

ROLLS-ROYCE FOUNDATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011
AND
INDEPENDENT AUDITOR'S REPORT

HAMILTON & MUSSER, P.C.
Certified Public Accountants

ROLLS-ROYCE FOUNDATION
Table of Contents
For the Years Ended December 31, 2012 and 2011

<u>CONTENTS</u>	<u>PAGE</u>
Independent Auditor's Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6-9
Additional Information to Financial Statements:	
Independent Auditor's Report on Additional Information	10
Schedule of Functional Expenses 2012	11
Schedule of Functional Expenses 2011	12



HAMILTON & MUSSER, P.C.

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA • BARRY E. MUSSER, CPA, CFP®
JAMES A. KRIMMEL, MBA, CPA, CFE • ROBERT D. MAST, CPA • WILLIAM P. ASHMAN, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rolls-Royce Foundation
Mechanicsburg, Pennsylvania

We have audited the accompanying financial statements of Rolls-Royce Foundation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Members of the American and Pennsylvania Institutes of CPAs

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rolls-Royce Foundation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

April 2, 2013

Mechanicsburg, Pennsylvania



Certified Public Accountants

ROLLS-ROYCE FOUNDATION
 Statements of Financial Position
 December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Cash and Cash Equivalents	\$ 54,981	\$ 84,063
Accounts Receivable (Note 3)	5,913	12,145
Inventory	6,910	6,910
Prepaid Expenses	1,546	1,588
Assets Held for Sale	409,810	199,601
Fixed Assets, Net (Note 2)	393,306	407,836
Vehicle Collection	588,750	643,750
Library Collection	<u>21,279</u>	<u>7,044</u>
Total Assets	<u>\$ 1,482,495</u>	<u>\$ 1,362,937</u>
Liabilities		
Accounts Payable	<u>\$ 4,729</u>	<u>\$ 2,528</u>
Total Liabilities	<u>4,729</u>	<u>2,528</u>
Net Assets		
Unrestricted	<u>1,477,766</u>	<u>1,360,409</u>
Total Liabilities and Net Assets	<u>\$ 1,482,495</u>	<u>\$ 1,362,937</u>

The Accompanying Notes are an Integral Part of the Financial Statements

ROLLS-ROYCE FOUNDATION
Statements of Activities
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Support and Revenue		
Store Sales	\$ 9,551	\$ 9,172
Less: Cost of Goods Sold	<u>(207)</u>	<u>-</u>
Gross Margin on Store Sales	9,344	9,172
Memberships	31,037	31,602
Contributions and Memorials	19,874	13,693
Auction	-	5,937
Non-Cash Donations	211,065	57,000
Miscellaneous	441	414
Seminar	-	661
Loss on Sale of Collection Vehicles	(35,000)	(48,000)
Adopt-A-Car	<u>-</u>	<u>5,000</u>
Total Support and Revenue	<u>236,761</u>	<u>75,479</u>
Expenses		
Program Expenses	77,987	47,949
Supporting Services		
Management and General	34,312	29,265
Fundraising	<u>7,105</u>	<u>8,782</u>
Total Expenses	<u>119,404</u>	<u>85,996</u>
Change in Net Assets	117,357	(10,517)
Net Assets, Beginning of Year	<u>1,360,409</u>	<u>1,370,926</u>
Net Assets, End of Year	<u>\$ 1,477,766</u>	<u>\$ 1,360,409</u>

The Accompanying Notes are an Integral Part of the Financial Statements

ROLLS-ROYCE FOUNDATION
Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 117,357	\$ (10,517)
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Used by Operating Activities:		
Depreciation	14,530	14,530
Loss on Sale of Collection Vehicle	35,000	48,000
Non-Cash Contributions	(211,065)	(57,000)
(Increase) Decrease in:		
Accounts Receivable	6,232	(2,888)
Prepaid Expenses	42	51
Increase (Decrease) in:		
Accounts Payable	2,201	(21)
Deferred Revenue	<u>-</u>	<u>(8,295)</u>
Net Cash and Cash Equivalents Used by Operating Activities	<u>(35,703)</u>	<u>(16,140)</u>
Cash Flows from Investing Activities:		
Purchases of Library Materials	(14,235)	-
Proceeds from Sale of Vehicle Collection Items	20,000	31,500
Proceeds from Sale of Assets Held for Sale	<u>856</u>	<u>5,612</u>
Net Cash and Cash Equivalents Provided by Investing Activities	<u>6,621</u>	<u>37,112</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(29,082)	20,972
Cash and Cash Equivalents, Beginning of the Year	<u>84,063</u>	<u>63,091</u>
Cash and Cash Equivalents, End of the Year	<u>\$ 54,981</u>	<u>\$ 84,063</u>
<u>Supplemental Cash Flow Disclosures:</u>		
Cash Paid for Interest	\$ -	\$ -
Cash Paid for Income Taxes	-	-

The Accompanying Notes are an Integral Part of the Financial Statements

ROLLS-ROYCE FOUNDATION
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

The Rolls-Royce Foundation (the Foundation) is organized for the purpose of collecting and displaying educational materials dedicated to Rolls-Royce and Bentley motor cars. The Rolls-Royce Foundation is a not-for-profit 501(c)(3) corporation. Revenue is generally derived from memberships and contributions.

