



PACIFIC BATTLESHIP CENTER

AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018

PACIFIC BATTLESHIP CENTER
FINANCIAL STATEMENTS



CONTENTS

<i>As of and for the years ended December 31, 2019 and 2018</i>	Page
Independent auditor's report	1 - 2
Financial statements	
Statements of financial position as of December 31, 2019 and 2018	3
Statements of activities for the years ended December 31, 2019 and 2018	4 - 5
Statements of cash flows for the years ended December 31, 2019 and 2018	6
Statements of functional expenses for the years ended December 31, 2019 and 2018	7 - 8
Notes to financial statements	9 - 18



INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying financial statements of the Pacific Battleship Center (a nonprofit public benefit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pacific Battleship Center as of December 31, 2019 and 2018, 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.

Rossi LLP

Long Beach, California
August 4, 2020

PACIFIC BATTLESHIP CENTER
STATEMENTS OF FINANCIAL POSITION

<i>As of December 31,</i>	2019	2018
ASSETS		
Cash and cash equivalents	\$ 613,872	\$ 532,195
Receivables	68,757	68,030
Contributions receivable	110,663	26,000
Engineering/machine shop materials	61,517	64,427
Prepaid expenses	73,930	77,033
Property and equipment, net	3,535,835	4,169,537
Intangible and other assets, net	45,964	56,678
Total assets	\$ 4,510,538	\$ 4,993,900
LIABILITIES AND NET ASSETS		
Revolving credit facility	\$ 250,000	\$ 250,000
Accounts payable	233,262	260,003
Accrued and other liabilities	207,781	170,624
Deferred revenue	83,123	64,070
Notes payable	529,741	656,651
Total liabilities	1,303,907	1,401,348
Commitments		
Net assets:		
Without donor restrictions	2,810,535	3,231,834
With donor restrictions	396,096	360,718
Total net assets	3,206,631	3,592,552
Total liabilities and net assets	\$ 4,510,538	\$ 4,993,900

The accompanying notes are an integral part of these financial statements

PACIFIC BATTLESHIP CENTER
STATEMENT OF ACTIVITIES

<i>For the year ended December 31, 2019</i>	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Admissions	\$ 2,488,131	\$ -	\$ 2,488,131
Contributions	770,797	616,208	1,387,005
Donated goods and services	139,015	-	139,015
Commissions	154,473	-	154,473
Other income	146,551	-	146,551
Total revenues	3,698,967	616,208	4,315,175
Net assets released from restriction:			
Satisfaction of program restrictions	580,830	(580,830)	-
Total net assets released from restrictions	580,830	(580,830)	-
Total revenues and other support	4,279,797	35,378	4,315,175
Expenses:			
Program services	3,512,349	-	3,512,349
General and administrative	382,783	-	382,783
Fundraising	805,964	-	805,964
Total expenses	4,701,096	-	4,701,096
Change in net assets	(421,299)	35,378	(385,921)
Net assets, beginning of year	3,231,834	360,718	3,592,552
Net assets, end of year	\$ 2,810,535	\$ 396,096	\$ 3,206,631

The accompanying notes are an integral part of these financial statements

PACIFIC BATTLESHIP CENTER
STATEMENT OF ACTIVITIES

<i>For the year ended December 31, 2018</i>	Without donor restrictions	With donor restrictions	Total
Revenues and other support:			
Admissions	\$ 2,294,322	\$ -	\$ 2,294,322
Contributions	562,579	761,871	1,324,450
Donated goods and services	44,083	-	44,083
Commissions	171,966	-	171,966
Other income	436,811	-	436,811
Total revenues	3,509,761	761,871	4,271,632
Net assets released from restriction:			
Satisfaction of program restrictions	1,258,268	(1,258,268)	-
Total net assets released from restrictions	1,258,268	(1,258,268)	-
Total revenues and other support	4,768,029	(496,397)	4,271,632
Expenses:			
Program services	3,235,906	-	3,235,906
General and administrative	362,485	-	362,485
Fundraising	782,579	-	782,579
Total expenses	4,380,970	-	4,380,970
Change in net assets	387,059	(496,397)	(109,338)
Net assets, beginning of year	2,844,775	857,115	3,701,890
Net assets, end of year	\$ 3,231,834	\$ 360,718	\$ 3,592,552

