

PACIFIC BATTLESHIP CENTER
FINANCIAL REPORT
DECEMBER 31, 2024

PACIFIC BATTLESHIP CENTER

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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, 2024 and 2023, 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 the Organization as of December 31, 2024 and 2023, 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 (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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, the 2023 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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 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

June 30, 2025

PACIFIC BATTLESHIP CENTER

STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023 (Restated)</u>
Cash and cash equivalents	\$ 892,185	\$ 1,980,108
Investments	2,737,162	1,978,138
Accounts receivable	62,259	102,472
Contributions receivable, net	1,220,243	390,984
Prepaid expenses	103,297	81,679
Engineering/machine shop materials	58,346	58,346
Property and equipment, net	2,472,651	1,855,333
Operating lease right-of-use asset	3,025,485	401,816
Other assets	27,977	30,974
Total assets	<u>\$ 10,599,605</u>	<u>\$ 6,879,850</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 194,005	\$ 45,699
Accrued and other liabilities	443,152	423,196
Deferred revenue	34,993	43,330
Loans and notes payable	2,204,899	2,239,809
Operating lease liability	3,088,148	409,829
Total liabilities	<u>5,965,197</u>	<u>3,161,863</u>
Net Assets		
Without donor restrictions	3,376,409	2,580,779
With donor restrictions	1,257,999	1,137,208
Total net assets	<u>4,634,408</u>	<u>3,717,987</u>
Total liabilities and net assets	<u>\$ 10,599,605</u>	<u>\$ 6,879,850</u>

See notes to financial statements.

PACIFIC BATTLESHIP CENTER

STATEMENT OF ACTIVITIES Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other support			
Admissions	\$ 2,202,645	\$ -	\$ 2,202,645
Community services and events	707,867	-	707,867
Education programs	414,962	-	414,962
Veterans events and programs	7,797	1,601,796	1,609,593
Grants and contributions	2,301,432	732,603	3,034,035
Donated goods and services	55,513	-	55,513
Commissions	176,293	-	176,293
Net investment return	161,501	44,301	205,802
Other income	539,861	-	539,861
Net assets released from restrictions	2,257,909	(2,257,909)	-
Total revenue, gains, and other support	8,825,780	120,791	8,946,571
Expenses			
Program services	5,858,984	-	5,858,984
Supporting services:			
General and administrative	785,559	-	785,559
Fundraising	1,385,607	-	1,385,607
Total expenses	8,030,150	-	8,030,150
Change in net assets	795,630	120,791	916,421
Net Assets:			
Beginning, original	2,234,294	1,483,693	3,717,987
Prior period adjustment	346,485	(346,485)	-
Beginning, restated	2,580,779	1,137,208	3,717,987
Ending	<u>\$ 3,376,409</u>	<u>\$ 1,257,999</u>	<u>\$ 4,634,408</u>

See notes to financial statements.

PACIFIC BATTLESHIP CENTER

STATEMENT OF ACTIVITIES Year Ended December 31, 2023

	Without Donor Restrictions (Restated)	With Donor Restrictions (Restated)	Total
Revenue, gains, and other support			
Admissions	\$ 1,956,124	\$ -	\$ 1,956,124
Community services and events	582,023	-	582,023
Education programs	429,383	-	429,383
Veterans events and programs	2,658	1,193,654	1,196,312
Grants and contributions	902,195	934,245	1,836,440
Donated goods and services	58,993	-	58,993
Commissions	183,476	-	183,476
Net investment return	183,671	62,807	246,478
Other income	148,943	-	148,943
Net assets released from restrictions	<u>2,308,156</u>	<u>(2,308,156)</u>	<u>-</u>
Total revenue, gains, and other support	<u>6,755,622</u>	<u>(117,450)</u>	<u>6,638,172</u>
Expenses			
Program services	5,030,076	-	5,030,076
Supporting services:			
General and administrative	664,726	-	664,726
Fundraising	<u>1,069,810</u>	<u>-</u>	<u>1,069,810</u>
Total expenses	<u>6,764,612</u>	<u>-</u>	<u>6,764,612</u>
Change in net assets	(8,990)	(117,450)	(126,440)
Net Assets:			
Beginning, original	<u>2,367,381</u>	<u>1,477,046</u>	<u>3,844,427</u>
Prior period adjustment	<u>222,388</u>	<u>(222,388)</u>	<u>-</u>
Beginning, restated	<u>2,589,769</u>	<u>1,254,658</u>	<u>3,844,427</u>
Ending, restated	<u>\$ 2,580,779</u>	<u>\$ 1,137,208</u>	<u>\$ 3,717,987</u>

See notes to financial statements.

