

**PACIFIC BATTLESHIP CENTER**

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**FINANCIAL STATEMENTS**

December 31, 2020 and 2019



# PACIFIC BATTLESHIP CENTER

## T A B L E O F C O N T E N T S

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	<b>Page(s)</b>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3-4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to Financial Statements	8-18

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Pacific Battleship Center  
San Pedro, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Pacific Battleship Center (a nonprofit public benefit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, cash flows, and functional expenses for the year 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from 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 auditors' 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 opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Battleship Center as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Prior Period Financial Statements

The financial statements of Pacific Battleship Center as of and for the year ended December 31, 2019, were audited by Rossi LLP, which merged with BPM LLP effective as of November 1, 2020. Rossi LLP's report dated August 4, 2020, expressed an unmodified opinion on those statements.



Long Beach, California  
June 1, 2021

**PACIFIC BATTLESHIP CENTER**  
**STATEMENTS OF FINANCIAL POSITION**  
As of December 31, 2020 and 2019

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 755,246	\$ 613,872
Receivables	7,609	68,757
Contributions receivable	52,848	110,663
Engineering/machine shop materials	61,160	61,517
Prepaid expenses	49,398	73,930
Property and equipment, net	2,638,050	3,535,835
Other assets	41,112	45,964
	\$ 3,605,423	\$ 4,510,538
<b>LIABILITIES AND NET ASSETS</b>		
Revolving credit facility	\$ -	\$ 250,000
Accounts payable	253,717	233,262
Accrued and other liabilities	200,969	207,781
Deferred revenue	48,112	83,123
Loans and notes payable	550,453	529,741
	1,053,251	1,303,907
Commitments		
Net assets:		
Without donor restrictions	2,239,464	2,810,535
With donor restrictions	312,708	396,096
	2,552,172	3,206,631
Total net assets	2,552,172	3,206,631
Total liabilities and net assets	\$ 3,605,423	\$ 4,510,538

# PACIFIC BATTLESHIP CENTER

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2020

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	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Admissions	\$ 738,271	\$ -	\$ 738,271
Contributions	1,686,974	202,079	1,889,053
Donated goods and services	34,944	-	34,944
Commissions	34,465	-	34,465
Gain on forgiveness of PPP loan	244,225	-	244,225
Other income	56,847	-	56,847
	<u>2,795,726</u>	<u>202,079</u>	<u>2,997,805</u>
Total revenues			
Net assets released from restriction:			
Satisfaction of program restrictions	<u>285,467</u>	<u>(285,467)</u>	<u>-</u>
	<u>285,467</u>	<u>(285,467)</u>	<u>-</u>
Total net assets released from restrictions			
	<u>3,081,193</u>	<u>(83,388)</u>	<u>2,997,805</u>
Total revenues and other support			
Expenses:			
Program services	2,614,398	-	2,614,398
General and administrative	340,622	-	340,622
Fundraising	697,244	-	697,244
	<u>3,652,264</u>	<u>-</u>	<u>3,652,264</u>
Total expenses			
Change in net assets	(571,071)	(83,388)	(654,459)
Net assets, beginning of year	<u>2,810,535</u>	<u>396,096</u>	<u>3,206,631</u>
Net assets, end of year	<u>\$ 2,239,464</u>	<u>\$ 312,708</u>	<u>\$ 2,552,172</u>

