

**PACIFIC BATTLESHIP CENTER**

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**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

December 31, 2021 and 2020



# PACIFIC BATTLESHIP CENTER

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Pacific Battleship Center (a nonprofit public benefit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pacific Battleship Center as of December 31, 2021 and 2020, 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.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pacific Battleship Center and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Battleship Center's ability to continue as a going concern for one year after the date that the financial statements are issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors of  
Pacific Battleship Center:

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Pacific Battleship Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pacific Battleship Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2022 on our consideration of Pacific Battleship Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pacific Battleship Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pacific Battleship Center's internal control over financial reporting and compliance.

**BPM LLP**

Long Beach, California  
June 23, 2022

**PACIFIC BATTLESHIP CENTER**  
**STATEMENTS OF FINANCIAL POSITION**  
As of December 31, 2021 and 2020

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,313,401	\$ 755,246
Receivables	89,043	7,609
Contributions receivable	418,249	52,848
Investments	108,385	-
Prepaid expenses	56,109	49,398
Engineering/machine shop materials	61,160	61,160
Property and equipment, net	2,032,380	2,638,050
Other assets	44,511	41,112
	\$ 7,123,238	\$ 3,605,423
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 26,105	\$ 253,717
Accrued and other liabilities	302,854	200,969
Deferred revenue	58,105	48,112
Loans and notes payable	2,355,256	550,453
	2,742,320	1,053,251
Commitments and Contingencies (Note 13)		
Net assets:		
Without donor restrictions	2,940,927	2,239,464
With donor restrictions	1,439,991	312,708
	4,380,918	2,552,172
	\$ 7,123,238	\$ 3,605,423

# PACIFIC BATTLESHIP CENTER

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

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	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Admissions	\$ 1,544,875	\$ -	\$ 1,544,875
Grants and contributions	803,195	3,093,816	3,897,011
Donated goods and services	11,255	-	11,255
Commissions	82,130	-	82,130
Gain on forgiveness of Paycheck Protection Program loan	256,795	-	256,795
Other income	739,586	934	740,520
Total revenues	<u>3,437,836</u>	<u>3,094,750</u>	<u>6,532,586</u>
Net assets released from restriction:			
Satisfaction of program restrictions	<u>1,967,467</u>	<u>(1,967,467)</u>	<u>-</u>
Total net assets released from restrictions	<u>1,967,467</u>	<u>(1,967,467)</u>	<u>-</u>
Total revenues and other support	<u>5,405,303</u>	<u>1,127,283</u>	<u>6,532,586</u>
Expenses:			
Program services	3,317,106	-	3,317,106
General and administrative	384,939	-	384,939
Fundraising	1,001,795	-	1,001,795
Total expenses	<u>4,703,840</u>	<u>-</u>	<u>4,703,840</u>
Change in net assets	701,463	1,127,283	1,828,746
Net assets, beginning of year	<u>2,239,464</u>	<u>312,708</u>	<u>2,552,172</u>
Net assets, end of year	<u>\$ 2,940,927</u>	<u>\$ 1,439,991</u>	<u>\$ 4,380,918</u>

# 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
Grants and 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 Paycheck Protection Program loan	244,225	-	244,225
Other income	56,847	-	56,847
Total revenues	<u>2,795,726</u>	<u>202,079</u>	<u>2,997,805</u>
Net assets released from restriction:			
Satisfaction of program restrictions	<u>285,467</u>	<u>(285,467)</u>	<u>-</u>
Total net assets released from restrictions	<u>285,467</u>	<u>(285,467)</u>	<u>-</u>
Total revenues and other support	<u>3,081,193</u>	<u>(83,388)</u>	<u>2,997,805</u>
Expenses:			
Program services	2,614,398	-	2,614,398
General and administrative	340,622	-	340,622
Fundraising	697,244	-	697,244
Total expenses	<u>3,652,264</u>	<u>-</u>	<u>3,652,264</u>
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 FUNCTIONAL EXPENSES**  
For the year ended December 31, 2021

