PACIFIC BATTLESHIP CENTER

FINANCIAL REPORT

DECEMBER 31, 2023

CONTENTS

SingerLewak
Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Pacific Battleship Center

Opinion

We have audited the financial statements of Pacific Battleship Center (the Organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 the Organization as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Other Matter

The financial statements of the Organization, as of and for the year ended December 31, 2022, were audited by other auditors, whose report, dated June 21, 2023, expressed an unmodified opinion on those statements.

Responsibilities of Management 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.

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's 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 auditor's 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 GAAS 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.

In performing an audit in accordance with GAAS, 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 the Organization'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 the Organization'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.

Singer Lewak LLP

August 23, 2024

PACIFIC BATTLESHIP CENTER
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

ASSETS

	2023	2022
Cash and cash equivalents	$ 1,980,108	$ 2,314,359
Investments	1,978,138	1,732,860
Accounts receivable	102,472	86,072
Contributions receivable, net	390,984	478,807
Prepaid expenses	81,679	81,676
Engineering/machine shop materials	61,030	61,030
Property and equipment, net	1,852,649	1,932,613
Operating lease right-of-use asset	401,816	517,537
Other assets	30,974	26,078
Total assets	**$ 6,879,850**	**$ 7,231,032**

LIABILITIES AND NET ASSETS

	2023	2022
Liabilities		
Accounts payable	$ 45,699	$ 65,631
Accrued and other liabilities	423,196	385,014
Deferred revenue	43,330	63,495
Loans and notes payable	2,158,607	2,246,812
Operating lease liability	409,829	525,550
Finance lease liability	81,202	100,103
Total liabilities	3,161,863	3,386,605
Net Assets		
Without donor restrictions	2,234,294	2,367,381
With donor restrictions	1,483,693	1,477,046
Total net assets	3,717,987	3,844,427
Total liabilities and net assets	**$ 6,879,850**	**$ 7,231,032**

See notes to financial statements.

PACIFIC BATTLESHIP CENTER

STATEMENT OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Admissions	$ 2,970,188	$ -	$ 2,970,188
Grants and contributions	800,285	2,229,809	3,030,094
Donated goods and services	58,993	-	58,993
Commissions	183,476	-	183,476
Net investment return	161,484	84,994	246,478
Other income	148,943	-	148,943
Net assets released from restrictions	2,308,156	(2,308,156)	-
Total revenue, gains, and other support	6,631,525	6,647	6,638,172
Expenses			
Program services	5,030,076	-	5,030,076
Supporting services:			
General and administrative	664,726	-	664,726
Fundraising	1,069,810	-	1,069,810
	1,734,536	-	1,734,536
Total expenses	6,764,612	-	6,764,612
Change in net assets	(133,087)	6,647	(126,440)
Net Assets:			
Beginning	2,367,381	1,477,046	3,844,427
Ending	**$ 2,234,294**	**$ 1,483,693**	**$ 3,717,987**

See notes to financial statements.

PACIFIC BATTLESHIP CENTER

STATEMENT OF ACTIVITIES

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Admissions	$ 2,537,298	$ -	$ 2,537,298
Grants and contributions	924,802	1,693,560	2,618,362
Donated goods and services	14,328	-	14,328
Commissions	168,590	-	168,590
Net investment loss	(29,275)	(26,562)	(55,837)
Other income	216,343	-	216,343
Net assets released from restrictions	1,629,943	(1,629,943)	-
Total revenue, gains, and other support	5,462,029	37,055	5,499,084
Expenses			
Program services	4,516,869	-	4,516,869
Supporting services:			
General and administrative	495,248	-	495,248
Fundraising	1,023,458	-	1,023,458
	1,518,706	-	1,518,706
Total expenses	6,035,575	-	6,035,575
Change in net assets	(573,546)	37,055	(536,491)
Net assets:			
Beginning	2,940,927	1,439,991	4,380,918
Ending	**$ 2,367,381**	**$ 1,477,046**	**$ 3,844,427**

See notes to financial statements.

