

July 10, 2012

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

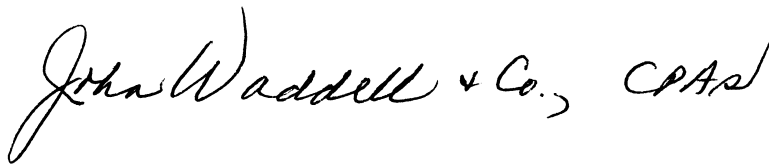
We have reviewed the accompanying Statement of Financial Position of California Vehicle Foundation (a nonprofit corporation) as of December 31, 2011, and the related Statements of Activity and Cash Flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization 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 2010 financial statements, and our report dated June 15, 2011 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, 2011
(with comparative totals for 2010)**

ASSETS

	2011	2010
Cash	\$ 30,106	\$ 21,236
Accounts receivable	9,475	2,546
Gift shop inventory	14,486	13,413
Prepaid expenses	14,274	14,578
Prepaid vehicle expenses	16,149	11,558
Property and equipment, net	55,110	46,380
Cash restricted or designated for long term purposes	35,855	39,279
Museum exhibit vehicles	248,283	207,208
Collections	370,259	371,984
	\$ 793,997	\$ 728,182

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 14,665	\$ 7,079
Accrued expenses	27,256	20,958
Deferred revenue	22,769	29,862
Rental retainer	10,400	3,400
Other liabilities	10,000	8,700
Total Liabilities	85,090	69,999
Net Assets		
Unrestricted		
Board designated	20,478	20,478
Undesignated	669,152	615,250
Temporarily restricted	19,277	22,455
Total Net Assets	708,907	658,183
	\$ 793,997	\$ 728,182

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, 2011
(with comparative totals for 2010)**

	Unrestricted	Temporarily Restricted	2011 Total	(Restated) 2010 Total
Revenue				
Admissions	\$ 107,376	\$ -	\$ 107,376	\$ 121,685
Contributions	86,178	1,000	87,178	52,984
Memberships	38,362	-	38,362	29,054
In-kind contributions	277,780	-	277,780	265,600
Docent income	7,973	-	7,973	5,948
Vehicle donation and consignment income	135,252	-	135,252	91,695
Facility rental	133,121	-	133,121	151,475
Exhibit income	49,631	-	49,631	53,601
Special events	56,343	4,900	61,243	74,539
Education	30,156	-	30,156	50,209
Library income	3,891	-	3,891	5,000
Investment income	79	-	79	105
Gift shop and online sales	34,701	-	34,701	38,061
Gain on sales of exhibit vehicles	4,115	-	4,115	-
Other income	4,769	-	4,769	4,275
Net assets released from restriction	9,078	(9,078)	-	-
	978,805	(3,178)	975,627	944,231
Expenses				
Program services	759,120	-	759,120	825,132
Management and general	65,061	-	65,061	77,444
Fundraising and membership development	100,722	-	100,722	74,298
	924,903	-	924,903	976,874
Change in Net Assets	53,902	(3,178)	50,724	(32,643)
Net Assets, Beginning of Year	635,728	22,455	658,183	690,826
Net Assets, End of Year	\$ 689,630	\$ 19,277	\$ 708,907	\$ 658,183

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, 2011
(with comparative totals for 2010)**

	2011	2010
Cash Flows from Operating Activities:		
Change in net assets	\$ 50,724	\$ (32,643)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	12,204	10,236
Loss on disposition of equipment	97	-
Write-down of collection items	4,954	3,532
Proceeds from sales of exhibit items	500	-
Realized and unrealized losses on exhibit items	9,050	34,239
Donated exhibit items	(50,625)	(16,500)
Donated equipment	(16,180)	-
Donated collection vehicle	(2,250)	(1,500)
Donated library gifts	(979)	(2,641)
Changes in certain operating assets and liabilities:		
Accounts receivable	(6,929)	26,156
Gift shop inventory	(1,073)	1,945
Prepaid expenses	304	273
Prepaid vehicle expenses	(4,591)	(7,903)
Accounts payable	7,586	(14,232)
Accrued expenses	6,298	4,662
Deferred revenue	(7,093)	7,235
Refundable advance	-	(10,000)
Other liabilities	8,300	3,100
Cash restricted for long-term purposes	3,424	(8,235)
	13,721	(2,276)
Net Cash Provided (Used) by Operating Activities		
Cash Flows from Investing Activities		
Purchases of property and equipment	(6,651)	(21,958)
Sale of property and equipment	1,800	-
	(4,851)	(21,958)
Net Cash Used by Investing Activities		
Net Increase (Decrease) in Cash	8,870	(24,234)
Cash, Beginning of Year	21,236	45,470
Cash, End of Year	\$ 30,106	\$ 21,236