# PACIFIC BATTLESHIP CENTER

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

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	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Admissions	\$ 2,488,131	\$ -	\$ 2,488,131
Contributions	774,797	616,208	1,391,005
Donated goods and services	135,015	-	135,015
Commissions	154,473	-	154,473
Other income	146,551	-	146,551
	<u>3,698,967</u>	<u>616,208</u>	<u>4,315,175</u>
Total revenues			
Net assets released from restriction:			
Satisfaction of program restrictions	580,830	(580,830)	-
	<u>580,830</u>	<u>(580,830)</u>	<u>-</u>
Total net assets released from restrictions			
	<u>4,279,797</u>	<u>35,378</u>	<u>4,315,175</u>
Total revenues and other support			
Expenses:			
Program services	3,512,349	-	3,512,349
General and administrative	382,783	-	382,783
Fundraising	805,964	-	805,964
	<u>4,701,096</u>	<u>-</u>	<u>4,701,096</u>
Total expenses			
Change in net assets	(421,299)	35,378	(385,921)
Net assets, beginning of year	3,231,834	360,718	3,592,552
	<u>3,231,834</u>	<u>360,718</u>	<u>3,592,552</u>
Net assets, end of year	\$ <u>2,810,535</u>	\$ <u>396,096</u>	\$ <u>3,206,631</u>

# PACIFIC BATTLESHIP CENTER

## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (654,459)	\$ (385,921)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	932,841	882,760
Gain on forgiveness of PPP loan	(244,225)	-
Change in assets and liabilities:		
Receivables	61,150	(727)
Contributions receivable	57,815	(84,663)
Engineering/machine shop materials	357	2,910
Prepaid expenses	24,532	3,103
Other assets	(6,377)	(515)
Accounts payable	20,455	(26,880)
Accrued and other liabilities	(6,812)	37,157
Deferred revenue	(35,011)	19,053
	<u>150,266</u>	<u>446,277</u>
Cash provided by operating activities		
Cash flows from investing activity:		
Purchases of property and equipment	<u>(23,829)</u>	<u>(237,690)</u>
Cash used in investing activity	<u>(23,829)</u>	<u>(237,690)</u>
Cash flows from financing activities:		
Proceeds from lines of credit	-	143,253
Payments on lines of credit	(250,000)	(143,253)
Proceeds from loans and notes payable	404,225	-
Principal payments on loans and notes payable	<u>(139,288)</u>	<u>(126,910)</u>
Cash provided by (used in) financing activities	<u>14,937</u>	<u>(126,910)</u>
Net increase in cash and cash equivalents	141,374	81,677
Cash and cash equivalents, beginning of year	<u>613,872</u>	<u>532,195</u>
Cash and cash equivalents, end of year	<u>\$ 755,246</u>	<u>\$ 613,872</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 25,609</u>	<u>\$ 28,468</u>
Recognition of in-kind contributions and related assets and expenses	<u>\$ 34,944</u>	<u>\$ 135,015</u>

**PACIFIC BATTLESHIP CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2020

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 944,171	\$ 161,854	\$ 174,353	\$ 1,280,378
Payroll taxes	79,752	12,629	14,564	106,945
Depreciation	886,199	23,321	23,321	932,841
Professional fundraising services	-	-	427,481	427,481
Rent, fuel, and utilities	188,151	13,610	13,346	215,107
Maintenance, equipment rental, and small equipment	125,383	4,198	1,619	131,200
Advertising and marketing	90,104	-	800	90,904
Insurance	52,909	30,625	3,170	86,704
Information technology	56,666	4,275	6,622	67,563
Other program services	26,084	26,290	13,778	66,152
Ticketing and credit card fees	59,952	-	5,284	65,236
Interest	-	29,609	-	29,609
Security services	29,345	-	-	29,345
Travel	22,883	2,409	1,241	26,533
Accounting services	-	21,000	-	21,000
Group food and group lunch	19,666	-	-	19,666
Office expense	5,900	3,987	3,947	13,834
Event expenses	11,572	-	-	11,572
Exhibit expenses	4,655	-	2,957	7,612
Conference, conventions, and meetings	2,008	4,204	453	6,665
Cost of goods sold - ship store	5,202	-	-	5,202
Donor and prospect relations	-	-	4,308	4,308
Commission	3,155	-	-	3,155
Training	81	1,858	-	1,939
Miscellaneous	560	753	-	1,313
	<u>\$ 2,614,398</u>	<u>\$ 340,622</u>	<u>\$ 697,244</u>	<u>\$ 3,652,264</u>