PACIFIC BATTLESHIP CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

		Supporting Services			
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries and wages	$ 2,209,458	$ 248,033	$ 392,987	$ 641,020	$ 2,850,478
Rent, fuel, and utilities	454,544	42,121	7,233	49,354	503,898
Depreciation and amortization	465,363	12,246	12,246	24,492	489,855
Professional fundraising services	-	-	437,279	437,279	437,279
Advertising and marketing	420,086	-	1,599	1,599	421,685
Event expenses	253,915	-	98,236	98,236	352,151
Maintenance, equipment rental, and small equipment	335,889	261	431	692	336,581
Payroll taxes	193,154	19,539	30,385	49,924	243,078
Other program services	124,666	55,659	16,133	71,792	196,458
Information technology	145,916	12,047	27,266	39,313	185,229
Group food and lunch	100,295	-	-	-	100,295
Insurance	87,267	4,464	4,853	9,317	96,584
Ticketing and credit card fees	75,065	-	3,773	3,773	78,838
Travel	36,205	27,123	12,192	39,315	75,520
Office expenses	38,842	17,808	13,498	31,306	70,148
Interest	-	65,609	-	65,609	65,609
Legal services	-	57,820	-	57,820	57,820
Cost of goods sold – ship store	43,269	-	-	-	43,269
Accounting services	-	36,073	-	36,073	36,073
Lobbying	-	30,000	-	30,000	30,000
Conference, conventions, and meetings	7,486	19,131	645	19,776	27,262
Miscellaneous	10,087	7,596	-	7,596	17,683
Commission	15,356	-	-	-	15,356
Exhibit expenses	11,874	-	-	-	11,874
Donor and prospect relations	110	-	11,054	11,054	11,164
Training	672	9,196	-	9,196	9,868
Security services	557	-	-	-	557
	$ 5,030,076	**$ 664,726**	**$ 1,069,810**	**$ 1,734,536**	**$ 6,764,612**

See notes to financial statements.

PACIFIC BATTLESHIP CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

		Supporting Services			
	Program Services	General and Administrative	Fundraising	Total	Total
Salaries and wages	$ 1,873,971	$ 223,592	$ 339,555	$ 563,147	$ 2,437,118
Depreciation and amortization	722,477	19,012	19,012	38,024	760,501
Professional fundraising services	-	-	449,071	449,071	449,071
Rent, fuel, and utilities	416,105	27,342	7,383	34,725	450,830
Maintenance, equipment rental, and small equipment	393,807	351	3,486	3,837	397,644
Event expenses	229,684	-	97,137	97,137	326,821
Advertising and marketing	242,606	-	599	599	243,205
Payroll taxes	164,534	17,955	25,664	43,619	208,153
Information technology	103,819	7,256	14,417	21,673	125,492
Other program services	57,300	10,023	21,883	31,906	89,206
Insurance	77,434	4,109	4,466	8,575	86,009
Interest	-	80,498	-	80,498	80,498
Ticketing and credit card fees	66,156	-	4,086	4,086	70,242
Travel	34,532	15,301	9,752	25,053	59,585
Office expenses	12,368	17,547	9,556	27,103	39,471
Accounting services	-	38,766	-	38,766	38,766
Miscellaneous	25,827	7,937	-	7,937	33,764
Group food and lunch	32,301	-	-	-	32,301
Conference, conventions, and meetings	6,509	18,950	1,029	19,979	26,488
Commission	19,098	-	-	-	19,098
Cost of goods sold – ship store	18,599	-	-	-	18,599
Donor and prospect relations	172	-	16,362	16,362	16,534
Exhibit expenses	13,904	-	-	-	13,904
Training	2,414	6,609	-	6,609	9,023
Security services	3,252	-	-	-	3,252
	$ 4,516,869	**$ 495,248**	**$ 1,023,458**	**$ 1,518,706**	**$ 6,035,575**

See notes to financial statements.

