



October 7, 2016

## **INDEPENDENT ACCOUNTANT'S REVIEW REPORT**

To the Board of Directors  
California Vehicle Foundation  
Sacramento, California

We have reviewed the accompanying financial statements of California Vehicle Foundation (a nonprofit organization) which comprise the statement of financial position as of December 31, 2015, and the related statements of activity and cash flows for the year then ended, and the related notes to the financial statements. 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'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 the financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

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.

To the Board of Directors  
California Vehicle Foundation  
October 7, 2016

Page 2



### **Summarized Comparative Information**

We previously reviewed California Vehicle Foundation's 2014 financial statements and in our conclusion dated November 5, 2015, stated we were not aware of any material modifications that should be made to the 2014 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2014, for it to be consistent with the reviewed financial statements from which it has been derived.

*John Waddell + Co., CPAs*

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Financial Position  
December 31, 2015  
(with comparative totals for 2014)**

**ASSETS**

	<b>2015</b>	<b>2014</b>
Cash	\$ 29,800	\$ 8,524
Accounts receivable	1,727	20,945
Gift shop inventory	26,513	24,487
Prepaid expenses	13,768	14,647
Prepaid vehicle expenses	2,251	3,638
Property and equipment, net	63,566	66,079
Cash restricted or designated, primarily for long term purposes	36,549	34,461
Museum exhibit vehicles	284,343	279,343
Collections	505,920	406,245
	<b>\$ 964,437</b>	<b>\$ 858,369</b>

**LIABILITIES AND NET ASSETS**

Liabilities		
Accounts payable	\$ 17,743	\$ 27,175
Accrued expenses	30,550	24,208
Deferred revenue	4,710	17,247
Other liabilities	20,340	17,400
Total Liabilities	<b>73,343</b>	<b>86,030</b>
Net Assets		
Unrestricted		
Undesignated	843,221	722,171
Temporarily restricted	47,873	50,168
Total Net Assets	<b>891,094</b>	<b>772,339</b>
	<b>\$ 964,437</b>	<b>\$ 858,369</b>

See independent accountant's review report and notes to financial statements.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Activity  
For the Year Ended December 31, 2015  
(with comparative totals for 2014)**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>2015 Total</b>	<b>2014 Total</b>
Revenue				
Admissions	\$ 158,691	\$ -	\$ 158,691	\$ 122,651
Contributions	166,124	120,871	<b>286,995</b>	66,435
Memberships	54,461	-	<b>54,461</b>	42,974
In-kind services and rent	251,325	-	<b>251,325</b>	268,200
Docent income	8,862	-	<b>8,862</b>	8,659
Vehicle sales and consignment income	\$ 184,577			
Less: Cost of goods sold	<u>(16,828)</u>	167,749	<b>167,749</b>	114,668
Facility rental	175,547	-	<b>175,547</b>	142,703
Exhibit income	42,831	-	<b>42,831</b>	67,958
Special events	\$ 126,321			
Less: Cost of direct benefits to donors	<u>(34,257)</u>	92,064	<b>92,064</b>	106,555
Education	85,580	-	<b>85,580</b>	63,418
Library income	4,292	-	<b>4,292</b>	767
Investment income	82	-	<b>82</b>	24
Gift shop and online sales	\$ 62,320			
Less: Cost of goods sold	<u>(26,316)</u>	36,004	<b>36,004</b>	30,673
Other income	6,469	-	<b>6,469</b>	26,480
Net assets released from restriction	123,166	(123,166)	-	-
	<b>1,373,247</b>	<b>(2,295)</b>	<b>1,370,952</b>	<b>1,062,165</b>
Expenses				
Program services	812,470	-	<b>812,470</b>	766,002
Management and general	152,831	-	<b>152,831</b>	142,110
Fundraising and membership development	286,896	-	<b>286,896</b>	162,045
	<b>1,252,197</b>	<b>-</b>	<b>1,252,197</b>	<b>1,070,157</b>
Change in Net Assets	121,050	(2,295)	<b>118,755</b>	(7,992)
Net Assets, Beginning of Year	<u>722,171</u>	<u>50,168</u>	<b><u>772,339</u></b>	<u>780,331</u>
Net Assets, End of Year	<u><u>\$ 843,221</u></u>	<u><u>\$ 47,873</u></u>	<u><u>\$ 891,094</u></u>	<u><u>\$ 772,339</u></u>