PACIFIC BATTLESHIP CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2024

		Supporting Services			
	Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and wages	\$ 2,603,460	\$ 336,796	\$ 432,704	\$ 769,500	\$ 3,372,960
Other program services	469,129	94,750	131,319	226,069	695,198
Rent, fuel, and utilities	551,213	21,664	13,024	34,688	585,901
Professional fundraising services	-	-	537,100	537,100	537,100
Depreciation and amortization	437,754	11,520	11,520	23,040	460,794
Advertising and marketing	384,456	-	-	-	384,456
Maintenance, equipment rental, and small equipment	334,314	230	2,240	2,470	336,784
Event expenses	201,963	-	114,160	114,160	316,123
Payroll taxes	219,745	25,590	31,989	57,579	277,324
Information technology	204,982	18,538	22,728	41,266	246,248
Insurance	92,307	5,475	5,939	11,414	103,721
Travel	33,656	35,527	20,163	55,690	89,346
Office expenses	41,877	33,565	12,861	46,426	88,303
Ticketing and credit card fees	77,529	-	4,982	4,982	82,511
Group food and lunch	75,919	-	-	-	75,919
Cost of goods sold – ship store	72,887	-	-	-	72,887
Accounting services	-	69,456	-	69,456	69,456
Interest	-	68,303	-	68,303	68,303
Donor and prospect relations	1,687	-	42,896	42,896	44,583
Miscellaneous	22,979	10,392	-	10,392	33,371
Conference, conventions, and meetings	14,751	14,989	1,982	16,971	31,722
Lobbying	-	30,000	-	30,000	30,000
Commission	12,246	-	-	-	12,246
Legal services	-	8,072	-	8,072	8,072
Training	2,929	692	-	692	3,621
Exhibit expenses	3,201	-	-	-	3,201
	\$ 5,858,984	\$ 785,559	\$ 1,385,607	\$ 2,171,166	\$ 8,030,150

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 Supporting Services	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
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 916,421	\$ (126,440)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	460,794	489,855
Donated property and equipment	-	(24,345)
Non-cash contribution from net assets assumed from another nonprofit organization	(87,974)	-
Loan forgiveness	(151,850)	-
Realized and unrealized gain on investments	(205,802)	(246,478)
Operating lease right-of-use assets	82,246	123,484
Changes in operating assets and liabilities:		
Accounts receivable	40,213	(16,400)
Contributions receivable	(829,259)	87,823
Prepaid expenses	(21,618)	(3)
Other assets	2,997	(4,896)
Accounts payable	148,306	(19,932)
Accrued and other liabilities	10,596	38,182
Deferred revenue	(8,337)	(20,165)
Operating lease liability	(27,596)	(115,721)
Net cash provided by operating activities	<u>329,137</u>	<u>164,964</u>
Cash flows from investing activities		
Proceeds from sales of investments	200,000	201,200
Cash received from assumption of another nonprofit organization	260,000	-
Purchases of investments	(753,222)	(200,000)
Purchases of property and equipment	(1,044,287)	(385,546)
Net cash used in investing activities	<u>(1,337,509)</u>	<u>(384,346)</u>
Cash flows from financing activities		
Principal payments on loans and notes payable	(79,551)	(114,869)
Net cash used in financing activities	<u>(79,551)</u>	<u>(114,869)</u>
Net decrease in cash and cash equivalents	(1,087,923)	(334,251)
Cash and cash equivalents:		
Beginning	1,980,108	2,314,359
Ending	<u>\$ 892,185</u>	<u>\$ 1,980,108</u>
Supplemental disclosure of cash flow information		
Cash payments for interest	<u>\$ 71,602</u>	<u>\$ 123,414</u>
Supplemental schedule of noncash investing and financing activities		
Operating lease right-of-use asset and operating lease liability from modification of existing lease	<u>\$ 2,705,915</u>	<u>\$ -</u>
The Organization assumed liabilities from another nonprofit organization (\$162,666 note payable and \$9,360 of accrued expenses)	<u>\$ 172,026</u>	<u>\$ -</u>
Purchase of equipment with a note payable	<u>\$ 33,825</u>	<u>\$ -</u>

See notes to financial statements.