PACIFIC BATTLESHIP CENTER

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (126,440)	$ (536,491)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	489,855	760,501
Donated securities	-	(102,480)
Donated property and equipment	(24,345)	-
Realized and unrealized (gain) loss on investments	(246,478)	101,211
Operating lease right-of-use assets	123,484	112,872
Endowment fund contributions	(101,910)	(102,480)
Changes in operating assets and liabilities:		
Accounts receivable	(16,400)	2,971
Contributions receivable	87,823	(60,558)
Prepaid expenses	(3)	(25,567)
Engineering/machine shop materials	-	130
Other assets	(4,896)	17,525
Accounts payable	(19,932)	16,938
Accrued and other liabilities	38,182	82,160
Deferred revenue	(20,165)	5,390
Operating lease liability	(115,721)	(104,859)
Net cash provided by operating activities	63,054	167,263
Cash flows from investing activities		
Proceeds from sales of investments	201,200	199,363
Purchases of investments	(200,000)	(1,822,569)
Purchases of property and equipment	(385,546)	(529,060)
Net cash used in investing activities	(384,346)	(2,152,266)
Cash flows from financing activities		
Principal payments on finance leases	(26,664)	(8,075)
Principal payments on loans and notes payable	(88,205)	(108,444)
Endowment fund contributions	101,910	102,480
Net cash provided by (used in) financing activities	(12,959)	(14,039)
Net decrease in cash and cash equivalents	(334,251)	(1,999,042)
Cash and cash equivalents:		
Beginning	2,314,359	4,313,401
Ending	**$ 1,980,108**	**$ 2,314,359**
Supplemental disclosure of cash flow information		
Cash payments for interest	**$ 123,414**	**$ 19,394**
Supplemental schedule of noncash investing and financing activities		
Right-of-use assets obtained in exchange for operating leases	**$ -**	**$ 630,409**
Right-of-use assets obtained in exchange for finance leases	**$ -**	**$ 108,178**
Capital purchases in accounts payable	**$ -**	**$ 22,588**

See notes to financial statements.

NOTE 1 – NATURE OF ORGANIZATION

Pacific Battleship Center (the Organization) is a nonprofit public benefit corporation incorporated in California on December 30, 2008, with a mission to ignite curiosity, connect communities, and enhance understanding of America's role in maritime peace and prosperity.

The Organization fulfills its mission through the delivery of programs and events focused on Education, Veterans, and Community, including the operation the Battleship IOWA Museum, National Museum of the Surface Navy, Los Angeles Fleet Week, Freedom of the Seas, Camp Battleship, Veterans West, and Vicky's Doghouse. The Battleship IOWA (aka Battleship ex-USS IOWA (BB-61)) is moored in the Port of Los Angeles and has been open to the public since July 2012, following restoration and pre-opening preparation.

The United States Navy has granted the Organization the right to use the Battleship IOWA as a museum and community platform. In 2021, through the signing of the National Defense Authorization Act, the Organization received Congressional Designation to build and operate the National Museum of the Surface Navy.

In accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), the fair value of the Battleship IOWA should be reported in the Organization'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.

The Organization leases from the City of Los Angeles, the pier where the Battleship IOWA is moored. In accordance with U.S. GAAP, 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, the Organization has not reported these amounts in the financial statements as donated goods or rent expense.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>
The financial statements are prepared in conformity with U.S. GAAP.

<u>Use of Estimates</u>
The preparation of financial statements in accordance 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with purchased maturities of three months or less, which are neither held for, nor restricted by, donors for long-term purposes, to be cash and cash equivalents.

Investments

The Organization measures investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are measured at their fair values in the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Realized and unrealized gains and losses include gains and losses from purchases and sales of investments, as well as changes in the value of assets held during the year and are recognized in the accompanying statement of activities. Gains or losses on investments are recognized as an increase or decrease in net assets without donor restrictions unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Purchases and sales of securities are reflected on the trade dates. Dividends and interest income are accrued when earned. Net investment return (loss) consists of interest and dividend income, and realized and unrealized capital gains and losses, less investment expenses.

Accounts Receivable

Accounts receivable consists of amounts due the Organization for admissions and special events. The Organization measures the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. During the years ended December 31, 2023 and 2022, the Organization did not record an allowance for credit losses.

Contributions and Promises to Give

The Organization measures unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially measured at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization measures the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. As of December 31, 2023 and 2022, the Organization did not have an allowance for credit losses.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition
Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been met.

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 tickets 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. The Organization offered memberships ranging from one to five years which provided for various benefits depending upon the level of giving ranging from $50 to $10,000. The Organization considers memberships to be exchange transactions. As exchange transactions, the membership revenue is deferred and amortized over the life of the membership.

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

The beginning receivable balance related to revenue was $89,043 as of December 31, 2021.

Contributed Goods and Services
The Organization records various types of in-kind support, including donated professional services and goods. Contributed goods and services are reflected in the accompanying statements at their estimated fair market value in the period received. Contributions of tangible assets are recognized at fair value when received. Contributions of services and other non-cash contributions are reflected in the accompanying statements at their estimated fair market value in the period received, and are recognized if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Volunteers, including the Board of Directors, contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

No significant contribution of such goods or services were received during the years ended December 31, 2023 and 2022, respectively.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Engineering/Machine Shop Materials

When the Organization 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.