The accompanying notes are an integral part of these financial statements

PACIFIC BATTLESHIP CENTER
STATEMENTS OF CASH FLOWS

<i>For the years ended December 31,</i>	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (385,921)	\$ (109,338)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	882,760	743,497
Change in assets and liabilities:		
Receivables	(727)	64,084
Contributions receivable	(84,663)	281,000
Engineering/machine shop materials	2,910	-
Prepaid expenses	3,103	4,093
Other assets	30,448	(499)
Accounts payable	(26,880)	(43,453)
Accrued and other liabilities	37,157	(3,662)
Deferred revenue	19,053	30,334
Cash provided by operating activities	477,240	966,056
Cash flows from investing activity:		
Purchases of property and equipment	(268,653)	(1,061,636)
Cash used in investing activity	(268,653)	(1,061,636)
Cash flows from financing activities:		
Proceeds from lines of credit	143,253	241,307
Payments on lines of credit	(143,253)	(265,667)
Principal repayments on loan and notes payable	(126,910)	(193,038)
Cash used in financing activities	(126,910)	(217,398)
Net increase (decrease) in cash	81,677	(312,978)
Cash beginning of year	532,195	845,173
Cash end of year	\$ 613,872	\$ 532,195
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 28,468	\$ 30,668
Recognition of in-kind contributions and related assets and expenses	\$ 139,015	\$ 44,083

The accompanying notes are an integral part of these financial statements

PACIFIC BATTLESHIP CENTER
STATEMENT OF FUNCTIONAL EXPENSES

<i>For the year ended December 31, 2019</i>	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and wages	\$ 1,026,719	\$ 101,916	\$ 171,332	\$ 1,299,967
Payroll taxes	92,655	7,747	13,995	114,397
Legal services	-	7,722	-	7,722
Accounting services	-	72,000	-	72,000
Professional fundraising services	-	-	519,557	519,557
Other program services	145,699	27,348	9,129	182,176
Advertising and marketing	157,024	-	-	157,024
Office expense	7,649	3,365	5,908	16,922
Information technology	52,154	5,905	4,525	62,584
Travel	56,089	12,607	2,953	71,649
Conference, conventions, and meetings	8,593	7,396	921	16,910
Interest	-	32,468	-	32,468
Depreciation	794,484	44,138	44,138	882,760
Insurance	53,190	29,912	3,216	86,318
Maintenance, equipment rental, and small equipment	232,300	4,528	3,329	240,157
Exhibit expenses	7,714	-	-	7,714
Rent, fuel, and utilities	334,618	23,563	13,004	371,185
Event expenses	192,617	-	-	192,617
Ticketing and credit card fees	104,770	-	-	104,770
Commission	8,733	-	-	8,733
Security services	135,815	-	-	135,815
Group food and group lunch	83,772	-	-	83,772
Training	1,871	645	-	2,516
Donor and prospect relations	159	-	13,957	14,116
Crew appreciation	15,724	139	-	15,863
Taxes	-	1,367	-	1,367
Miscellaneous	-	17	-	17
Total expenses	\$ 3,512,349	\$ 382,783	\$ 805,964	\$ 4,701,096

