

**CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM**

Financial Statements

Year Ended December 31, 2016



550 Howe Avenue, Suite 210  
Sacramento, California 95825

Telephone: (916) 564-8727  
FAX: (916) 564-8728

## 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, 2016, and the related statements of activities 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 the Organization's 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

**Summarized Comparative Information**

The financial statements of the Organization as of December 31, 2015, were reviewed by other accountants whose report dated October 1, 2016, states that, based on their procedures, they were not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the reviewed financial statements from which it has been derived.

*Richardson & Company, LLP*

August 1, 2017

CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM

STATEMENT OF FINANCIAL POSITION  
December 31, 2016  
(with comparative totals for 2015)

	2016	2015
<b>ASSETS</b>		
Cash	\$ 51,591	\$ 29,800
Accounts receivable	10,581	1,727
Unconditional promises to give, net	309,306	
Gift shop inventory	22,992	26,513
Prepaid expenses	20,878	13,768
Prepaid vehicle expenses	105	2,251
Property and equipment, net	53,112	63,566
Cash restricted or designated, primarily for long term purposes	293,285	36,549
Museum exhibit vehicles	296,450	284,343
Collections	562,478	505,920
TOTAL ASSETS	\$ 1,620,778	\$ 964,437
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 15,085	\$ 17,743
Accrued expenses	34,558	30,550
Deferred revenue	64,330	4,710
Other liabilities	13,000	20,340
TOTAL LIABILITIES	126,973	73,343
<b>NET ASSETS</b>		
Unrestricted		
Undesignated	932,363	843,221
Temporarily restricted	561,442	47,873
TOTAL NET ASSETS	1,493,805	891,094
TOTAL LIABILITIES AND NET ASSETS	\$ 1,620,778	\$ 964,437

See accompanying notes and independent accountant's review report

CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2016  
(with comparative totals for 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
<b>REVENUE</b>				
Admissions	\$ 196,715		\$ 196,715	\$ 158,691
Contributions	134,023	\$ 539,971	673,994	286,995
Memberships	49,037		49,037	54,461
In-kind rent and materials	288,435		288,435	251,325
Docent income	9,489		9,489	8,862
Vehicle sales and consignment income	\$ 174,678			
Less: Cost of goods sold	<u>(17,878)</u>	156,800	156,800	167,749
Facility rental		166,588	166,588	175,547
Exhibit income		61,187	61,187	42,831
Special events	141,532			
Less: Cost of direct benefits to donors	<u>(33,519)</u>	108,013	108,013	92,064
Education		67,272	67,272	85,580
Library income		2,876	2,876	4,292
Investment income		118	118	82
Gift shop and online sales	64,006			
Less: Cost of goods sold	<u>(24,261)</u>	39,745	39,745	36,004
Unrealized gain/loss on exhibit items		49,058	49,058	
Other income		7,853	7,853	6,469
Net assets released from restriction		26,402	-	-
TOTAL REVENUE	1,363,611	513,569	1,877,180	1,370,952
<b>EXPENSES</b>				
Program services		941,664	941,664	812,470
Management and general		65,139	65,139	152,831
Fundraising and membership development		267,666	267,666	286,896
TOTAL EXPENSES		1,274,469	1,274,469	1,252,197
CHANGE IN NET ASSETS	89,142	513,569	602,711	118,755
Net assets, beginning of year	843,221	47,873	891,094	772,339
NET ASSETS, END OF YEAR	\$ 932,363	\$ 561,442	\$ 1,493,805	\$ 891,094

See accompanying notes and independent accountant's review report

CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM

STATEMENT OF FINANCIAL POSITION  
December 31, 2016  
(with comparative totals for 2015)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 602,711	\$ 118,755
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	13,770	21,355
Realized and unrealized losses on exhibit items	(49,176)	-
Donated exhibit items		(5,000)
Donated collection vehicles	(22,265)	(80,645)
Donated library gifts	(3,074)	(19,030)
Donated equipment		(16,987)
Value of vehicles sold	5,850	
Changes in certain operating assets and liabilities:		
Accounts receivable	(8,854)	19,218
Unconditional promises to give	(309,306)	
Gift shop inventory	3,521	(2,026)
Prepaid expenses	(7,110)	879
Prepaid vehicle expenses	2,146	1,387
Accounts payable	(2,658)	(9,432)
Accrued expenses	4,008	6,342
Deferred revenue	59,620	(12,537)
Other liabilities	(7,340)	2,940
Cash restricted for long-term purposes	(256,736)	(2,088)
<b>NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>25,107</b>	<b>23,131</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(3,316)	(1,855)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(3,316)</b>	<b>(1,855)</b>
<b>NET INCREASE IN CASH</b>	<b>21,791</b>	<b>21,276</b>
Cash at beginning of year	29,800	8,524
<b>CASH AT END OF YEAR</b>	<b>\$ 51,591</b>	<b>\$ 29,800</b>

See accompanying notes and independent accountant's review report

CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

NOTE A – 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.