**PACIFIC BATTLESHIP CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the year ended December 31, 2019

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 1,026,719	\$ 101,916	\$ 171,332	\$ 1,299,967
Payroll taxes	92,655	7,747	13,995	114,397
Depreciation	794,484	44,138	44,138	882,760
Professional fundraising services	-	-	519,557	519,557
Rent, fuel, and utilities	334,618	23,563	13,004	371,185
Maintenance, equipment rental, and small equipment	232,300	4,528	3,329	240,157
Event expenses	192,617	-	-	192,617
Other program services	145,699	27,348	9,129	182,176
Advertising and marketing	157,024	-	-	157,024
Security services	135,815	-	-	135,815
Ticketing and credit card fees	104,770	-	-	104,770
Insurance	53,190	29,912	3,216	86,318
Group food and group lunch	83,772	-	-	83,772
Accounting services	-	72,000	-	72,000
Travel	56,089	12,607	2,953	71,649
Information technology	52,154	5,905	4,525	62,584
Interest	-	32,468	-	32,468
Miscellaneous	15,724	1,523	-	17,247
Office expense	7,649	3,365	5,908	16,922
Conference, conventions, and meetings	8,593	7,396	921	16,910
Donor and prospect relations	159	-	13,957	14,116
Commission	8,733	-	-	8,733
Legal services	-	7,722	-	7,722
Exhibit expenses	7,714	-	-	7,714
Training	1,871	645	-	2,516
<b>Total expenses</b>	<b><u>\$ 3,512,349</u></b>	<b><u>\$ 382,783</u></b>	<b><u>\$ 805,964</u></b>	<b><u>\$ 4,701,096</u></b>

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**1. Organization**

Pacific Battleship Center (“PBC” or the “Organization”) is a nonprofit public benefit corporation incorporated in California on December 30, 2008, with a mission to:

- Celebrate the American spirit through the preservation and interpretation of the Battleship USS Iowa;
- Educate the public on the accomplishments and sacrifices of American patriots; and
- Engage guests in unique and exciting ways that bring the ship to life by connecting the past with the future.

PBC fulfills its mission through the operation of a museum of naval history aboard the former Battleship USS Iowa (BB-61) moored in the Port of Los Angeles. The ship opened to the public in July 2012, following restoration and pre-opening preparation.

The United States Navy has granted PBC the rights to use the USS Iowa as a maritime museum. In accordance with accounting principles generally accepted in the United States of America, the fair value of the use of the USS Iowa should be reported in PBC’s financial statements. However, since no objective basis is available to measure the fair value of the ship’s usage, no amount has been reported in the accompanying financial statements.

PBC leases from the City of Los Angeles, the pier where the USS Iowa is moored. In accordance with accounting principles generally accepted in the United States of America, the fair value of the pier mooring in excess of the amounts paid should be reported in the Organization’s financial statements as donated goods and rent expense. However, since no objective basis is available to determine the fair value for the use of the pier, PBC has not reported an expense in the financial statement as donated goods or rent expense.

**2. Summary of Significant Accounting Policies**

***Basis of Financial Statement Presentation***

PBC’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Financial Accounting Standards Board (“FASB”) has established the FASB Accounting Standards Codification (“ASC”) as the sole source of authoritative accounting principles to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP.

In preparing these financial statements, PBC evaluated the period January 1, 2021 through June 1, 2021, the date that the financial statements were available to be issued, for subsequent events requiring recognition or disclosure in the accompanying financial statements.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions, and such differences may be material to the financial statements.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**2. Summary of Significant Accounting Policies, continued**

***Net Assets***

In accordance with ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, PBC's net assets, revenues, gains, expenses and losses are classified as with donor restrictions and without donor restrictions.

**Net assets without donor restrictions:** Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the "Board") and/or management for general operating purposes. From time-to-time, the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

**Net assets with donor restrictions:** Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions.

The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board approved spending policy.