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 1,277,844	\$ 202,414	\$ 293,611	\$ 1,773,869
Payroll taxes	108,808	15,448	23,988	148,244
Depreciation	895,690	23,571	23,571	942,832
Professional fundraising services	-	-	473,245	473,245
Rent, fuel, and utilities	247,121	25,321	6,194	278,636
Maintenance, equipment rental, and small equipment	246,632	3,648	746	251,026
Event expenses	48,862	-	115,494	164,356
Advertising and marketing	158,174	-	1,931	160,105
Information technology	80,694	5,716	9,945	96,355
Insurance	70,037	4,139	4,158	78,334
Accounting services	-	52,750	-	52,750
Ticketing and credit card fees	45,422	-	5,754	51,176
Other program services	31,353	6,247	11,990	49,590
Travel	25,009	10,460	6,781	42,250
Office expense	11,161	13,026	8,760	32,947
Group food and group lunch	31,724	-	-	31,724
Donor and prospect relations	339	-	14,816	15,155
Conference, conventions, and meetings	4,877	8,350	722	13,949
Cost of goods sold - ship store	11,380	-	-	11,380
Interest	-	10,872	-	10,872
Miscellaneous	6,207	2,977	-	9,184
Exhibit expenses	7,606	-	-	7,606
Commission	5,062	-	-	5,062
Security services	2,171	-	-	2,171
Training	933	-	89	1,022
	<u>\$ 3,317,106</u>	<u>\$ 384,939</u>	<u>\$ 1,001,795</u>	<u>\$ 4,703,840</u>
Total expenses				



**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	268	1,619	127,270
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	28,795	13,778	68,657
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	5,412	3,947	15,259
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
<b>Total expenses</b>	<b><u>\$ 2,614,398</u></b>	<b><u>\$ 340,622</u></b>	<b><u>\$ 697,244</u></b>	<b><u>\$ 3,652,264</u></b>

# PACIFIC BATTLESHIP CENTER

## STATEMENTS OF CASH FLOWS

For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,828,746	\$ (654,459)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	942,832	932,841
Gain on forgiveness of Paycheck Protection Program loan	(256,795)	(244,225)
Endowment fund contributions	(607,474)	-
Donated securities	(116,933)	-
Proceeds from sale of donated securities	9,709	-
Realized and unrealized gains on investments	(1,161)	-
Change in assets and liabilities:		
Receivables	(81,434)	61,150
Contributions receivable	(365,401)	57,815
Prepaid expenses	(6,711)	24,532
Engineering/machine shop materials	-	357
Other assets	(14,628)	(6,377)
Accounts payable	(227,612)	20,455
Accrued and other liabilities	101,885	(6,812)
Deferred revenue	9,993	(35,011)
Cash provided by operating activities	1,215,016	150,266
Cash flows from investing activity:		
Purchases of property and equipment	(325,933)	(23,829)
Cash used in investing activity	(325,933)	(23,829)
Cash flows from financing activities:		
Endowment fund contributions	607,474	-
Proceeds from line of credit	332,247	-
Payments on lines of credit	(332,247)	(250,000)
Proceeds from loans and notes payable	1,885,000	160,000
Proceeds from Paycheck Protection Program loan	246,795	244,225
Principal payments on loans and notes payable	(70,197)	(139,288)
Cash provided by financing activities	2,669,072	14,937
Net increase in cash and cash equivalents	3,558,155	141,374
Cash and cash equivalents, beginning of year	755,246	613,872
Cash and cash equivalents, end of year	\$ 4,313,401	\$ 755,246
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 10,872	\$ 25,609
Recognition of in-kind contributions and related assets and expenses	\$ 11,255	\$ 34,944

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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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 ex-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 Battleship ex-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 right to use the ex-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 ex-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 ex-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.

***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, 2021 and 2020

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

***Net Assets***

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 subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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.