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

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements
December 31, 2011**

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 \$15,634 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 Financial Statements
December 31, 2011**

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 \$4,651 during the year ended December 31, 2011.

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, 2011**

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, 2010, 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 July 10, 2012.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2011:

Leasehold improvements	\$	633,167
Furniture and fixtures		97,018
Equipment and software		12,358
Vehicles		<u>7,167</u>
		749,710
Less accumulated depreciation		<u>(694,600)</u>
	\$	<u>55,110</u>

Depreciation expense amounted to \$12,204 for the year ended December 31, 2011.

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements
December 31, 2011**

NOTE 3 COLLECTIONS

Collections consist of the following as of December 31, 2011:

Vehicles	\$	231,465
Library		118,794
Lithographs		<u>20,000</u>
	\$	<u><u>370,259</u></u>

The Foundation received non-cash contributions to the collection of a vehicle with a fair value of \$2,250 and library materials of \$979 during the year ended December 31, 2011.

NOTE 4 LEASES

The Foundation leases the land and building for the museum under a five-year bargain lease with the City of Sacramento for \$200 per month. Future minimum lease payments under this lease are as follows:

2012	\$	2,400
2013		2,400
2014		2,400
2015		<u>2,400</u>
	\$	<u><u>9,600</u></u>

In-kind rent expense amounted to \$249,600 for the year ended December 31, 2011.

In addition, the Foundation received in-kind storage space from an individual from January through March 2011 and from a company July through December 2011. In-kind rent expense for these spaces amounted to \$12,000 for the year ended December 31, 2011.

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 11.50%, respectively. As of December 31, there were no borrowings under either line of credit. Interest incurred and paid in cash amounted to \$408 during the year ended December 31, 2011.

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements
December 31, 2011**

NOTE 6 RESTRICTIONS AND DESIGNATIONS ON ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2011:

New building fund	\$	10,566
Hands-on exhibits		3,811
Grant writer funding		4,900
		<hr/>
	\$	19,277
		<hr/> <hr/>

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, 2011.

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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies during the year ended December 31, 2011:

Donated exhibit items: Based on 75% of the appraised values supplied by the donor, or if no appraisal is available, the Collector Car Price Guide.

Donated collection vehicles: Based on 75% of the appraised values supplied by the donor, or if no appraisal is available, the Collector Car Price Guide.

Donated library gifts and equipment: Based on the sale of similar items on eBay, at swap meets, and in the gift shop.

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

**Notes to Financial Statements
December 31, 2011**

NOTE 7 FAIR VALUE MEASUREMENTS – CONTINUED

The level within the fair value hierarchy of current year non-cash contributions was 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	\$ -	\$ -	\$ 50,625
Donated collection vehicle	-	-	2,250
Donated library gifts	-	-	979
Donated equipment	-	-	16,180
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,034</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)
Museum exhibit vehicles	\$ -	\$ -	248,283
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,283</u>

NOTE 8 PRIOR PERIOD ADJUSTMENT AND RESTATEMENT

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 to be amortized using the interest method over the term of the lease using a discount factor of 6%. In 2011, the Foundation's management determined that there was more than a remote possibility that the City of Sacramento will enforce a clause of the lease that states the lease can be terminated prior to the expiration of the lease term with six month prior written notice in order to implement the Docks Area Specific Plan or any other redevelopment plan approved by the Redevelopment Agency or the City. The cumulative effect of this change resulted in a decrease of both in-kind lease receivable and temporarily restricted in-kind contributions of \$1,075,892 for the year ended December 31, 2010.