***Cash and Cash Equivalents***

For purposes of the statement of financial position and the statement of cash flows, the Organization considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, receivables, payables and debt. The Organization's investment policy is intended to limit its exposure to credit risk. PBC maintains its cash balances in the form of bank demand deposits and money market accounts, which at times exceed the Federal Depository Insurance Corporation insurance limits with major financial institutions that management has determined to be credit worthy.

PBC has no significant financial instruments with off-balance sheet risk of accounting loss.

***Contributions***

In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, the Organization recognizes contributions as revenue at the time they are received or unconditionally pledged. That revenue is either reported as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or a purpose restriction. When a restriction expires or is met, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**2. Summary of Significant Accounting Policies, continued**

***Contributions***, continued

The Organization has adopted Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, during 2020, as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of contributions have been enhanced in accordance with the standard.

***Receivables***

Receivables principally consist of amounts due the Organization for credit card payments for admissions and special events. Management determines the allowance for uncollectable receivables based on historical experience and review of subsequent collections. During the years ended December 31, 2020 and 2019, the Organization did not record an allowance for uncollectable receivables.

***Contributions Receivable***

Unconditional promises to give are recorded as contributions receivable. PBC discounts pledges that are expected to be collected after one year at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue. Management evaluated the collectability of contributions receivable at December 31, 2020 and 2019 and determined that no allowance for doubtful pledges was considered necessary.

***Engineering/Machine Shop Materials***

When PBC received possession of the USS Iowa, it contained excess quantities of various metals, such as aluminum, brass and steel. These materials are being consumed in the repair and maintenance of the ship. Accordingly, the estimated fair value of these materials has been recorded as engineering/machine shop materials in the accompanying financial statements. As these materials are used for the ship’s maintenance, the shop materials are expensed as maintenance expense.

***Deposits and Prepaid Insurance***

At December 31, 2020 and 2019, PBC reported insurance premiums of \$46,019 and \$57,629, respectively, as prepaid insurance in the accompanying financial statements to be amortized over the next year. At December 31, 2020 and 2019, PBC entered into a financing arrangement for \$32,027 and \$42,852 of annual insurance premiums, recorded as accrued and other liabilities in the accompanying balance sheet.

***Property and Equipment***

Property and equipment are recorded at cost if purchased or estimated fair value if donated. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Ship restoration and improvements, and furniture and equipment are depreciated over a period of 3 – 10 years. The costs of normal maintenance, repairs and minor replacements are charged to expense when incurred.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**2. Summary of Significant Accounting Policies, continued**

***Fair Value of Financial Instruments***

The carrying amounts of cash, accounts and contributions receivable, accounts payable, accrued and other liabilities, unearned revenue, line of credit, and loan and notes payable at December 31, 2020 and 2019, approximate fair value because of the short term maturity of these financial instruments.

***Revenue Recognition***

The Organization has adopted ASU No. 2014-09-*Revenue from Contracts with Customers (Topic 606)*, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition. The adoption of ASU 2014-09 did not result in any significant changes in the way the Organization recognizes revenue, and therefore no changes to previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue has been enhanced in accordance with the standard.

Revenues without donor restrictions are from admission fees and program fees. Admission revenues are recorded when tickets are used, which is generally within a short time period as these tickers are normally sold on the date of attendance or in advance with a specific time and date of eligible use. Educational program fees are recorded as revenues on the date the program occurs. Revenues received in advance of their usage are classified as deferred revenue in the statements of financial position. PBC offers annual memberships which provide for various benefits depending upon the level of giving ranging from \$50.00 to \$1,000 annually. PBC considers memberships to be exchange transactions. As exchange transactions, the membership revenue is deferred and amortized over the life of the membership.

PBC generates commission revenue from the operation of its gift shop, event catering, food concessions, soft drink machines and ATM machines. PBC generally recognizes commission revenue when received.