***Investments and Fair Value***

The Organization has an undivided interest in a pool of marketable debt and equity securities that is managed by an outside custodian. This pool of marketable debt and equity securities is stated at fair value based on quoted market prices within active markets.

Purchases and sales of investments are recorded on a trade-date basis. Interest and dividend income are recorded when earned. Realized gains and losses are recorded as the difference between historical cost and fair value when an investment is sold. Unrealized gains and losses are recorded for the change in the fair value of investments. All gains and investment income are without donor restrictions.

The Organization applies a framework for measuring fair value, and requires certain disclosures about fair value measurements.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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

***Investments and Fair Value***, continued

The standard describes three levels of inputs that may be used to measure fair value:

*Level 1* – Quoted prices in active markets for identical assets or liabilities.

*Level 2* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities, quoted prices in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. There have been no changes in the methodologies used during the year ending December 31, 2021.

***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***

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.

***Receivables***

Receivables principally consist of amounts due the Organization 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, 2021 and 2020, the Organization did not record an allowance for uncollectable receivables.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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

***Engineering/Machine Shop Materials***

When PBC received possession of the ex-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, 2021 and 2020, PBC reported insurance premiums of \$52,098 and \$46,019, respectively, as prepaid insurance in the accompanying financial statements to be amortized over the next year. At December 31, 2020, PBC entered into a financing arrangement for \$32,027 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.

***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, 2021 and 2020, approximate fair value because of the short term maturity of these financial instruments.

***Revenue Recognition***

Revenues without donor restrictions are from admission fees and program fees. Admission revenues are recorded when tickets are used, which generally occurs within a short time period as 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, 2021 and 2020.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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

***Tax Exempt Status***, continued

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. Management does not believe that its income tax returns include any uncertain tax positions and accordingly, have 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.

***Donated Goods and Services***

Donated services are recognized as contributions at their estimated fair value, 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, 2021 and 2020 are as follows:

	2021	2020
Donated professional services	\$ 1,336	\$ 23,478
Donated goods	9,919	11,466
Total donated goods and services	<u>\$ 11,255</u>	<u>\$ 34,944</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, 2021 and 2020 were \$153,466 and \$81,204, respectively.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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

***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. Certain costs have been allocated among the programs and supporting services benefited.

***Recent Accounting Pronouncements***

In February 2016, the FASB issued Accounting Standards Update (“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.

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. 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, 2021 and 2020 and determined that no allowance for doubtful pledges was considered necessary.

Contributions receivable are expected to be received in the following periods at December 31:

	2021	2020
Less than one year	\$ 310,097	\$ 52,848
One to four years	120,000	-
	430,097	52,848
Less, discount at 3.15%	(11,848)	-
	\$ 418,249	\$ 52,848



# PACIFIC BATTLESHIP CENTER

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### 4. 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:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 4,313,401	\$ 755,246
Receivables	89,043	7,609
Investments	108,385	-
Contributions receivable	418,249	52,848
Total financial assets available	<u>4,929,078</u>	<u>815,703</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(1,439,991)	(312,708)
Less net assets with donor restrictions to be met in less than a year	<u>(337,111)</u>	<u>156,883</u>
Subtotal	<u>(1,777,102)</u>	<u>(155,825)</u>
Financial assets available to meet general expenditures over the next twelve months	3,151,976	659,878
Available financing through existing line of credit	<u>400,000</u>	<u>400,000</u>
Total liquidity and availability	<u>\$ 3,551,976</u>	<u>\$ 1,059,878</u>

At December 31, 2021 and 2020, the Organization had available funds of \$3,551,976 and \$1,059,878, 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.