The accompanying notes are an integral part of these financial statements

PACIFIC BATTLESHIP CENTER
STATEMENT OF FUNCTIONAL EXPENSES

<i>For the year ended December 31, 2018</i>	Program Services	General and Administrative	Fundraising	Total Expenses
Salaries and wages	\$ 1,096,623	\$ 100,224	\$ 117,595	\$ 1,314,442
Payroll taxes	106,386	7,801	10,713	124,900
Accounting services	-	72,000	-	72,000
Professional fundraising services	-	-	553,758	553,758
Other program services	168,031	31,250	2,630	201,911
Advertising and marketing	145,900	-	74	145,974
Office expense	12,588	2,586	22,755	37,929
Information technology	42,515	2,087	4,428	49,030
Travel	50,547	8,657	3,261	62,465
Conference, conventions, and meetings	58,804	7,623	3,447	69,874
Interest	-	34,668	-	34,668
Depreciation	669,148	37,175	37,175	743,498
Insurance	52,782	29,808	3,097	85,687
Maintenance, equipment rental, and small equipment	187,863	4,253	4,180	196,296
Exhibit expenses	7,021	-	495	7,516
Rent, fuel, and utilities	288,763	19,150	12,657	320,570
Event expenses	51,840	-	-	51,840
Ticketing and credit card fees	94,225	-	-	94,225
Commission	5,086	-	-	5,086
Security services	110,214	-	-	110,214
Group food and group lunch	71,430	-	-	71,430
Training	1,008	1,135	-	2,143
Donor and prospect relations	2,180	-	60	2,240
Miscellaneous	12,952	4,068	6,254	23,274
Total expenses	\$ 3,235,906	\$ 362,485	\$ 782,579	\$ 4,380,970

The accompanying notes are an integral part of these financial statements

For the years ended December 31, 2019 and 2018

NOTE 1: ORGANIZATION

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

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

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

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

PBC leases from the City of Los Angeles, the pier where the USS Iowa is moored. In accordance with accounting principles generally accepted in the United States of America, the fair value of the pier mooring in excess of the amounts paid should be reported in the Organization’s financial statements as donated goods and rent expense. However, since no objective basis is available to determine the fair value for the use of the pier, no amount has been reported in the financial statements as donated goods or rent expense.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of financial statement presentation:

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

In preparing these financial statements, PBC evaluated the period from January 1, 2020 August 4, 2020, the date that the financial statements were available to be issued, for subsequent events requiring recognition or disclosure in the accompanying financial statements.

For the years ended December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of estimates:

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

Net assets:

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

Net assets without donor restrictions

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

Net assets with donor restrictions

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

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

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

Cash and cash equivalents:

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

For the years ended December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Concentration of credit risk:

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

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

Receivables:

Receivables principally consist of amounts due the Organization for credit card payments for admissions and special events. Management determines the allowance for uncollectable receivables based on historical experience and review of subsequent collections. During the years ended December 31, 2019 and 2018, the Organization did not record an allowance for uncollectable receivables.

Contributions receivable:

Unconditional promises to give are recorded as contributions receivable. PBC discounts pledges that are expected to be collected after one year at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue. Management evaluated the collectability of contributions receivable at December 31, 2019 and 2018 and determined that no allowance for doubtful pledges was considered necessary.

Engineering/machine shop materials:

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

Deposits and prepaid insurance:

At December 31, 2019 and 2018, PBC reported insurance premiums of \$57,629 and \$54,358, respectively, as prepaid insurance in the accompanying financial statements to be amortized over the next year. At December 31, 2019 and 2018, PBC entered into a financing arrangement for \$42,852 and \$25,610 of annual insurance premiums, recorded as accrued and other liabilities in the accompanying balance sheet.

For the years ended December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and equipment:

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

Fair value of financial instruments:

The carrying amounts of cash, accounts and contributions receivable, accounts payable, accrued and other liabilities, unearned revenue, line of credit, and loan and notes payable at December 31, 2019 and 2018, approximate fair value because of the short term maturity of these financial instruments.

Commission revenue:

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

Membership revenue:

PBC offers annual memberships which provide for various benefits depending upon the level of giving ranging from \$50.00 to \$1,000 annually. PBC considers memberships to be exchange transactions. As exchange transactions, the membership revenue is deferred and amortized over the life of the membership.

Tax exempt status:

PBC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to state and federal income taxes. Management has not recorded an income tax provision for the years ended December 31, 2019 and 2018.