***Tax Exempt Status***

PBC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to state and federal income taxes. Management has not recorded an income tax provision for the years ended December 31, 2020 and 2019.

PBC follows the provisions of FASB ASC 740, *Income Taxes*. Accordingly, PBC accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. PBC recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. PBC does not believe that its income tax returns include any uncertain tax positions and accordingly, has not recorded a liability for unrecognized tax benefits in the accompanying financial statements.

***Retirement Plan***

The Organization is a member of a multiple-employer plan (the "Plan") that is designed to follow the regulations under IRS Section 413(c). The Plan is sponsored by Emplicity 401(k) Retirement Savings Plan. Full-time employees over the age of 21 may enroll on the first day of the quarter after completing (3) months of employment.

# PACIFIC BATTLESHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

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### 2. Summary of Significant Accounting Policies, continued

#### *Donated Goods and Services*

Donated services are recognized as contributions at their estimated fair value in accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by PBC. A substantial number of volunteers, including the Board of Directors, have made significant contributions of their time to PBC's programs and supporting services. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill.

Donations of materials, supplies, property and equipment are recorded as in-kind contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Donated goods and services received during the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Donated professional services	\$ 23,478	\$ 41,578
Donated goods	11,466	93,437
Total donated goods and services	<u>\$ 34,944</u>	<u>\$ 135,015</u>

#### *Advertising*

PBC uses advertising to promote its programs to the constituents it serves. All advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2020 and 2019 were \$81,204 and \$132,913, respectively.

#### *Functional Allocation of Expenses*

The costs for providing various program services, general administrative services, and fundraising expense have been summarized on a functional basis in the statements of activities. Program related and fundraising expenses are tracked in a time entry system, then reviewed and allocated to their functional classification. Those costs not directly associated with program services or fundraising activities are allocated to general administration expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### *Recent Accounting Pronouncements*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, pursuant to which lessees are required to recognize a lease asset and lease obligation in the statement of financial position for leases with a noncancelable term longer than 12 months. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statements of activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the provisions of ASU 2016-02 to determine the effect, if any; ASU 2016-02 will have on its financial statements.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**2. Summary of Significant Accounting Policies, continued**

***Recent Accounting Pronouncements, continued***

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU No. 2020-07 is required to be applied retrospectively for annual periods beginning after June 15, 2021 and interim periods within fiscal years beginning after June 15, 2022 with early adoption permitted. Management is currently evaluating the impact of the pending adoptions of ASU 2020-07 on these financial statements.

**3. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet dates, are comprised of the following:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 755,246	\$ 613,872
Receivables	7,609	68,757
Contributions receivable	52,848	110,663
Total financial assets available	815,703	793,292
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(312,708)	(396,096)
Less net assets with donor restrictions to be met in less than a year	156,883	162,076
Subtotal	(155,825)	(234,020)
Financial assets available to meet general expenditures over the next twelve months	659,878	559,272
Available financing through existing line of credit	400,000	50,000
Total liquidity and availability	\$ 1,059,878	\$ 609,272

At December 31, 2020 and 2019, the Organization had available funds of \$1,052,995 and \$609,272, respectively, consisting of financial assets and unused line of credit borrowings to meet cash needs for general expenditures within one year of the balance sheet date. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Subsequent to year-end, PBC received a second draw Paycheck Protection Program Loan of \$246,795 (Note 11), which increased the liquidity of the Organization.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**4. Property and Equipment**

Property and equipment are summarized as follows as of December 31:

	2020	2019
Furniture and equipment	\$ 3,870,597	3,846,768
Ship restoration and improvements	4,184,335	4,184,335
Sewer installation	254,625	254,625
Subtotal	8,309,557	8,285,728
Less: accumulated depreciation	(5,671,507)	(4,749,893)
Property and equipment, net	\$ 2,638,050	\$ 3,535,835

Depreciation and amortization expense was \$932,841 and \$882,760 for the years ended December 31, 2020 and 2019, respectively.