Basis of Accounting:

The financial statements of the Foundation have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation:

Financial statement presentation follows the *Not-for-Profit Entities* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) which requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Foundation had no temporarily or permanently restricted net assets.

Revenue Recognition:

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. The Foundation had no temporarily or permanently restricted net assets.

Taxation:

The Foundation is exempt from Federal Income Tax as provided by Code Section 501(c)(3) of the Internal Revenue Code. Donors are entitled to deductions for Federal Income Tax purposes for contributions made to the Foundation in accordance with the Internal Revenue Code. Accordingly, no income tax is incurred unless the Foundation earns income considered to be unrelated business income. The Foundation conducted no activities that were subject to unrelated business income taxes.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation. Management evaluated the tax positions taken and concluded that the Foundation had taken no uncertain tax positions that require recognition or disclosure in the financial statements. No provision or benefit for income taxes has been included in these financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before December 31, 2009.

Fixed Assets:

Fixed Assets are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. New acquisitions of fixed assets having a low acquisition cost, or which are not expected to last for more than a year, are expensed in the year of acquisition. Repairs and maintenance charges are capitalized and depreciated when they materially extend the useful life of the related asset.

ROLLS-ROYCE FOUNDATION
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE 1 NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collections:

The Foundation capitalizes its collections. Accessions are capitalized at cost if purchased and at appraised or fair value at date of accession if received by donation. Gains and losses on deaccessions of donated collections are recorded based on the presence or absence of donor restrictions placed on items at the date of donation.

Use of 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.

Inventory:

Inventory consists of videotapes purchased and books published and held for resale and are valued at the lower of cost or market value, using an average costing method.

Cash and Cash Equivalents:

For the purpose of the Statement of Cash Flows, cash and cash equivalents include all highly-liquid investments with original maturities of three months or less.

NOTE 2 FIXED ASSETS

Fixed assets at December 31, 2012 and 2011 are summarized as follows by major classification:

	<u>2012</u>	<u>2011</u>
Building and Improvements	\$ 491,720	\$ 491,720
Furniture and Equipment	29,276	29,276
Tools	<u>1,554</u>	<u>1,554</u>
	522,550	522,550
Less: Accumulated Depreciation	<u>(129,244)</u>	<u>(114,714)</u>
Fixed Assets, Net	<u>\$ 393,306</u>	<u>\$ 407,836</u>

The useful lives for purposes of computing depreciation are as follows:

Building and Improvements	40 years
Furniture and Equipment	5 years
Tools	5 years

Depreciation expense was \$14,530 and \$14,530 for the years ended December 31, 2012 and 2011, respectively.

ROLLS-ROYCE FOUNDATION
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE 3 RELATED PARTY TRANSACTIONS

The Rolls-Royce Foundation is affiliated with Rolls-Royce Owners' Club (the Club) through common membership. An operating agreement between the Foundation and Club provides a framework for the sharing of resources between the Rolls-Royce Owners' Club and the Foundation. The Rolls-Royce Owners' Club agreed to help subsidize/support the Foundation during some initial period of years of the Foundation's existence. Currently, the Foundation reimburses the Club \$2,500 per year, which is less than the total cost of those services. The amount owed to the Club was \$3,869 and \$1,605 as of December 31, 2012 and 2011, respectively, for the purchase of books from the Club and miscellaneous other expenses.

During the first quarter of 2011, an agreement was reached between the Club and the Foundation. This agreement calls for the Club to provide significantly more services for the Foundation. The cost per year for this agreement is \$30,000. The amount paid to the Club was \$30,000 and \$24,659 for the years ended December 31, 2012 and 2011, respectively. There was no amount owed to the Club as of December 31, 2012 and 2011.

The Club has agreed to sell several videotapes, which have been produced by the Foundation, through the Club's retail operation. All revenue generated by the sale of the tapes is given to the Foundation, less a 20% commission which is kept by the Club. The Club recorded sales of \$572 and \$291, during the years ended December 31, 2012 and 2011, respectively, after commissions, for the Foundation. The Club also collected membership contributions for the Foundation. The Club owed the Foundation \$5,913 and \$12,145 for dues as of December 31, 2012 and 2011, respectively.

NOTE 4 LINE OF CREDIT

The Foundation has established a \$300,000 line of credit with M&T Bank secured by several of the Foundation's vehicles, their books and records, and the building located at 191 Hempst Road, Mechanicsburg, Pennsylvania. Interest on borrowed amounts is to be paid monthly at a variable annual interest rate which is ½% above the bank's prime rate. Any outstanding balance is due upon demand by the bank. There was no outstanding balance at December 31, 2012 and 2011, respectively. Interest paid on the line of credit was \$0 and \$0 during the years ended December 31, 2012 and 2011, respectively.