### 5. Investments

Investments in marketable equity securities at fair value consisted of the following at December 31, 2021:

	<u>December 31, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	<u>\$ 108,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,385</u>

Investment income consists of realized gains of \$1,161 for the year ended December 31, 2021.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**6. Property and Equipment**

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

	2021	2020
Furniture and equipment	\$ 4,194,781	\$ 3,870,597
Ship restoration and improvements	4,186,084	4,184,335
Sewer installation	254,625	254,625
Subtotal	8,635,490	8,309,557
Less: accumulated depreciation	(6,603,110)	(5,671,507)
Property and equipment, net	\$ 2,032,380	\$ 2,638,050

Depreciation and amortization expense was \$942,832 and \$932,841 for the years ended December 31, 2021 and 2020, respectively.

**7. Line of Credit**

At December 31, 2021, PBC had a \$400,000 revolving line of credit for working capital and short-term capital needs from Farmers & Merchants Bank, which expires on October 20, 2022. 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 no outstanding borrowings at December 31, 2021 and 2020.

**8. Loan and Notes Payable**

In 2020, the Organization obtained a loan under the Economic Injury Disaster Loan (“EIDL”) assistance program from the United States Small Business Administration (“SBA”) because of the impact of the COVID-19 pandemic on the Organization’s operations. The original principal amount of the loan was \$150,000, with proceeds to be used for working capital purposes. In 2021, the Organization received approval for an increase in the EIDL loan to \$2,000,000, and accordingly the PBC received additional proceeds from the EIDL of \$1,850,000 in November 2021. Interest accrues at the rate of 2.75% per annum on the outstanding borrowings. Installment payments of principal and interest of \$8,677 are due monthly commencing May 21, 2022 through May 21, 2050.

Pursuant to the OMB Uniform Guidance, the EIDL program loan is included as a major federal program, subject to the single audit requirements in accordance with Title 2 CFR Part 200, Subpart F. However, the Organization has not expended any of the \$2,000,000 in EIDL borrowings during the year ended December 31, 2021, and therefore, the EIDL was not included as part of the accompanying Schedule of Expenditures of Federal Awards.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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

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

	2021	2020
Non-interest bearing loan due to a related party, payable in monthly installments of \$7,000, due November 1, 2021.	\$ -	\$ 245,700
Non-interest bearing loan due to a related party, payable in monthly installments commencing January 2022, due June 2025.	126,850	-
Non-interest bearing loan due to a related party, payable in monthly installments commencing January 2022, due September 2023.	78,850	-
Note payable, EIDL, with interest at 2.75% per annum, payable in monthly principal and interest installments of \$8,677, maturing May 21, 2050. The note is secured by substantially all of PBC's assets.	2,000,000	150,000
Note payable, bank, for costs related to installation of shore power, with interest at 6.00% 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.	68,154	94,753
Note payable, bank, for acquisition of a vehicle, with interest at 4.00% per annum, payable in monthly principal and interest installments of \$1,035, maturing July 15, 2024. The note is secured by the vehicle purchased with the proceeds from the note.	31,402	-
Unsecured note payable bearing interest at a rate of 4.00% 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
Total loans and notes payable	\$ 2,355,256	\$ 550,453

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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

Future principal payments are due as follows:

	Amounts
For the years ending December 31:	
2022	\$ 158,549
2023	160,263
2024	118,299
2025	79,373
2026	53,986
Thereafter	1,784,786
	\$ 2,355,256

**9. 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. On December 11, 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. On February 11, 2021, the remaining outstanding balance of \$10,000 was forgiven by the SBA (Note 6).

On February 25, 2021, the Organization secured a second-draw loan of \$246,795 under the Paycheck Protection Program. The Organization applied for and received full forgiveness of the \$246,795 loan on December 6, 2021.