Property and Equipment

Property and equipment are stated at cost if purchased or estimated fair value if donated. Depreciation and amortization are computed by the straight-line method over the following estimated useful lives:

Furniture and equipment	3 to 10 years
Ship restoration and improvements	3 to 10 years
Sewer installation	10 years
Leasehold improvements	Lesser of useful life or remaining lease term

Depreciation on equipment under finance leases is included in depreciation expense.

Leases

The majority of lease obligations are with the City of Los Angeles for the pier where the ex-USS IOWA is moored. Finance leases are for equipment. For any lease with an initial term in excess of 12 months, the related lease assets and liabilities are recognized on the statement of financial position as either operating or finance leases at the inception of an agreement where it is determined that a lease exists. Lease and non-lease components, where the payment is based on a fixed amount, index or rate, are separated and allocated based on their stand-alone price for all classes of assets. Non-lease components, where the payment is not based on a fixed amount, index or rate are excluded from the calculation of the lease liability and right of use asset are accounted for based on the underlying principles of the incurred charges.

The Organization has elected the practical expedient that permits an entity not to recognize short term leases on the statement of financial position. As this practical expedient has been elected, leases with an initial term of 12 months or less are not recorded on the statement of financial position; lease expense for these leases are recognized on a straight-line basis over the lease term.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)
Operating lease assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. These assets and liabilities are recognized based on the present value of future payments over the lease term at the commencement date. Since the leases generally do not provide an implicit rate, the Organization uses the risk-free rate for a period comparable to the lease term published by U.S. Treasury on the lease commencement date. Subsequent to adoptions, operating lease assets include prepaid lease payments and initial direct costs and are reduced by lease incentives. Lease terms generally do not include options to extend or terminate the lease unless it is reasonably certain that the option will be exercised. Fixed payments may contain predetermined fixed rent escalations. The Organization recognizes the related rent expense on a straight-line basis from the commencement date to the end of the lease term.

Impairment of Long-lived Assets
The Organization reviews long-lived assets for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment would be recorded in circumstances where undiscounted cash flows expected to be generated by an asset are less than the carrying value of that asset. As of December 31, 2023 and 2022, there were no events or changes in circumstances indicating the carrying amount of long-lived assets may not be recoverable.

Net Assets
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions, as follows:

- *Net Assets without Donor Restrictions* – Net assets that are not subject to donor-imposed restrictions and that may be expendable for any purpose in performing the primary objectives of the Organization. From time-to-time, the governing 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 donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor-restricted contributions, conditional contributions, and appropriated endowment earnings received and expended in the same reporting period are recorded as net assets without donor restrictions.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses
The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Program related and fundraising expenses are tracked in a time entry system, then reviewed and allocated to their functional classification. Salaries, wages and other related expenses are allocated on the basis of time and effort. The allocation of depreciation expense is an estimate based on several factors including how space is utilized, how many employees function in different roles, and the relative cost of the assets being depreciated. 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.

Income Taxes
The Organization is exempt from income taxes under Internal Revenue Code (IRC) §501(c)(3) and California Revenue and Taxation Code §23701(d), whereby only unrelated business income, as defined by §509(a)(1) of the IRC, is subject to state and federal income taxes. Management has not recorded an income tax provision for the years ended December 31, 2023 and 2022.

The Organization 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. The Organization 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 has analyzed the tax positions taken by the Organization, and has concluded that, as of December 31, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

Advertising
The Organization 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, 2023 and 2022 were $421,685 and $243,205, respectively.

NOTE 3 – AVAILABILITY OF FINANCIAL ASSETS AND LIQUIDITY

Financial assets available within one year of the statements of financial position dates to meet cash needs for general expenditure are as follows as of December 31:

	2023	2022
Financial assets		
Cash and cash equivalents	$ 1,980,108	$ 2,314,359
Investments	1,978,138	1,732,860
Accounts receivable	102,472	86,072
Contributions receivable, net	390,984	478,807
Total financial assets	4,451,702	4,612,098
Less financial assets not available for general expenditures within one year due to donor imposed restrictions:		
Restricted for time or purpose	(1,224,227)	(1,056,557)
Financial assets available to meet general expenditures within one year	**$ 3,227,475**	**$ 3,555,541**

The Organization considers contributions restricted for programs which are ongoing, major, and central to its annual operations that are expected to be used in the next twelve months to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. Additionally, the Organization has available a line of credit from which it may use to draw funds to meet any funding shortfalls throughout the year (see Note 8).