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

For the years ended December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Donated goods and services:

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

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

Donated goods and services received during the years ended December 31, 2019 and 2018 are as follows:

<i>December 31,</i>	2019	2018
Donated professional services	\$ 41,578	\$ 32,081
Donated goods	93,437	-
Debt and interest forgiveness	4,000	12,002
Total donated goods and services	\$ 139,015	\$ 44,083

Advertising:

PBC uses advertising to promote its programs to the constituents it serves. All advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2019 and 2018 were \$132,913 and \$145,975, respectively.

Functional allocation of expenses:

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

Recent accounting pronouncements:

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers,” which establishes a comprehensive revenue recognition standard in U.S. GAAP. ASU 2014-09 is effective for fiscal years beginning after

For the years ended December 31, 2019 and 2018

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent accounting pronouncements:

December 15, 2019. The Organization is currently evaluating the effect the adoption of ASU 2014-09 will have on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)”, pursuant to which lessees are required to recognize a lease asset and lease obligation in the statement of financial position for leases with a noncancelable term longer than 12 months. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statements of activities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. The Organization is currently evaluating the provisions of ASU 2016-02 to determine the effect, if any, ASU 2016-02 will have on its financial statements.

NOTE 3: LIQUIDITY AND AVAILABILITY

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

As of December 31,	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 613,872	\$ 532,195
Receivables	68,757	68,030
Contributions receivable	110,663	26,000
Total financial assets available	793,292	626,225
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(396,096)	(360,718)
Less net assets with donor restrictions to be met in less than a year	162,076	123,803
Subtotal	(234,020)	(236,915)
Financial assets available to meet general expenditures over the next twelve months	559,272	389,310
Available financing through existing line of credit	50,000	50,000
Total liquidity and availability	\$ 609,272	\$ 439,310

At December 31, 2019 and 2018, the Organization had available funds of \$609,272 and \$439,310, respectively, consisting of financial assets and unused line of credit borrowings to meet cash needs for general expenditures within one year of the balance sheet date. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. Subsequent to December 31, 2019, certain events significantly increased the liquidity of PBC as follows: PBC received a cash contribution of \$500,000 from a donor; PBC received an SBA Paycheck Protection Program Loan of \$254,225; PBC received an Economic Injury Disaster Loan of \$150,000; and the revolving line of credit maximum borrowing amount was increased to \$400,000.

For the years ended December 31, 2019 and 2018

NOTE 4: CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be received as follows:

<i>December 31,</i>	2019	2018
Within one year	\$ 6,000	\$ 14,000
Within two to five years	6,000	12,000
Total contributions receivable	\$ 12,000	\$ 26,000

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

<i>As of December 31,</i>	2019	2018
Furniture and equipment	\$ 3,846,768	\$ 3,752,780
Ship restoration and improvements	4,184,335	4,040,633
Sewer installation	254,625	254,625
Subtotal	8,285,728	8,048,038
Less: accumulated depreciation	(4,749,893)	(3,878,501)
Property and equipment, net	\$ 3,535,835	\$ 4,169,537

Depreciation and amortization expense was \$882,760 and \$743,497 for the years ended December 31, 2019 and 2018, respectively.

NOTE 6: LINE OF CREDIT

At December 31, 2019, PBC had a \$300,000 revolving line of credit from Farmers & Merchants Bank for working capital and short-term capital needs with a maturity date of October 29, 2020. The line of credit had an outstanding balance of \$250,000 at December 31, 2019 and 2018, respectively. Interest is payable monthly on outstanding balances at the interest rate of 6.0%. The revolving line of credit is secured by certain assets of PBC, including its inventory and equipment. Subsequent to December 31, 2019, on April 8, 2020, the revolving line of credit was increased to \$400,000. Substantially, all the terms of the revolving line of credit remained the same.

In the spring of 2017, PBC began work on its hull preservation project, which was funded by a \$500,000 grant from the State of Iowa. This grant allows PBC to indefinitely defer the significantly more-costly process of dry-docking the ship for repairs in future years. The grant requires PBC to submit vendor invoices to the State of Iowa for reimbursement. In order to provide cash flow for the time period between PBC payments to vendors and receipt of the grant reimbursement, PBC obtained a bank line of credit. The line of credit allows for borrowings of up to \$298,328 and matured on July 31, 2019. Interest was payable monthly on outstanding balances at an interest rate of 6.0%. At December 31, 2018, PBC had \$145,038 of available credit and no borrowings outstanding on this line of credit. During the year ended December 31, 2019, the line of credit was paid in full.