**10. Net Assets with Donor Restrictions**

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

	2021	2020
Donor restricted by purpose:		
STEM education	\$ 254,071	\$ 129,242
Museum and exhibits	432,277	130,394
Ship restoration	136,947	43,460
Other	8,288	9,612
Total donor restricted by purpose	831,583	312,708
Donor restricted endowment:		
Endowment corpus	607,474	-
Endowment earnings	934	-
Total donor restricted endowment	608,408	-
Total net assets with donor restrictions	\$ 1,439,991	\$ 312,708

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**10. Net Assets with Donor Restrictions, continued**

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

	2021	2020
Satisfaction of purpose restrictions:		
STEM education	\$ 121,108	\$ 118,942
Museum and exhibits	1,352,419	115,810
Ship restoration	12,386	18,066
Veterans affairs	465,280	-
Other	16,274	32,649
	\$ 1,967,467	\$ 285,467

**11. Endowment Funds**

In 2021, the Organization received two donor restricted grants to establish endowment funds for a variety of purposes. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The endowment funds with donor restrictions fall under the provisions of Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), which was adopted by the State of California. This policy defines the Organization’s interpretation of the provisions of this law as they relate to the prudent management of its endowment fund.

***Interpretation of Relevant Law***

The Board of Directors of the Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund. Net assets are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Organization and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization’s investment policies.

***Investment Return Objectives, Risk Parameters and Strategies***

In accordance with the investment policy, the objectives of the endowment funds are to provide a total return that, over the long term, exceeds inflation and maximizes the investment return on assets subject to a level of risk deemed appropriate by the Organization. The Organization seeks to mitigate the impact of losses in single investments or with single investment managers by setting and following an asset allocation policy.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**11. Endowment Funds, continued**

***Spending Policy***

The Organization has adopted a discretionary spending policy to be applied to its endowment funds, which is within prudent limits as outlined in UPMIFA. The Board determines each year how much to distribute from its designated endowment to use for its current operating purposes. This policy enables the Organization to preserve and strengthen its endowment for the future.

***Investment Return***

Investment return is accumulated in net assets with donor restrictions until appropriated for expenditure.

***Summary of Endowment Fund Balances and Activity***

The following represents a description of the endowment net asset composition by type of fund as of December 31, 2021:

	2021		
	Without Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Original gift amounts	\$ -	\$ 607,474	\$ 607,474
Accumulated investment earnings	-	934	934
Total endowment funds	\$ -	\$ 608,408	\$ 608,408

The following represents the changes in endowment net assets for the year ended December 31, 2021:

	2021		
	Without Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ -
Investment return:			
Investment income (interest and dividends)	-	911	911
Net appreciation (depreciation) - realized and unrealized - in fair value of investments	-	23	23
Total investment return	-	934	934
Contributions	-	607,474	607,474
Appropriations	-	-	-
Release from restriction	-	-	-
Endowment net assets, end of year	\$ -	\$ 608,408	\$ 608,408

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**12. Related Party Transactions**

At December 31, 2020, the Organization had an outstanding note payable due to a related party totaling \$245,700, maturing on November 1, 2021. On November 23, 2021, the note, which had an outstanding balance of \$208,200 was replaced with two notes payable under new repayment terms. The first note payable to a related party was in the principal amount of \$126,850 with payments due monthly commencing January 2022 through June 2025. The second note payable to a related party was for the principal amount of \$81,350 with payments due monthly commencing January 2022 through September 2023.

During the years ended December 31, 2021 and 2020, the Organization received approximately \$198,830 and \$111,935, respectively, in contributions from members of the Board of Directors and organizations over which the board members have significant influence.

On December 31, 2020, the Organization received forgiveness of related party note principal of \$100,000 and \$4,000 of accrued interest. The forgiveness was reported as contribution income in the statement of activities for the year ended December 31, 2020.

**13. Commitment and Contingencies**

*Operating Leases*

PBC leases the pier where the ex-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 of any deferred rent from July 1, 2021 through May 25, 2022. The lease contains two 5-year renewal options, with the first 5-year renewal option exercised in June 2017.

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

	Amounts
For the years ending December 31:	
2022	\$ 111,349
2023	111,349
2024	111,349
2025	111,349
2026	111,349
Thereafter	55,674
	\$ 612,419

Rent expense was \$111,808 and \$106,767 for the years ended December 31, 2021 and 2020, respectively.