NOTE 4 – RISKS AND UNCERTAINTIES

Cash and Cash Equivalents
Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, deposits of up to $250,000 at FDIC-insured institutions are covered by FDIC insurance. The Organization's investment policy is intended to limit its exposure to credit risk. At times, deposits may be in excess of the FDIC insurance limit; however, management does not believe the Organization is exposed to any significant related credit risk.

Litigation
In the normal course of business, the Organization may become a party to litigation. These matters typically involve claims from employees, vendors or government agencies related to operational and employment issues. Management believes there are no asserted or unasserted claims or contingencies that would have a material impact on the combined financial statements.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

As of December 31, 2023 and 2022, contributions receivable, discounted to present value, are expected to be collected as follows:

	2023	2022
Within one year	$ 357,277	$ 402,434
In one to five years	50,000	80,000
	407,277	482,434
Discount on net present value (3.15% - 6.75%)	(16,293)	(3,627)
Contributions receivable, net	**$ 390,984**	**$ 478,807**

One granting agency accounted for 60% and 48% of net contributions receivable as of December 31, 2023 and 2022, respectively.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The hierarchy gives the highest priority to fair values determined using unadjusted quoted prices in active markets for identical asset or liabilities (Level 1) and the lowest priority to fair values determined using unobservable inputs (Level 3). An asset's or liability's classification is determined based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value, which is the Organization's policy. For the years ended December 31, 2023 and 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.

The following are descriptions of the valuation methodologies used for assets measured at fair value:

Equities, fixed income securities, and U.S. Treasury Bills are valued at the closing prices reported on the active markets on which the individual investments are traded, and certificates of deposits are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions.

The fair value measurements and levels within the fair value hierarchy of those measurements for the investments reported at fair value on a recurring basis are as follows at December 31:

	Fair Value		
Description	**2023**	**2022**	Input Level
Equities	$ 1,182,920	$ 950,058	Level 1
Fixed income securities	595,218	585,231	Level 1
U.S. Treasury Bills	-	97,571	Level 1
Certificates of deposit	200,000	100,000	Level 2
Total investments	**$ 1,978,138**	**$ 1,732,860**	

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The valuation levels are not necessarily an indication of the risk or liquidity associated with investing in those securities. The Organization invests in instruments that, in general, are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and the statements of activities.

NOTE 7 – PROPERTY AND EQUIPMENT

As of December 31, 2023 and 2022, property and equipment consisted of the following:

	2023	2022
Furniture and equipment	$ 4,099,928	$ 4,440,639
Ship restoration and improvements	4,285,524	4,252,401
Sewer installation	259,998	254,625
Construction in progress	619,833	347,651
	9,265,283	9,295,316
Accumulated depreciation	(7,412,634)	(7,362,703)
	$ 1,852,649	**$ 1,932,613**

During the year ended December 31, 2022, the Organization began a construction project to build the National Museum of the Surface Navy under exclusive charter from the U.S. Congress. The first phase of the project is scheduled to be completed by October 13, 2025, the 250th anniversary of the United States Navy. The project is expected to be completed in phases over several years. While it is currently impractical to estimate the total project cost, it is estimated to be a minimum of $40 million.

Furniture and equipment includes $108,178 of right-of-use asset – finance as of December 31, 2023 and 2022, and accumulated depreciation includes $30,651 and $9,015 of right-of-use asset – finance, accumulated amortization as of December 31, 2023 and 2022, respectively.

NOTE 8 – LINE OF CREDIT

The Organization has a line of credit with a bank that expires on October 20, 2024, which it anticipates renewing thereafter. The line of credit allows for borrowings up to $400,000. Borrowings on the line of credit bear interest at a variable rate based on the prime rate (8.50% as of December 31, 2023) as published in the Wall Street Journal plus 1.75% (10.25% as of December 31, 2023). The line is secured by certain assets of the Organization, including inventory and equipment. There was no outstanding balance on the line of credit as of December 31, 2023 and 2022. The terms of the line of credit provide for maintenance of certain nonfinancial covenants. As of December 31, 2023, the Organization was either in compliance or had obtained a waiver for their nonfinancial covenants.