PACIFIC BATTLESHIP CENTER

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 delivers Education, Veterans, and Community programs through impactful platforms including Battleship IOWA, the National Museum of the Surface Navy, Los Angeles Fleet Week, Freedom of the Seas Awards, and the Los Angeles Disaster Recovery and Resilience Collective. 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

Basis of Presentation

The financial statements are prepared in conformity with U.S. GAAP.

Use of Estimates

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.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023, 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, 2024 and 2023, the Organization did not have an allowance for credit losses.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

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 \$86,072 as of December 31, 2022.

Donated Goods and Services

The Organization records various types of in-kind support, including donated professional services and goods, as well as forgiveness of debt. Donated 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. Forgiveness of debt is recorded at the principal value of the debt that had been outstanding at the time of forgiveness.

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 goods or services were received during the years ended December 31, 2024 and 2023.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

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

Leases

The lease obligations are with the City of Los Angeles for the pier where the ex-USS IOWA is moored. 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.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023, 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.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

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, 2024 and 2023.

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, 2024 and 2023, 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, 2024 and 2023 were \$384,456 and \$421,685, respectively.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to current year presentation. These reclassifications have no effect on the previously reported net assets or change in net assets.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – PRIOR-PERIOD ADJUSTMENT

Subsequent to the issuance of the 2023 financial statements, the Organization identified a misstatement in both net assets without donor restrictions and net assets with donor restrictions as of December 31, 2023 and December 31, 2022 (cumulative impact including 2021 activity) related to donations previously classified as an endowment that should have been recorded as unrestricted. Additionally, the related investment returns and grants and contributions line items in the statement of activities have been restated as amounts were also misclassified under the "with donor restrictions" column for the year ended December 31, 2023. Contributions and grants revenue totaling \$101,910 previously reported under the "with donor restrictions" column for the year ended December 31, 2023 was reclassified to the "without donor restrictions" column. Net investment return revenue totaling \$22,187 previously reported under the "with donor restrictions" column for the year ended December 31, 2023 was reclassified to the "without donor restrictions" column.

As of December 31, 2023, the following financial line items in the statement of financial position have been restated as follows:

	Amount as Previously Reported	Adjustment	Amount as Restated
Net assets without donor restrictions	\$ 2,234,294	\$ 346,485	\$ 2,580,779
Net assets with donor restrictions	<u>1,483,693</u>	<u>(346,485)</u>	<u>1,137,208</u>
Total net assets	<u>\$ 3,717,987</u>	<u>\$ -</u>	<u>\$ 3,717,987</u>

As of December 31, 2022, the following financial line items in the statement of financial position have been restated as follows:

	Amount as Previously Reported	Adjustment	Amount as Restated
Net assets without donor restrictions	\$ 2,367,381	\$ 222,388	\$ 2,589,769
Net assets with donor restrictions	<u>1,477,046</u>	<u>(222,388)</u>	<u>1,254,658</u>
Total net assets	<u>\$ 3,844,427</u>	<u>\$ -</u>	<u>\$ 3,844,427</u>

PACIFIC BATTLESHIP CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – ASSUMPTION OF NET ASSETS FROM CITY OF LOS ANGELES FLEET WEEK FOUNDATION

In February 2024, the Organization assumed certain assets and liabilities from City Of Los Angeles Fleet Week Foundation. The transaction included the receipt of cash totaling \$260,000 and the assumption of liabilities totaling \$172,026.

The net effect of this transaction, amounting to \$87,974, was recognized as an increase in net assets without donor restrictions in the statement of activities.

The cash received is reported as an investing activity in the statement of cash flows. The assumption of the liabilities is a non-cash financing activity and is disclosed as a supplemental item in the statement of cash flows.

NOTE 5 – 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:

	<u>2024</u>	<u>2023</u>
Financial assets		
Cash and cash equivalents	\$ 892,185	\$ 1,980,108
Investments	2,737,162	1,978,138
Accounts receivable	62,259	102,472
Contributions receivable, net	<u>1,220,243</u>	<u>390,984</u>
Total financial assets	4,911,849	4,451,702
Less financial assets not available for general expenditures within one year due to donor imposed restrictions:		
Restricted for time or purpose	<u>(1,257,999)</u>	<u>(1,137,208)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,653,850</u>	<u>\$ 3,314,494</u>

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 10).

