

**CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM**

Financial Statements

Year Ended December 31, 2017



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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, 2017, 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 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 engagement 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

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent in all material respects, with the audited financial statements from which it has been derived.

Richardson & Company, LLP

October 31, 2018

CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM

STATEMENT OF FINANCIAL POSITION
December 31, 2017
(with comparative totals for 2016)

	2017	2016
ASSETS		
Cash	\$ 180,110	\$ 51,591
Accounts receivable	295	10,581
Unconditional promises to give, net	180,986	309,306
Gift shop inventory	21,358	22,992
Prepaid expenses	3,434	20,878
Vehicle inventory	62,041	1,443
Property and equipment, net	2,098,068	53,112
Cash restricted or designated, primarily for long term purposes	26,385	293,285
Collections and museum exhibit	1,042,326	858,928
TOTAL ASSETS	\$ 3,615,003	\$ 1,622,116
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 17,934	\$ 15,085
Accrued expenses	31,765	34,558
Deferred revenue		64,330
Accrued interest payable	2,050	
Note payable	500,000	
Other liabilities		13,000
TOTAL LIABILITIES	551,749	126,973
NET ASSETS		
Unrestricted		
Undesignated	2,855,883	933,701
Temporarily restricted	207,371	561,442
TOTAL NET ASSETS	3,063,254	1,495,143
TOTAL LIABILITIES AND NET ASSETS	\$ 3,615,003	\$ 1,622,116

See accompanying notes and independent accountant's review report

CALIFORNIA VEHICLE FOUNDATION
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STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017
(with comparative totals for 2016)

	Unrestricted	Temporarily Restricted	2017 Total	2016 Total
REVENUE				
Admissions	\$ 176,670		\$ 176,670	\$ 196,715
Contributions	295,541	\$ 84,934	380,475	673,994
Memberships	52,976		52,976	49,037
In-kind rent and materials	1,456,954		1,456,954	288,435
Docent income	9,657		9,657	9,489
Vehicle sales and consignment income	\$ 163,933			
Less: Cost of goods sold	(16,424)	147,509	147,509	160,791
Facility rental		129,648	129,648	166,588
Exhibit income		41,572	41,572	61,187
Special events	88,668			
Less: Cost of direct benefits to donors	(20,689)	67,979	67,979	108,013
Education		137,067	137,067	67,272
Library income		1,901	1,901	2,876
Investment income		317	317	118
Gift shop and online sales	44,459			
Less: Cost of goods sold	(15,266)	29,193	29,193	39,745
Unrealized gain/loss on exhibit items		23,685	23,685	49,058
Other income		8,634	8,634	7,853
Net assets released from restriction		439,005	-	-
TOTAL REVENUE	3,018,308	(354,071)	2,664,237	1,881,171
EXPENSES				
Program services		751,322	751,322	944,317
Management and general		68,998	68,998	65,139
Fundraising and membership development		275,806	275,806	267,666
TOTAL EXPENSES	1,096,126		1,096,126	1,277,122
CHANGE IN NET ASSETS	1,922,182	(354,071)	1,568,111	604,049
Net assets, beginning of year	933,701	561,442	1,495,143	891,094
NET ASSETS, END OF YEAR	\$ 2,855,883	\$ 207,371	\$ 3,063,254	\$ 1,495,143