NOTE 9 – LOANS AND NOTES PAYABLE

Loans and notes payable consisted of the following as of December 31:

	2023	2022
Non-interest-bearing loan due to a related party, payable in monthly installments commencing January 2022, due June 2025. The related party forgave the remaining balance of this loan in February 2024 (Note 15).	$ 101,850	$ 113,850
Non-interest-bearing loan due to a related party, payable in monthly installments commencing January 2022, due and repaid September 2023.	-	22,850
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 the Organization's assets.*	2,000,000	2,000,000
Note payable, bank, for costs related to installation of shore power, with interest at Prime Rate plus 1% per annum (9.50% at December 31, 2023 and 2022) payable in monthly principal and interest installments of $2,637, fully repaid on November 29, 2023. The note was secured by substantially all of the Organization's assets.	-	40,061

NOTE 9 – LOANS AND NOTES PAYABLE (Continued)

	2023	2022
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, which had a net book value of $22,852 at December 31, 2023.	6,757	20,051
Unsecured note payable bearing interest at a rate of 4.00%, due upon demand. The remaining balance of this loan was forgiven in July 2024 (Note 15).	50,000	50,000
	$ 2,158,607	$ 2,246,812

As of December 31, 2023, future maturities of the loans and notes payable are as follows for the years ending December 31:

2024	$ 181,505
2025	77,983
2026	52,557
2027	54,021
2028	55,526
Thereafter	1,737,015
	$ 2,158,607

* 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 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 Organization received approval for an increase in the EIDL of $1,850,000 in November 2021. The monthly installments were interest only payments until January 2024. The terms of the EIDL loan provide for maintenance of certain nonfinancial covenants. As of December 31, 2023, the Company was in violation of a requirement to submit reviewed financial statements within 90 days to the SBA, but management believes it is probable that the loan agreement will be modified to eliminate this requirement. Accordingly, the long-term portion of the EIDL loan balance of $1,950,252 scheduled to be paid in the fiscal year ended December 31, 2025 and beyond is classified as a noncurrent liability.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31,:

	2023	2022
Donor restricted by purpose:		
STEM education	$ 95,290	$ 135,433
Museum and exhibits	245,747	402,933
Ship restoration	159,881	156,067
Veteran affairs	92,700	92,700
Other	18,845	5,587
	612,463	792,720
Donor restricted endowment:		
Endowment corpus	811,864	709,954
Accumulated endowment earnings (losses)	59,366	(25,628)
	871,230	684,326
	$ 1,483,693	**$ 1,477,046**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31,:

	2023	2022
STEM education	$ 265,375	$ 241,508
Museum and exhibits	554,182	445,265
Ship restoration	58,960	52,095
Veteran affairs	1,427,897	882,171
Other	1,742	8,904
	$ 2,308,156	**$ 1,629,943**

NOTE 11 – ENDOWMENTS

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.

NOTE 11 – ENDOWMENTS (Continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the 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 initial and subsequent gift amounts donated to the endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Net assets are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by 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 fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
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.
7. The investment policy of the Organization.

From time to time, the fair value of assets associated with endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. Deficiencies of this nature existed in one donor-restricted endowment fund which has an original gift value of $500,000, a fair value of $461,937 as of December 31, 2022, and a deficiency of $38,063 as of December 31, 2022. There were no deficiencies as of December 31, 2023 as the fair value of $524,744 as of December 31, 2023 is above the original gift value.

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for designated programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints. Under this policy, the fund is invested as of December 31, 2023 as follows: 9% is invested in cash and cash equivalents, 14% in corporate bonds and other fixed income securities and 77% in equities.

NOTE 11 – ENDOWMENTS (Continued)

Endowment net assets with donor restrictions composition by type of fund are as follows as of December 31,:

	2023	2022
Original donor-restricted gift	$ 811,864	$ 709,954
Accumulated investment returns (losses)	59,366	(25,628)
	$ 871,230	**$ 684,326**

Changes in endowment net assets with donor restrictions are as follows for the years ended December 31,:

	2023	2022
Beginning balance	$ 684,326	$ 608,408
Net investment return (loss)	84,994	(26,562)
Endowment contributions	101,910	102,480
Ending balance	**$ 871,230**	**$ 684,326**

NOTE 12 – RETIREMENT PLANS

The Organization is a member of a multiple-employer plan (the Plan) that is designed to follow the regulations under Internal Revenue Service §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 three months of employment. For the years ended December 31, 2023 and 2022, the Organization's contributions totaled $2,851 and $5,197, respectively. In October 2023, the Plan was amended to be a Safe Harbor plan with an employer match of 4%. This amendment is effective January 1, 2024.