**PACIFIC BATTLESHIP CENTER**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

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**13. Commitment and Contingencies, continued**

***Risks and Uncertainties***

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) a pandemic. Governments, both locally and nationally, instituted varying levels of restrictions 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 certain of its employees. On May 31, 2020, PBC reopened for public admissions on a limited basis. Subsequently, PBC has reopened for full admission, however COVID-19 remains a concern and the ultimate impact of COVID-19 on PBC's revenue and grants in the future 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 social, economic and market conditions.

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.

**14. Subsequent Events**

Subsequent events have been evaluated through June 23, 2022, which is the date the financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2021 that required recognition or disclosure in such financial statements.



## **SUPPLEMENTARY INFORMATION**

**PACIFIC BATTLESHIP CENTER**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended December 31, 2021

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Federal Grantor / Program Title	Federal Assistance Listing Number	Grant Number	Federal Expenditures
<b>U.S. Small Business Administration</b>			
COVID-19 Shuttered Venue Operators Grant	59.075	SBAHQ21SV006493	\$ 1,008,325
Total expended from U.S. Small Business Administration			<u>1,008,325</u>
Total Federal Expenditures			<u><u>\$ 1,008,325</u></u>

# PACIFIC BATTLESHIP CENTER

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended December 31, 2021

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### 1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the activity of Pacific Battleship Center under its program with a federal government agency for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Pacific Battleship Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Pacific Battleship Center.

### 2. **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### 3. **Indirect Cost Rate**

The Group did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Pacific Battleship Center, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 23, 2022.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Pacific Battleship Center's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pacific Battleship Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pacific Battleship Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Pacific Battleship Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pacific Battleship Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BPM LLP*

Long Beach, California  
June 23, 2022

## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

### Report on Compliance for Each Major Program

#### *Opinion on Each Major Federal Program*

We have audited Pacific Battleship Center's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Pacific Battleship Center's major federal programs for the year ended December 31, 2021. Pacific Battleship Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Pacific Battleship Center's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pacific Battleship Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pacific Battleship Center's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Pacific Battleship Center's federal programs.

#### *Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pacific Battleship Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pacific Battleship Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pacific Battleship Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Pacific Battleship Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Pacific Battleship Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BPM LLP*

Long Beach, California  
June 23, 2022

**PACIFIC BATTLESHIP CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended December 31, 2021

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**Section I: Summary of Auditors' Results**

***Financial Statements***

- |    |                                                           |               |
|----|-----------------------------------------------------------|---------------|
| 1. | Type of independent auditors' report issued               | Unmodified    |
| 2. | Internal control over financial reporting:                |               |
|    | • Material weaknesses identified?                         | No            |
|    | • Significant deficiencies identified?                    | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No            |

***Federal Awards***

- |    |                                                                                                       |               |
|----|-------------------------------------------------------------------------------------------------------|---------------|
| 4. | Internal control over major programs:                                                                 |               |
|    | • Material weaknesses identified?                                                                     | No            |
|    | • Significant deficiencies identified?                                                                | None Reported |
| 5. | Type of auditors' report issued on compliance for major programs:                                     | Unmodified    |
| 6. | Audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No            |
| 7. | Identification of major programs:                                                                     |               |
|    | COVID-19 Shuttered Venue Operators Grant Program                                                      | AL# 59.075    |
| 8. | Dollar threshold used to distinguish between type A and type B programs:                              | \$750,000     |
| 9. | Auditee qualified as a low risk auditee?                                                              | No            |



**PACIFIC BATTLESHIP CENTER**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued**  
For the year ended December 31, 2021

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**Section II: Financial Statement Findings**

No matters were reported.

**Section III: Federal Awards Findings and Questioned Costs**

No matters were reported.

**Section IV: Status of Prior Year Findings**

Not applicable. No prior year findings.