Other income	6,207	-	6,207
	<u>822,829</u>	<u>7,400</u>	<u>830,229</u>
Total Revenue			
Expenses			
Program services	590,754	-	590,754
Management and general	81,425	-	81,425
Fundraising and membership development	61,215	-	61,215
	<u>733,394</u>	<u>-</u>	<u>733,394</u>
Total Expenses			
Change in Net Assets	89,435	7,400	96,835
Net Assets, Beginning of Year	583,425	10,566	593,991
	<u>583,425</u>	<u>10,566</u>	<u>593,991</u>
Net Assets, End of Year	\$ 672,860	\$ 17,966	\$ 690,826
	<u>\$ 672,860</u>	<u>\$ 17,966</u>	<u>\$ 690,826</u>

See accompanying notes to financial statements and accountants' report.

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Cash Flows
For the Year Ended December 31, 2009**

Cash Flows from Operating Activities:	
Change in net assets	\$ 96,835
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	8,859
Proceeds from sales of exhibit items	24,804
Realized and unrealized losses on exhibit items	(4,554)
Donated exhibit items	(71,813)
Donated equipment	(5,000)
Donated collection vehicle	(31,875)
Donated library gifts	(8,726)
Changes in certain operating assets and liabilities:	
Accounts receivable	(3,557)
Gift shop inventory	(4,144)
Prepaid expenses	(1,454)
Prepaid vehicle expenses	1,622
Accounts payable	(54,785)
Accrued expenses	(1,490)
Deferred revenue	(5,785)
Other liabilities	1,400
	<hr/>
Net Cash Used by Operating Activities	(59,663)
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Cash Flows from Investing Activities	
Purchases of property and equipment	(6,554)
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Net Cash Used by Investing Activities	(6,554)
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Net Increase in Cash	(66,217)
Cash, Beginning of Year	<hr/> 111,687
Cash, End of Year	<hr/> <u>\$ 45,470</u>

See accompanying notes to financial statements and accountants' report.

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Consolidated Financial Statements
December 31, 2009**

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 educate and entertain while preserving and promoting 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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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 cost using the average cost method. Cost of sales of \$19,706 is included in program expenses.

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, and 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 Consolidated Financial Statements
December 31, 2009**

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. The lease expired in February 2008; see Note 4.

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 \$17,863 during the year ended December 31, 2009.

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 Consolidated Financial Statements
December 31, 2009**

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.

Subsequent Events

Subsequent events have been evaluated through the date the financial statements were available to be issued, which was October 25, 2010.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$	623,202
Furniture and fixtures		70,262
Equipment software		8,053
Vehicles		12,323
		<hr/>
		713,840
Less accumulated depreciation		(679,182)
		<hr/>
	\$	<u>34,658</u>

Depreciation expense amounted to \$8,860.

NOTE 3 COLLECTIONS

Collections consist of the following:

Vehicles	\$	227,715
Library		123,660
Lithographs		20,000
		<hr/>
	\$	<u>371,375</u>

The Foundation received non-cash contributions to the collections of a vehicle with a fair value of \$31,875 and library materials of \$8,726 during the year ended December 31, 2009.

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Consolidated Financial Statements
December 31, 2009**

NOTE 4 LEASES

The Foundation leases the land and building for the museum from the City of Sacramento for \$200 per month on a month-to-month basis. In-kind rent expense amounted to \$100,000 for the year ended December 31, 2009.

NOTE 5 LINE OF CREDIT

The Foundation has two lines of credit of \$50,000 each with two banks. Borrowings under these lines bear interest at 6.25% and 11%, respectively. As of December 31, there were no borrowings under either line of credit.

NOTE 6 CHALLENGE GRANT

In December 2007, the Foundation received a three-year matching challenge grant. The grantor will match \$10,000 annually that the Foundation raises for its educational program up to \$30,000. During the year ended December 31, 2009, the Foundation met the grant contingencies for the installment received in 2008 and recognized the income which is included in contributions revenue. The third installment of \$10,000 was received during 2009 and was recorded as a refundable advance.

NOTE 7 RESTRICTIONS AND DESIGNATIONS ON ASSETS

Temporarily restricted net assets consist of the following:

New building fund	\$ 10,566
Lighting project	<u>7,400</u>
	<u>\$ 17,966</u>

Board designated net assets are designated for endowment and are included in cash restricted or designated for long term purposes. There were no changes in the balance during the year ended December 31, 2009. The Board-designated endowment fund is invested in a certificate of deposit, and earnings are used for operating expenses.

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Consolidated Financial Statements
December 31, 2009**

NOTE 8 FAIR VALUE MEASUREMENTS

The fair value of current year non-cash contributions was determined as follows:

	Level 1 (quoted prices for identical assets in an active market)	Level 2 (significant observable inputs)	Level 3 (significant unobservable inputs)
Donated exhibit items	\$ -	\$ 71,813	\$ -
Donated equipment	-	5,000	-
Donated collection vehicle	-	31,875	-
Donated library gifts	-	-	8,726
	<u>\$ -</u>	<u>\$ 108,688</u>	<u>\$ 8,726</u>

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

	Level 1 (quoted prices for identical assets in an active market)	Level 2 (significant observable inputs)	Level 3 (significant unobservable inputs)
Collection vehicles	\$ -	\$ 227,715	\$ -
Library collections	-	-	123,660
Lithographs	-	-	20,000
	<u>\$ -</u>	<u>\$ 227,715</u>	<u>\$ 143,660</u>

The fair value of the lithographs was determined based on documentation submitted by the donor at the time of the donation. The fair value of the library items is based on the sale of similar items on eBay, at swap meets, and in the gift shop.