NOTE 13 – RELATED PARTY TRANSACTIONS

As of December 31, 2020, the Organization had an outstanding note payable due to a related party totaling $247,500, 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 in monthly installments commencing January 2022 through June 2025. The remaining balance of this note payable was $101,850 and $113,850 as of December 31, 2023 and 2022, respectively. The second note payable to a related party was for the principal amount of $81,350 with payments due in monthly installments commencing January 2022 through September 2023. The remaining balance of this note payable was $0 and $22,850 as of December 31, 2023 and 2022, respectively.

During the years ended December 31, 2023 and 2022, the Organization received approximately $181,000 and $155,000, respectively, in contributions from members of the Board of Directors and organizations over which the Board members have significant influence.

NOTE 14 – LEASES

The Organization 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 the Organization 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 contained two 5-year renewal options, with the first 5-year renewal option exercised in June 2022. As of December 31, 2023, the Organization had not yet obtained the necessary approvals for any further extensions (this lease was extended in May 2024 (Note 15)), therefore the future payments related to the May 2024 amendment were excluded from measurement.

The Organization also leases vehicles under finance leases expiring through July 2027. Right-of-use assets and accumulated amortization for these finance leases are included in the statements of financial position under property and equipment, net of accumulated depreciation.

NOTE 14 – LEASES (Continued)

The components of lease expense were as follows for the years ended December 31,:

	2023	2022
Operating lease expense	$ 120,902	$ 120,902
Variable lease expense	25,648	9,213
Finance leases:		
Amortization of right-of-use assets	21,636	9,015
Interest on lease liabilities	7,772	3,772
	$ 175,958	**$ 142,902**

Additional information related to leases as of December 31,:

	2023	2022
Operating lease:		
Right-of-use asset - operating	$ 630,409	$ 630,409
Right-of-use asset - operating, accumulated amortization	(228,593)	(112,872)
Right-of-use asset – operating lease, net	**$ 401,816**	**$ 517,537**
Finance leases:		
Property and equipment	108,178	108,178
Accumulated amortization	(30,651)	(9,015)
Right-of-use asset – finance lease, net	**$ 77,527**	**$ 99,163**

Other information related to leases:

	Operating	Finance
Weighted-average remaining lease term (in years):	3.42	3.58
Weighted-average discount rate:	1.40%	8.49%

NOTE 14 – LEASES (Continued)

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2023:

Years Ending	Operating	Finance
2024	$ 120,197	$ 26,664
2025	123,803	26,664
2026	127,517	26,664
2027	53,787	14,479
Total lease payments	425,304	94,471
Less: present value discount	(15,475)	(13,269)
Lease liability	409,829	81,202
Current portion of lease liability	(115,120)	(20,555)
Long-term portion of lease liability	**$ 294,709**	**$ 60,647**

NOTE 15 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 23, 2024, the date on which the financial statements were available to be issued.

In February 2024, a related party forgave the remaining principal balance of the loan of $100,850 and accrued interest of $4,000.

In February 2024, the Organization assumed the assets and liabilities of the City of Los Angeles Fleet Week Foundation, including cash of $260,000 and a promissory note payable to the US Small Business Administration. The promissory note had a value of $200,000 as of December 31, 2023, of which the Organization paid down approximately $40,000 in 2024.

In February 2024, the Organization executed a grant agreement with the State of California for a maximum of $6,700,000 for a project performance period from March 1, 2024 through January 1, 2026.

In May 2024, the Organization amended its lease with the City of Los Angeles for the pier where the ex-USS IOWA is moored to extend the term to May 24, 2057.

In July 2024, the Organization executed a grant agreement with the IOWA Economic Development Authority for a maximum of $750,000 for a deck restoration project with a performance period from July 1, 2024 through June 30, 2026.

In July 2024, the lender forgave the principal balance of the loan of $50,000.