PACIFIC BATTLESHIP CENTER
NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, 2019 and 2018

NOTE 7: LOAN AND NOTES PAYABLE

Loans and notes payable are summarized as follows:

<i>As of December 31,</i>	2019	2018
Unsecured note payable bearing interest at a rate of 4.0% due upon demand.	\$ 50,000	\$ 50,000
Notes payable for pre-opening payables, with interest at 4.0%, payable in monthly installments of \$1,860, with outstanding principal due October 1, 2019. During the years ended December 31, 2019 and 2018, principal amounts of \$4,000 and \$12,002, respectively, were forgiven and included in donated goods and services in the accompanying financial statements.	-	18,764
Note payable to a related party with interest at 4.0%, with outstanding principal due January 15, 2021.	100,000	100,000
Non-interest bearing loan due to a related party, payable in monthly installments of \$7,000, due November 1, 2021.	269,700	353,700
Note payable, bank, for costs related to installation of shore power, with interest at 6.0% per annum, payable in monthly principal and interest installments of \$2,637, maturing November 29, 2023. The note is secured by substantially all of PBC's assets.	110,041	134,187
Total notes payable	\$ 529,741	\$ 656,651

Future principal payments are due as follows:

<i>For the years ending December 31,</i>	Amounts
2020	\$ 159,638
2021	211,261
2022	112,966
2023	45,876
	\$ 529,741

For the years ended December 31, 2019 and 2018

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at December 31, 2019 and 2018:

<i>As of December 31,</i>	2019	2018
Restricted by purpose:		
STEM education	\$ 186,649	\$ 153,330
Museum and exhibits	149,360	105,941
Ship restoration	51,815	80,534
Employee training	8,272	20,913
	\$ 396,096	\$ 360,718

NOTE 9: COMMITMENTS

PBC leases the pier where the USS Iowa is moored from the City of Los Angeles, through its Board of Harbor Commissioners pursuant to a noncancelable operating lease agreement. The lease agreement requires PBC to pay monthly rent based on the greater of a) a fixed-minimum monthly rental, or b) an amount equal to a percentage of admission, commission and other income arising from any business, use or operation occurring on the premises. The lease contains two 5-year renewal options, with the first 5-year renewal exercised in June 2017.

Minimum future rental payments under the non-cancellable operating lease are as follows:

<i>For the years ending December 31,</i>	Amounts
2020	\$ 103,000
2021	103,000
2022	103,000
2023	103,000
2024	103,000
Thereafter	257,500
	\$ 772,500

Rent expense was \$114,195 and \$107,486 for the years ended December 31, 2019 and 2018, respectively.

NOTE 10: RELATED PARTY TRANSACTIONS

At December 31, 2019 and 2018, the Organization had two outstanding notes payable due to a related party totaling \$369,700 and \$453,700, respectively. (note 7).

During the years ended December 31, 2019 and 2018, the Organization received approximately \$131,000 and \$130,000, respectively, in contributions from members of the Board of Directors and organizations over which the board members exert significant influence.

For the years ended December 31, 2019 and 2018

NOTE 11: LEGAL CONTINGENCIES

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

NOTE 12: SUBSEQUENT EVENTS

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

On April 8, 2020, PBC entered into an amendment to its line of credit which increased the availability of borrowings under the line of credit for \$300,000 to \$400,000.

On April 14, 2020, PBC received a Paycheck Protection Program Loan in the amount of \$254,225, with an interest rate of 1.00%. Thereafter, on May 21st, PBC entered into an Economic Injury Disaster Loan of \$150,000 with interest at 2.75% per annum, due in monthly installments of \$641.00 commencing May 21, 2021, maturing May 21, 2050. The promissory note is secured by substantially all of the Organization's assets.