

May 27, 2009

Board of Directors
California Vehicle Foundation
dba Towe Auto Museum
Sacramento, California

We have reviewed the accompanying Statement of Financial Position of California Vehicle Foundation dba Towe Auto Museum (a nonprofit corporation) as of December 31, 2008, 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 Towe Auto 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 TOWE AUTO MUSEUM**

**Statement of Financial Position
December 31, 2008**

ASSETS

Cash	\$ 132,165
Accounts receivable	25,145
Gift shop inventory	11,214
Prepaid expenses	13,397
Prepaid vehicle expenses	5,277
Property and equipment, net	31,963
Cash restricted for new building	10,566
Museum exhibits	173,384
Collections	<u>330,774</u>
	<u>\$ 733,885</u>

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LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 76,096
Accrued expenses	17,786
Deferred revenue	28,412
Refundable advance	10,000
Other liabilities	<u>7,600</u>
Total Liabilities	<u>139,894</u>
Net Assets	
Unrestricted	
Board designated	20,478
Undesignated	562,947
Temporarily restricted for new building	<u>10,566</u>
Total Net Assets	<u>593,991</u>
	<u>\$ 733,885</u>

See accompanying notes to financial statements and accountants' report.

**CALIFORNIA VEHICLE FOUNDATION
DBA TOWE AUTO MUSEUM**

**Statement of Activity
For the Year Ended December 31, 2008**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Admissions	\$ 71,976	\$ -	\$ 71,976
Contributions	129,961	-	129,961
Memberships	87,138	-	87,138
In-kind contributions	100,000	-	100,000
Docent income	6,840	-	6,840
Vehicle donation and consignment income	127,268	-	127,268
Facility rental	96,580	-	96,580
Special events	54,868	-	54,868
Education	55,493	-	55,493
Library income	4,333	-	4,333
Investment income	2,203	-	2,203
Gift shop	31,443	-	31,443
Other income	8,774	-	8,774
	<u>776,877</u>	<u>-</u>	<u>776,877</u>
Total Revenue and Support			
Expenses			
Program services	585,499	-	585,499
Management and general	102,884	-	102,884
Fundraising and membership development	<u>68,096</u>	<u>-</u>	<u>68,096</u>
Total Expenses	<u>756,479</u>	<u>-</u>	<u>756,479</u>
Change in Net Assets	20,398	-	20,398
Net Assets, Beginning of Year	<u>563,027</u>	<u>10,566</u>	<u>573,593</u>
Net Assets, End of Year	<u>\$ 583,425</u>	<u>\$ 10,566</u>	<u>\$ 593,991</u>

See accompanying notes to financial statements and accountants' report.

**CALIFORNIA VEHICLE FOUNDATION
DBA TOWE AUTO MUSEUM**

**Statement of Cash Flows
For the Year Ended December 31, 2008**

Cash Flows from Operating Activities	
Change in net assets	\$ 20,398
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	20,697
Proceeds from sales of exhibit items	44,698
Gain on sale of property and equipment	(275)
Realized and unrealized losses on exhibit items	4,181
Donated exhibit items	(70,125)
Donated equipment	(2,925)
Donated collection vehicle	(17,625)
Changes in certain operating assets and liabilities:	
Accounts receivable	(20,764)
Gift shop inventory	(671)
Prepaid expenses	(762)
Prepaid vehicle expenses	(5,277)
Accounts payable	68,916
Accrued expenses	1,615
Deferred revenue	(6,884)
Other liabilities	<u>1,800</u>
Net Cash Provided by Operating Activities	<u>36,997</u>
Cash Flows from Investing Activities	
Purchases of property and equipment	(20,363)
Sales of property and equipment	<u>650</u>
Net Cash Used by Investing Activities	<u>(19,713)</u>
Net Increase in Cash	17,284
Cash, Beginning of Year	<u>114,881</u>
Cash, End of Year	<u><u>\$ 132,165</u></u>

See accompanying notes to financial statements and accountants' report.

**CALIFORNIA VEHICLE FOUNDATION
DBA TOWE AUTO MUSEUM**

**Notes to Consolidated Financial Statements
December 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

California Vehicle Foundation dba Towe Auto 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 Towe Auto 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 \$14,306 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 appraised value at the date received if donated.

**CALIFORNIA VEHICLE FOUNDATION
DBA TOWE AUTO MUSEUM**

**Notes to Consolidated Financial Statements
December 31, 2008**

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 \$7,834 during the year ended December 31, 2008.

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 TOWE AUTO MUSEUM**

**Notes to Consolidated Financial Statements
December 31, 2008**

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.

NOTE 2 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Leasehold improvements	\$ 623,201
Furniture and fixtures	59,821
Equipment and software	6,940
Vehicles	<u>12,323</u>
	702,285
Less accumulated depreciation	<u>(670,322)</u>
	<u>\$ 31,963</u>

Depreciation expense amounted to \$104,604.

NOTE 3 COLLECTIONS

Collections consists of the following:

Vehicles	\$ 195,840
Library	114,934
Lithographs	<u>20,000</u>
	<u>\$ 330,774</u>

NOTE 4 LEASES

The Foundation leased the land and building for the museum from the City of Sacramento for \$200 per month through February, 2008, at which time the Foundation began to lease the space on a month-to-month basis. In-kind rent expense amounted to \$100,000 for the year ended December 31, 2008.

**CALIFORNIA VEHICLE FOUNDATION
DBA TOWE AUTO MUSEUM**

**Notes to Consolidated Financial Statements
December 31, 2008**

NOTE 5 LINE OF CREDIT

The Foundation has a line of credit of \$50,000 with a bank. Borrowings under the line bear interest at 15%. As of December 31, there were no borrowings under the 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. The first installment of \$10,000 was received during 2007 and was recorded as a refundable advance. During the year ended December 31, 2008, the Foundation met the grant contingencies for the installment received in 2007 and recognized the income which is included in contributions revenue. The second installment of \$10,000 was received during 2008 and was recorded as a refundable advance.

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