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – 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 7 – CONTRIBUTIONS RECEIVABLE

As of December 31, 2024 and 2023, contributions receivable, discounted to present value, are expected to be collected as follows:

	<u>2024</u>	<u>2023</u>
Within one year	\$ 1,224,602	\$ 357,277
In one to five years	-	50,000
	1,224,602	407,277
Discount on net present value (3.15% - 6.75%)	(4,359)	(16,293)
Contributions receivable, net	<u>\$ 1,220,243</u>	<u>\$ 390,984</u>

The bequest from an estate and one granting agency together accounted for 80% of net contributions as of December 31, 2024. One granting agency accounted for 60% of net contributions receivable as of December 31, 2023.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – 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, 2024 and 2023, 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 and fixed income securities 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:

Description	Fair Value		Input Level
	2024	2023	
Equities	\$ 1,386,420	\$ 1,182,920	Level 1
Fixed income securities	1,350,742	595,218	Level 1
Certificates of deposit	-	200,000	Level 2
Total investments	<u>\$ 2,737,162</u>	<u>\$ 1,978,138</u>	

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 8 – 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 9 – PROPERTY AND EQUIPMENT

As of December 31, 2024 and 2023, property and equipment consisted of the following:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 4,236,682	\$ 4,099,928
Ship restoration and improvements	4,274,086	4,288,208
Sewer installation	259,998	259,998
Construction in progress	<u>1,245,614</u>	<u>619,833</u>
	10,016,380	9,267,967
Accumulated depreciation	<u>(7,543,729)</u>	<u>(7,412,634)</u>
	<u>\$ 2,472,651</u>	<u>\$ 1,855,333</u>

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.

In February 2024, the Organization executed a grant agreement with the State of California for a maximum of \$6,700,000 for construction of the Freedom of the Seas Pavilion at Liberty Point. The project is expected to be completed in two phases with an estimated completion date in 2027.

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 for a waterfront tribute park. The project is expected to be completed in multiple phases beginning in 2027, with an estimated completion date in 2030.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – LINE OF CREDIT

The Organization has a line of credit with a bank that expires on October 20, 2025, which it anticipates renewing thereafter. The line of credit allows for borrowings up to \$200,000. Borrowings on the line of credit bear interest at a variable rate based on the prime rate (7.50% as of December 31, 2024) as published in the Wall Street Journal plus 1.75% (9.25% as of December 31, 2024), with a minimum interest rate of 7.00%. 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, 2024 and 2023. The terms of the line of credit provide for maintenance of certain nonfinancial covenants. As of December 31, 2024, the Organization was either in compliance or had obtained a waiver for their nonfinancial covenants.

NOTE 11 – LOANS AND NOTES PAYABLE

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

	<u>2024</u>	<u>2023</u>
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 14).	\$ -	\$ 101,850
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.*	1,953,003	2,000,000
Note payable, EIDL, with interest at 2.75% per annum, payable in monthly principal and interest installments of \$888, maturing June 26, 2050. The note is secured by substantially all of the Organization's assets.	158,015	-
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 was secured by the vehicle purchased with the proceeds from the note, which had a net book value of \$13,396 at December 31, 2024.	-	6,757

PACIFIC BATTLESHIP CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 11 – LOANS AND NOTES PAYABLE (Continued)

	<u>2024</u>	<u>2023</u>
Unsecured note payable bearing interest at a rate of 4.00%, due upon demand. The balance of this loan was forgiven in July 2024.	-	50,000
Vehicle loans, payable in monthly installments ranging from \$745 to \$1,147, including interest ranging from 7.59% to 11.38%. The loans are collateralized by security interest in the acquired vehicles and mature between July 2027 and August 2029.	<u>93,881</u>	<u>81,202</u>
	<u>\$ 2,204,899</u>	<u>\$ 2,239,809</u>

As of December 31, 2024, future maturities of the loans and notes payable are as follows for the years ending December 31:

2025	\$ 85,263
2026	89,485
2027	83,117
2028	70,299
2029	69,814
Thereafter	<u>1,806,921</u>
	<u>\$ 2,204,899</u>

* 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, 2024, the Company was in violation of a requirement to submit reviewed financial statements within 90 days to the SBA, but management is attempting to modify the loan agreement to have the requirement waived. Accordingly, the long-term portion of the EIDL loan balance of \$1,901,870 scheduled to be paid in the fiscal year ended December 31, 2026 and beyond is classified as a noncurrent liability.

