



June 15, 2011

## INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheet of California Vehicle Foundation (a corporation) as of December 31, 2010, and the related statements of income and retained earnings 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 2009 financial statements, and our report dated October 25, 2010 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, 2010  
(with comparative totals for 2009)**

**ASSETS**

	<b>2010</b>	<b>2009</b>
Cash	\$ 21,236	\$ 45,470
Accounts receivable	2,546	28,702
Gift shop inventory	13,413	15,358
Prepaid expenses	14,578	14,851
Prepaid vehicle expenses	11,558	3,655
In-kind lease receivable	1,075,892	-
Property and equipment, net	46,380	34,658
Cash restricted or designated for long term purposes	39,279	31,044
Museum exhibits	207,208	224,947
Collections	371,984	371,375
	\$ 1,804,074	\$ 770,060

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 7,079	\$ 21,311
Accrued expenses	20,958	16,296
Deferred revenue	29,862	22,627
Refundable advance	-	10,000
Rental retainer	3,400	6,500
Other liabilities	8,700	2,500
	69,999	79,234
<b>Net Assets</b>		
Unrestricted		
Board designated	20,478	20,478
Undesignated	615,250	652,382
Temporarily restricted	1,098,347	17,966
	1,734,075	690,826
	\$ 1,804,074	\$ 770,060

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

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Activity  
For the Year Ended December 31, 2010  
(with comparative totals for 2009)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
Revenue				
Admissions	\$ 121,685	\$ -	\$ 121,685	\$ 86,985
Contributions	31,915	21,069	52,984	145,052
Memberships	29,054	-	29,054	33,116
In-kind contributions	265,600	1,075,892	1,341,492	105,000
Docent income	5,948	-	5,948	8,054
Vehicle donation and consignment income	91,695	-	91,695	122,602
Facility rental	151,475	-	151,475	99,603
Exhibit income	53,601	-	53,601	46,012
Special events	74,539	-	74,539	56,507
Education	50,209	-	50,209	67,269
Library income	5,000	-	5,000	3,536
Investment income	105	-	105	164
Gift shop and online sales	38,061	-	38,061	38,068
Gain on sales of exhibit vehicles	-	-	-	12,054
Other income	4,275	-	4,275	6,207
Net assets released from restriction	16,580	(16,580)	-	-
	<u>939,742</u>	<u>1,080,381</u>	<u>2,020,123</u>	<u>830,229</u>
Total Revenue				
Expenses				
Program services	825,132	-	825,132	590,754
Management and general	77,444	-	77,444	81,425
Fundraising and membership development	74,298	-	74,298	61,215
	<u>976,874</u>	<u>-</u>	<u>976,874</u>	<u>733,394</u>
Total Expenses				
Change in Net Assets	(37,132)	1,080,381	1,043,249	96,835
Net Assets, Beginning of Year	<u>672,860</u>	<u>17,966</u>	<u>690,826</u>	<u>593,991</u>
Net Assets, End of Year	<u>\$ 635,728</u>	<u>\$ 1,098,347</u>	<u>\$ 1,734,075</u>	<u>\$ 690,826</u>

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

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Statement of Cash Flows  
For the Year Ended December 31, 2010  
(with comparative totals for 2009)**

	<b>2010</b>	<b>2009</b>
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,043,249	\$ 96,835
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,236	8,859
In-kind rent contribution	(1,075,892)	-
Proceeds from sales of exhibit items	-	24,804
Realized and unrealized (gains) losses on exhibit items	34,239	(4,554)
Donated exhibit items	(16,500)	(71,813)
Donated equipment	-	(5,000)
Donated collection vehicle	(1,500)	(31,875)
Donated library gifts	891	(8,726)
Changes in certain operating assets and liabilities:		
Accounts receivable	26,156	(3,557)
Gift shop inventory	1,945	(4,144)
Prepaid expenses	273	(1,454)
Prepaid vehicle expenses	(7,903)	1,622
Accounts payable	(14,232)	(54,785)
Accrued expenses	4,662	(1,490)
Deferred revenue	7,235	(5,785)
Refundable advance	(10,000)	-
Other liabilities	3,100	1,400
Cash restricted for long-term purposes	(8,235)	-
Net Cash Used by Operating Activities	(2,276)	(59,663)
Cash Flows from Investing Activities		
Purchases of property and equipment	(21,958)	(6,554)
Net Cash Used by Investing Activities	(21,958)	(6,554)
Net Decrease in Cash	(24,234)	(66,217)
Cash, Beginning of Year	45,470	111,687
Cash, End of Year	\$ 21,236	\$ 45,470