Pledges Receivable: Pledges receivable considered uncollectible are charged against the valuation allowance in the year they are deemed uncollectible. The allowance account is adjusted at year-end to reflect management's estimate of uncollectible accounts. No allowance was deemed necessary at December 31, 2016.

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.

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.

CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and are reported in the statement of activities as net assets released from restrictions. 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 \$- during the year ended December 31, 2016.

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 Activities. 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, 2015, from which the summarized information was derived.

New Pronouncements: In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-14 that will simplify and improve how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance and cash flows. This statement will be effective for the year ended December 31, 2018. The Foundation is in the process of determining the impact of the implementation of this ASU.

Subsequent Events: Management has evaluated subsequent events through the date the financial statements were available to be issued, which was August 1, 2017.



CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

NOTE B – CONCENTRATIONS

At December 31, 2016, the carrying amount of the Foundation's deposits was \$344,876, and the balances in the financial institutions was \$336,568. The balances maintained in financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 at December 31, 2016. At December 31, 2016, the Foundation's uninsured cash balance totaled \$65,943.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2016:

Leasehold improvements	\$ 661,466
Furniture and fixtures	108,833
Equipment and software	29,625
Vehicles	<u>16,613</u>
	816,537
Less: accumulated depreciation	<u>(763,425)</u>
	<u>\$ 53,112</u>

Depreciation expense amounted to \$13,770 for the year ended December 31, 2016.

NOTE D – COLLECTIONS

Collections consist of the following as of December 31, 2016:

Vehicles	415,703
Library	126,775
Lithographs	<u>20,000</u>
	<u>\$ 562,478</u>

NOTE E – LEASES

The Foundation leases the land and building for the museum under a five-year lease expiring in January 2021, with three additional 5-year renewals, with the City of Sacramento for \$200 per month. The 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. In-kind rent expense under this lease amounted to \$249,600 for the year ended December 31, 2016.

CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

NOTE E – 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:

	Museum Space	Office Equipment	Total
2017	\$ 2,400	\$ 543	\$ 2,943
2018	2,400		2,400
2019	2,400		2,400
2020	2,400		2,400
2021	200		200
	\$ 9,800	\$ 543	\$ 10,343

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

NOTE F – 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 12.25%. As of December 31, 2016, there was no outstanding balance on the line of credit.

NOTE G – RESTRICTIONS ON ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2016:

Capital Campaign	\$ 530,871
Technology Fund	6,336
Speed exhibit	2,250
Simulator fund	7,065
Exhibit fund	14,920
	\$ 561,442

CALIFORNIA VEHICLE FOUNDATION  
DBA CALIFORNIA AUTOMOBILE MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016

NOTE H – UNCONDITIONAL PROMISES TO GIVE

The Foundation has unconditional promises to give related to the capital campaign to replace the roof, with collection periods through December 31, 2021. Amounts later than one year are discounted at a rate of 2% to the present value of estimated future cash flows. Unconditional promises to give at December 31, 2016, all of which are temporarily restricted, are as follows:

Gross unconditional promises to give expected to be collected:	
Less than one year	\$ 115,350
One to five years	203,750
	<u>319,100</u>
Less discount to present value	(9,794)
	<u><u>\$ 309,306</u></u>

NOTE I – 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. This conditional promise to give was canceled during 2016.

NOTE J – DONATED RENT AND MATERIALS

The value of donated rent and materials reported in the financial statements includes \$249,600 for the value of rent, with the corresponding expense included mostly in program expense, and \$38,835 of donated materials, included in fundraising expense.

NOTE K – SUBSEQUENT EVENTS

On July 6, 2017, the Foundation entered into an agreement with the City of Sacramento to purchase the Front Street building. The agreed purchase price was \$70,100 and total closing costs are \$1,416. The property was purchased with cash and no debt was incurred.