See accompanying notes and independent accountant's review report

CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM

STATEMENT OF FINANCIAL POSITION
December 31, 2017
(with comparative totals for 2016)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,568,111	\$ 604,049
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	25,597	13,770
Realized and unrealized losses (gains) on exhibit items	23,685	(49,176)
Donated collection vehicles	(214,990)	(22,265)
Donated library gifts	(1,073)	(3,074)
Donated land and building	(1,350,000)	
Value of vehicles sold	8,980	4,512
Changes in certain operating assets and liabilities:		
Accounts receivable	10,286	(8,854)
Unconditional promises to give	128,320	(309,306)
Gift shop inventory	1,634	3,521
Prepaid expenses	17,444	(7,110)
Prepaid vehicle expenses	(60,598)	2,146
Accounts payable	2,849	(2,658)
Accrued expenses	(2,793)	4,008
Deferred revenue	(64,330)	59,620
Interest payable	2,050	
Other liabilities	(13,000)	(7,340)
Cash restricted for long-term purposes	266,900	(256,736)
NET CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES	349,072	25,107
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(720,553)	(3,316)
NET CASH USED BY INVESTING ACTIVITIES	(720,553)	(3,316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	500,000	
NET CASH PROVIDED BY FINANCING ACTIVITIES	500,000	
NET INCREASE IN CASH	128,519	21,791
Cash at beginning of year	51,591	29,800
CASH AT END OF YEAR	\$ 180,110	\$ 51,591

See accompanying notes and independent accountant's review report

CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

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, 2017.

Gift Shop and Vehicle Inventory: Gift shop and vehicle 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.

CALIFORNIA VEHICLE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2017.

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, 2016, 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.

CALIFORNIA VEHICLE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events: Management has evaluated subsequent events through the date the financial statements were available to be issued, which was October 31, 2018.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2017:

Land	\$ 360,000
Building	1,709,038
Building improvements	661,466
Furniture and fixtures	108,833
Equipment and software	31,140
Vehicles	<u>16,613</u>
	2,887,090
Less: accumulated depreciation	<u>(789,022)</u>
	<u>\$ 2,098,068</u>

Depreciation expense amounted to \$25,597 for the year ended December 31, 2017.

NOTE C – COLLECTIONS

Collections consist of the following as of December 31, 2017:

Vehicles	\$ 892,128
Library	127,848
Lithographs	20,000
Artifacts	<u>2,350</u>
	<u>\$ 1,042,326</u>

NOTE D – NOTE PAYABLE

The Foundation has a note payable of \$500,000 with a bank for the replacement of the roof. The note incurs interest at a variable rate that changes at least every five years. However, the rate until December 2, 2022 is fixed at 4.92%. The interest rate is based on the average yield on U.S. Treasury securities plus 1.990% per annum. The note is payable in monthly principal and interest payments of \$2,920 through December 5, 2022, after which principal and interest payments of \$2,937 will be due. The loan matures on October 10, 2032, at which time a payment of \$278,074 will be due. The loan is collateralized by the Museum land and building, with a carrying amount of \$2,070,554.

CALIFORNIA VEHICLE FOUNDATION
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

NOTE D – NOTE PAYABLE (Continued)

Future minimum principal payments are as follows:

<u>For the years ended December 31,</u>	<u>Amount</u>
2018	\$ 10,685
2019	11,222
2020	11,787
2021	12,380
2022	13,003
Thereafter	<u>440,923</u>
	<u>\$ 500,000</u>

NOTE E – RESTRICTIONS ON ASSETS

Temporarily restricted net assets consist of the following as of December 31, 2017:

Capital Campaign	\$ 180,986
Exhibit Improv Fund	10,572
Education Scholarship exhibit	8,250
Collections fund	<u>7,563</u>
	<u>\$ 207,371</u>

NOTE F – DONATED MATERIALS, SERVICES AND FACILITIES

The Foundation leased 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.

In July 2017, the City sold a parcel of land to the Foundation for \$70,100 and donated the other parcel and building that had a value at the date of donation of \$1,350,000. During the portion of the year that the Foundation rented its facility from the City, in-kind rent expense amounted to \$104,000 for the year ended December 31, 2017.

Various other goods and services were donated with a value of \$2,954 and is reflected in fundraising expense.

CALIFORNIA VEHICLE FOUNDATION
DBA CALIFORNIA AUTOMOBILE MUSEUM

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2017

NOTE G – 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, 2017, all of which are temporarily restricted, are as follows:

Gross unconditional promises to give expected to be collected:	
Less than one year	\$ 34,000
One to five years	151,409
	<u>185,409</u>
Less discount to present value	<u>(4,423)</u>
Total unconditional promises to give	<u><u>\$ 180,986</u></u>