NOTE 5 DONATED SERVICES

The Foundation receives significant amounts of donated services related to its activities, but which were not recognized in the financial statements because they do not meet the criteria for recognition.

NOTE 6 OPERATIONS

The continuation of the Foundation's operations is usually assumed in financial accounting in the absence of evidence to the contrary. However, an operation that depends primarily on contributions from the general public is always subject to the uncertainty as to amounts of future support.

NOTE 7 FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and activities has been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

ROLLS-ROYCE FOUNDATION
Notes to Financial Statements
For the Years Ended December 31, 2012 and 2011

NOTE 8 CONCENTRATED CREDIT RISK

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents held with financial institutions. Accounts at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Foundation's account at one financial institution occasionally exceeds the insurance obtained through the FDIC. There were no amounts held at financial institutions that exceeded the FDIC limit at December 31, 2012 and 2011.

NOTE 9 ADVERTISING

The Foundation expenses advertising costs as they are incurred. Advertising costs were \$2,550 and \$1,720 for the years ended December 31, 2012 and 2011, respectively.

NOTE 10 RESTATEMENT

Certain numbers from 2011 have been restated to conform with current year classifications.

NOTE 11 SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 2, 2013, which is the date the financial statements were available to be issued.



HAMILTON & MUSSER, P.C.

Certified Public Accountants • Consultants to Management

DAVID A. HAMILTON, CPA • BARRY E. MUSSER, CPA, CFP®
JAMES A. KRIMMEL, MBA, CPA, CFE • ROBERT D. MAST, CPA • WILLIAM P. ASHMAN, CPA

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
Rolls-Royce Foundation
Mechanicsburg, Pennsylvania

We have audited the financial statements of Rolls-Royce Foundation as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated April 2, 2013, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 11 and 12 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

April 2, 2013

Mechanicsburg, Pennsylvania

Certified Public Accountants

Members of the American and Pennsylvania Institutes of CPAs

ROLLS-ROYCE FOUNDATION
Schedule of Functional Expenses
For the Year Ended December 31, 2012

	Program <u>Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Advertising	\$ 1,912	\$ -	\$ 638	\$ 2,550
Auto Transport	8,819	-	-	8,819
Auto Maintenance	1,158	-	-	1,158
Auto Restoration Repairs	12,835	-	-	12,835
Bank Fees	23	4	6	33
Contract Services	-	30,000	-	30,000
Dealers	778	-	-	778
Depreciation	10,898	1,453	2,179	14,530
Educational Services	11,647	-	-	11,647
Filing Fees	112	15	23	150
Insurance	5,790	772	1,158	7,720
Internet Service	590	79	117	786
Maintenance – Building	1,640	219	328	2,187
Maintenance – Equipment	854	-	-	854
Meetings and Seminars	858	-	-	858
Miscellaneous	348	-	-	348
Office Supplies	908	121	182	1,211
Postage	426	56	85	567
Professional Fees	2,362	315	473	3,150
Real Estate Taxes	4,229	564	846	5,639
Scholarships	6,000	-	-	6,000
Supplies	445	-	-	445
Telephone	1,500	200	299	1,999
Utilities	<u>3,855</u>	<u>514</u>	<u>771</u>	<u>5,140</u>
 Total Expenses	 <u>\$ 77,987</u>	 <u>\$ 34,312</u>	 <u>\$ 7,105</u>	 <u>\$ 119,404</u>

ROLLS-ROYCE FOUNDATION
Schedule of Functional Expenses
For the Year Ended December 31, 2011

	Program <u>Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	
Advertising	\$ 1,290	\$ -	\$ 430	\$ 1,720
Auto Acquisitions	6,240	-	-	6,240
Auto Maintenance	1,036	-	-	1,036
Auto Restoration Repairs	2,084	-	-	2,084
Bank Fees	211	35	53	299
Contract Services	-	24,659	-	24,659
Dealers	1,043	-	-	1,043
Depreciation	10,898	1,453	2,179	14,530
Events – Hershey	-	-	1,446	1,446
Filing Fees	164	22	34	220
Grass and Snow Removal	589	79	118	786
Insurance	5,492	732	1,098	7,322
Internet Service	80	10	16	106
Maintenance – Building	1,278	171	256	1,705
Meetings and Seminars	99	-	-	99
Miscellaneous	446	-	-	446
Office Supplies	431	57	86	574
Postage	547	73	109	729
Printing	462	-	-	462
Professional Fees	3,966	529	793	5,288
Real Estate Taxes	4,176	557	835	5,568
Supplies	763	-	-	763
Telephone	1,601	214	319	2,134
Utilities	<u>5,053</u>	<u>674</u>	<u>1,010</u>	<u>6,737</u>
 Total Expenses	 <u>\$ 47,949</u>	 <u>\$ 29,265</u>	 <u>\$ 8,782</u>	 <u>\$ 85,996</u>