PACIFIC BATTLESHIP CENTER
NOTES TO FINANCIAL STATEMENTS

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
<i>Donor restricted by purpose:</i>		
STEM education	\$ 209,522	\$ 95,290
Museum and exhibits	268,096	245,747
Ship restoration	111,101	159,881
Veteran affairs	91,700	92,700
Other	<u>8,535</u>	<u>18,846</u>
	<u>688,954</u>	<u>612,464</u>
<i>Donor restricted endowment:</i>		
Endowment corpus	500,000	500,000
Accumulated endowment earnings	<u>69,045</u>	<u>24,744</u>
	<u>569,045</u>	<u>524,744</u>
	<u>\$ 1,257,999</u>	<u>\$ 1,137,208</u>

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

	<u>2024</u>	<u>2023</u>
STEM education	\$ 166,545	\$ 265,375
Museum and exhibits	367,936	554,182
Ship restoration	105,393	58,960
Veteran affairs	1,602,796	1,427,897
Other	<u>15,239</u>	<u>1,742</u>
	<u>\$ 2,257,909</u>	<u>\$ 2,308,156</u>

NOTE 13 – ENDOWMENTS

In 2021, the Organization received a donor restricted grant to establish an endowment fund 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.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – 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. There were no deficiencies as of December 31, 2024 and 2023 as the fair values of \$569,045 and \$524,744 as of December 31, 2024 and 2023, respectively, were above the original gift value of \$500,000.

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 fixed income investments to achieve its long-term return objectives within prudent constraints. Under this policy, the fund is invested as of December 31, 2024 as follows: 2% is invested in cash and cash equivalents, 95% in corporate bonds and other fixed income securities and 3% in equities.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 13 – ENDOWMENTS (Continued)

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

	<u>2024</u>	<u>2023</u>
Original donor-restricted gift	\$ 500,000	\$ 500,000
Accumulated investment returns	<u>69,045</u>	<u>24,744</u>
	<u>\$ 569,045</u>	<u>\$ 524,744</u>

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

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ 524,744	\$ 461,937
Net investment return	<u>44,301</u>	<u>62,807</u>
Ending balance	<u>\$ 569,045</u>	<u>\$ 524,744</u>

NOTE 14 – 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. 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. For the years ended December 31, 2024 and 2023, the Organization's contributions totaled \$34,914 and \$2,851, respectively.

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 15 – 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 as of December 31, 2023. In February 2024, the related party forgave the remaining principal balance of the loan and accrued interest of \$4,000. 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 and paid off in September 2023.

During the years ended December 31, 2024 and 2023, the Organization received approximately \$224,000 and \$181,000, respectively, in contributions from members of the Board of Directors and organizations over which the Board members have significant influence.

NOTE 16 – 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. In May 2024, the Organization amended the lease to extend the term to May 24, 2057.

Additional information related to leases as of December 31,:

	<u>2024</u>	<u>2023</u>
Operating lease:		
Right-of-use asset - operating	\$ 3,335,902	\$ 630,409
Right-of-use asset - operating, accumulated amortization	<u>(310,417)</u>	<u>(228,593)</u>
Right-of-use asset – operating lease, net	<u>\$ 3,025,485</u>	<u>\$ 401,816</u>

PACIFIC BATTLESHIP CENTER

NOTES TO FINANCIAL STATEMENTS

NOTE 16 – LEASES (Continued)

Other information related to operating leases:

Weighted-average remaining lease term (in years):	32.42
Weighted-average discount rate:	4.57%

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, 2024:

<u>Years Ending</u>	<u>Operating</u>
2025	\$ 123,803
2026	127,517
2027	131,343
2028	135,283
2029	139,342
Thereafter	<u>5,973,269</u>
Total lease payments	6,630,557
Less: present value discount	<u>(3,542,409)</u>
Lease liability	<u>\$ 3,088,148</u>

NOTE 17 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 30, 2025, the date on which the financial statements were available to be issued.

On January 13, 2025, the Organization received an advance of \$5,885,719 from the State of California related to the cost-reimbursement grant for construction of the Freedom of the Seas Pavilion at Liberty Point.