**5. Line of Credit**

At December 31, 2020, PBC had a \$400,000 revolving line of credit available from Farmers & Merchants Bank that expires on October 20, 2022 for working capital and short-term capital needs. Certain assets of PBC, including its inventory and equipment, secure the revolving line of credit. Interest is payable monthly on outstanding balances at the interest rate of 1.750% per annum over the prime rate as published in the Wall Street Journal. The revolving line of credit had an outstanding balance of \$0 and \$250,000 at December 31, 2020 and 2019, respectively.

In the spring of 2017, PBC began work on its hull preservation project, which was initially funded by a \$500,000 grant from the State of Iowa. This grant allowed PBC to indefinitely defer the significantly more-costly process of dry-docking the ship for repairs in future years. The grant required PBC to submit vendor invoices to the State of Iowa for reimbursement. In order to provide cash flow for the time period between PBC payments to vendors and receipt of the grant reimbursement, PBC secured a bank line of credit. The line of credit allowed for borrowings of up to \$298,328 and matured on July 31, 2019. During the year ended December 31, 2019, the line of credit was paid in full.

**6. Loan and Notes Payable**

On May 21, 2020, the Company obtained a loan under the Economic Injury Disaster Loan (“EIDL”) assistance program from the United States Small Business Administration (“SBA”) in light of the impact of the COVID-19 pandemic on the Organization’s operations. The principal amount of the loans is \$150,000, with proceeds used for working capital purposes. Interest accrues at the rate of 2.75% per annum. Installment payments of principal and interest are due monthly commencing May 21, 2022 through May 21, 2050.



**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**6. Loan and Notes Payable, continued**

Loans and notes payable are summarized as follows as of December 31:

	2020	2019
Non-interest bearing loan due to a related party, payable in monthly installments of \$7,000, due November 1, 2021.	\$ 245,700	\$ 269,700
Note payable, EIDL, with interest at 2.75% per annum, payable in monthly principal and interest installments of \$641, maturing May 21, 2050. The note is secured by substantially all of PBC's assets.	150,000	-
Note payable, bank, for costs related to installation of shore power, with interest at 6.0% per annum, payable in monthly principal and interest installments of \$2,637, maturing November 29, 2023. The note is secured by substantially all of PBC's assets.	94,753	110,041
Unsecured note payable bearing interest at a rate of 4.0% due upon demand.	50,000	50,000
Note payable, bank, with interest at 1.00% per annum, payable in monthly principal and interest installments of \$634, maturing April 15, 2021.	10,000	-
Note payable to a related party with interest at 4.0%, with outstanding principal due January 15, 2021 (Note 9). Balance and accrued interest forgiven in 2020.	-	100,000
Total loans and notes payable	\$ 550,453	\$ 529,741

Future principal payments are due as follows:

	Amounts
For the years ending December 31:	
2021	\$ 114,217
2022	62,758
2023	73,196
2024	31,395
2025	3,644
Thereafter	265,243
	\$ 550,453

# PACIFIC BATTLESHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

December 31, 2020 and 2019

### 7. Paycheck Protection Program

In April 2020, the Organization received a loan in the original principal amount of \$254,225 under the Paycheck Protection Program (“PPP”) established under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The PPP is administered by the SBA. Under the terms of the CARES Act, PPP loan recipients can apply for, and the SBA can grant forgiveness of all or a portion of loans made under the PPP if the recipients use the PPP loan proceeds for eligible purposes, as set forth in the CARES Act. In December 2020, the Organization applied for and received \$244,225 in PPP loan forgiveness, recognized as debt forgiveness income, in accordance with the terms of the CARES Act. The remaining balance of the PPP loan converted to a term loan payable over 18 months with interest at 1.0% per annum (Note 6). Subsequent to year-end, in February 2021, the Organization secured a second-draw loan of \$246,795 under the Paycheck Protection Program (Note 11).