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

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Consolidated Financial Statements  
December 31, 2010**

**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**

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 cost using the average cost method. Cost of sales of \$18,614 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, 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, 2010**

**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 \$3,889 during the year ended December 31, 2010.

**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, 2010**

**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.

**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, 2009, from which the summarized information was derived.

**Subsequent Events**

Subsequent events have been evaluated through the date the financial statements were available to be issued, which was June 15, 2011.

**NOTE 2 PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>2010</u>
Leasehold improvements	\$ 633,167
Furniture and fixtures	81,166
Equipment and software	8,862
Vehicles	<u>12,323</u>
	735,518
Less accumulated depreciation	<u>(689,138)</u>
	<u>\$ 46,380</u>

Depreciation expense amounted to \$10,236 for the year ended December 31, 2010.

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Consolidated Financial Statements  
December 31, 2010**

**NOTE 3 COLLECTIONS**

Collections consist of the following:

	<u>2010</u>
Vehicles	\$ 229,215
Library	122,769
Lithographs	<u>20,000</u>
	<u>\$ 371,984</u>

The Foundation received non-cash contributions to the collection of a vehicle with a fair value of \$16,500 and library materials of \$2,641 during the year ended December 31, 2010.

**NOTE 4 LEASES**

The Foundation leases the land and building for the museum under a bargain lease from the City of Sacramento for \$200 per month on a month-to-month basis. In-kind rent expense amounted to \$249,600 for the year ended December 31, 2010. In addition, the Foundation received in-kind storage space from an individual. In kind rent expense for this space amounted to \$16,000 for the year ended December 31, 2010.

In December, 2010, the Foundation signed a new five-year bargain lease with the City of Sacramento for \$200 per month. The estimated value of the donated facilities as of the lease inception was recorded as a temporarily restricted contribution receivable and is being amortized using the interest method over the term of the lease using a discount factor of 6%.

**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, 2010, the Foundation met the grant contingencies for the final installment received in 2009 and recognized the income which is included in contributions revenue.



**CALIFORNIA VEHICLE FOUNDATION  
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**Notes to Consolidated Financial Statements  
December 31, 2010**

**NOTE 7 RESTRICTIONS AND DESIGNATIONS ON ASSETS**

Temporarily restricted net assets consist of the following:

	<b>2010</b>
New building fund	\$ 10,566
Lighting project	3,654
Hands-on exhibits	8,235
In-kind lease, net of discount	1,075,892
	<b>\$ 1,098,347</b>

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, 2010. The Board-designated endowment fund is invested in a certificate of deposit, and earnings are used for operating expenses.

**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	\$ -	\$ -	\$ 16,500
Donated collection vehicle	-	1,500	-
Donated library gifts	-	-	2,641
Donated lease space	-	1,075,892	-
	<b>\$ -</b>	<b>\$ 1,077,392</b>	<b>\$ 19,141</b>

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Consolidated Financial Statements  
December 31, 2010**

**NOTE 8 FAIR VALUE MEASUREMENTS – CONTINUED**

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	\$ -	\$ 229,215	\$ -
Library collections	-	-	122,769
Lithographs	-	-	20,000
	<u>\$ -</u>	<u>\$ 229,215</u>	<u>\$ 142,769</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.