See independent accountant's review report and notes to financial statements.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Cash Flows  
For the Year Ended December 31, 2015  
(with comparative totals for 2014)**

	<b>2015</b>	<b>2014</b>
Cash Flows from Operating Activities:		
Change in net assets	\$ 118,755	\$ (7,992)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	21,355	17,216
Realized and unrealized losses on exhibit items	-	4,000
Donated exhibit items	(5,000)	(2,480)
Donated collection vehicles	(80,645)	(23,042)
Donated library gifts	(19,030)	-
Donated equipment	(16,987)	-
Changes in certain operating assets and liabilities:		
Accounts receivable	19,218	(17,100)
Gift shop inventory	(2,026)	(8,970)
Prepaid expenses	879	1,736
Prepaid vehicle expenses	1,387	3,140
Accounts payable	(9,432)	14,133
Accrued expenses	6,342	4,200
Deferred revenue	(12,537)	(19,229)
Other liabilities	2,940	850
Cash restricted for long-term purposes	(2,088)	26,084
Net Cash Provided (Used) by Operating Activities	23,131	(7,454)
Cash Flows from Investing Activities		
Purchases of property and equipment	(1,855)	(16,571)
Net Cash Used by Investing Activities	(1,855)	(16,571)
Net Increase (Decrease) in Cash	21,276	(24,025)
Cash, Beginning of Year	8,524	32,549
Cash, End of Year	\$ 29,800	\$ 8,524

See independent accountant's review report and notes to financial statements.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2015**

**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, 2015**

**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.

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

**Promises to give**

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising expense amounted to \$8,758 during the year ended December 31, 2015.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2015**

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

**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.

**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, 2014, 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 October 7, 2016.



**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2015**

**NOTE 2 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of December 31, 2015:

Leasehold improvements	\$ 661,466
Furniture and fixtures	105,518
Equipment and software	29,625
Vehicles	<u>16,613</u>
	813,222
Less accumulated depreciation	<u>(749,656)</u>
	<u><u>\$ 63,566</u></u>

Depreciation expense amounted to \$21,355 for the year ended December 31, 2015.

**NOTE 3 COLLECTIONS**

Collections consist of the following as of December 31, 2015:

Vehicles	\$ 362,219
Library	123,701
Lithographs	<u>20,000</u>
	<u><u>\$ 505,920</u></u>

**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, 2015.

Subsequent to year end, the Foundation entered into a new lease agreement with the City expiring January 31, 2021, with three additional 5 year renewals. The new lease contains a provision that the Foundation must complete repairs to the roof by August 1, 2017, and must also demonstrate that it has sufficient funding for the repairs by February 1, 2017; otherwise, the City may cancel the lease with 30 days' notice.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2015**

**NOTE 4 LEASES – CONTINUED**

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:

	<b>Museum Space</b>	<b>Office Equipment</b>	<b>Total</b>
2016	\$ 2,200	\$ 724	\$ 2,924
2017	2,400	543	2,943
2018	2,400	-	2,400
2019	2,400	-	2,400
2020	2,400	-	2,400
Thereafter	200	-	200
	\$ 12,000	\$ 1,267	\$ 13,267

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

**NOTE 5 LINE OF CREDIT**

The Foundation has a line of credit of \$50,000 with a bank that renews annually. Borrowings under this line bear interest at 11.74%. As of December 31, 2015, there was no outstanding balance on the line of credit. Interest expense and interest paid in cash amounted to \$3,018 for the year ended December 31, 2015.

**NOTE 6 RESTRICTIONS ON ASSETS**

Temporarily restricted net assets consist of the following as of December 31, 2015:

Raise the Roof	\$	6,794
Collections		20,714
Speed exhibit		2,250
Simulator Fund		18,115
		47,873

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements  
December 31, 2015**

**NOTE 7 CONDITIONAL PROMISE TO GIVE**

The Foundation has embarked on a capital campaign to replace the roof. The Foundation received a conditional promise to give of \$700,000 for the campaign. The initial donation of \$100,000 was conditioned on the "Kickoff" of the campaign, which occurred during the year ended December 31, 2015, and was received. The remaining \$600,000 is a matching grant conditioned on various fundraising milestones in increments of \$500,000 such that the Foundation will receive the entire \$600,000 if it raises \$2,000,000 from other parties. Matching contributions received are restricted to capital improvements.