### 8. Net Assets with Donor Restrictions

Net assets with donor restrictions are available to support the following purposes at December 31:

	2020	2019
Restricted by purpose:		
STEM education	\$ 129,242	\$ 186,649
Museum and exhibits	130,394	149,360
Ship restoration	43,460	51,815
Other	9,612	8,272
	<u>\$ 312,708</u>	<u>\$ 396,096</u>

Net assets released from net assets with donor restrictions are as follows for the year ended December 31:

	2020	2019
Satisfaction of purpose restrictions:		
STEM education	\$ 118,942	\$ 189,681
Museum and exhibits	115,810	151,423
Ship restoration	18,066	226,085
Other	32,649	13,641
	<u>\$ 285,467</u>	<u>\$ 580,830</u>

### 9. Related Party Transactions

At December 31, 2020 and 2019, the Organization had two outstanding notes payable due to a related party totaling \$245,700 and \$369,700, respectively (Note 6). On December 31, 2020, the Organization received forgiveness on the related party note principal of \$100,000 and \$4,000 of accrued interest. The forgiveness is reported as contributions income in the statement of activities.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**9. Related Party Transactions, continued**

During the years ended December 31, 2020 and 2019, the Organization received approximately \$59,185 and \$131,000, respectively, in contributions from members of the Board of Directors and organizations over which the board members exert significant influence.

**10. Commitment and Contingencies**

***Operating Leases***

PBC leases the pier where the USS Iowa is moored from the City of Los Angeles, through its Board of Harbor Commissioners pursuant to a noncancelable operating lease agreement. The lease agreement requires PBC to pay monthly rent based on the greater of a) a fixed-minimum monthly rental, or b) an amount equal to a percentage of admissions, commissions and other income arising from any business, use or operation occurring on the premises. The lease agreement was amended in 2020 providing for a limited deferral from July 1, 2020 to June 30, 2021, with repayment for deferred balances from July 1, 2021 through May 25, 2022. The lease contains two 5-year renewal options, with the first 5-year renewal exercised in June 2017.

Minimum future rental payments, including repayment of deferred rent, under the non-cancellable operating lease are as follows:

	<u>Amounts</u>
For the years ending December 31:	
2021	\$ 113,022
2022	157,248
2023	108,108
2024	108,108
2025	108,108
Thereafter	<u>162,162</u>
	<u>\$ 756,756</u>

Rent expense was \$106,761 and \$114,195 for the years ended December 31, 2020 and 2019, respectively.

***Risks and Uncertainties***

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic which remains a global concern. Governments, both locally and nationally, have instituted varying levels of actions to contain the virus's spread. PBC does not fall under the "Essential Business" classification as outlined in the Essential Critical Infrastructure Memorandum from the US Department of Homeland Security (DHS) and the Cybersecurity and Infrastructure Security Agency (CISA). Accordingly, PBC closed its facilities in March 2020 and implemented a work from home policy for some of its employees. While the ultimate impact of COVID-19 on PBC's revenue and grants is unknown, PBC continues to review its program activities and will make necessary modifications of its operating plan based on the impact the pandemic has on economic and market conditions.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020 and 2019

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**10. Commitment and Contingencies, continued**

*Risks and Uncertainties*, continued

PBC is subject to various claims which might arise in the normal course of its activities. These matters typically involve claims from employees, vendors or governmental agencies related to operational and employment issues. In the opinion of management, the ultimate disposition of any such claims will not have a material adverse effect on the financial position, liquidity or changes in net assets of the Organization.

**11. Subsequent Events**

In February 2021, the Organization secured a second-draw loan of \$246,795 under the Paycheck Protection Program (Note 7). This additional PPP loan had similar terms to the first loan.

In April 2021, the SBA raised the loan limit for the COVID-19 EIDL program from \$150,000 to \$500,000. In April 2021, the Organization applied for and received preliminary approval to increase its EIDL loan borrowings (Note 6) from \$150,000 to \$500,000.