



**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM**

**AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE
YEAR ENDED JUNE 30, 2020**



SERVATIUS, O'BRIEN & FONG, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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SERVATIUS, O'BRIEN & FONG, LLP

CERTIFIED PUBLIC ACCOUNTANTS
2377 CRENSHAW BOULEVARD, SUITE 160
TORRANCE, CALIFORNIA 90501
310-539-9400
www.sofcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Aircraft Carrier Hornet Foundation
dba: USS Hornet Sea, Air, and Space Museum
Alameda, California

Opinion

We have audited the accompanying financial statements of Aircraft Carrier Hornet Foundation dba: USS Hornet Sea, Air, and Space Museum (a California nonprofit organization) (the "Foundation"), which comprise the statement of financial position as of June 30, 2020, 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 financial statements referred to above present fairly, in all material respects, the financial position of Aircraft Carrier Hornet Foundation dba: USS Hornet Sea, Air, and Space Museum as of June 30, 2020, and the changes in net assets 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Aircraft Carrier Hornet Foundation dba: USS Hornet Sea, Air, and Space Museum 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.



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, 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 Aircraft Carrier Hornet Foundation dba: USS Hornet Sea, Air, and Space Museum's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Aircraft Carrier Hornet Foundation dba: USS Hornet Sea, Air, and Space Museum'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 Aircraft Carrier Hornet Foundation dba: USS Hornet Sea, Air, and Space Museum'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.

Servatius, O'Brien & Fong, LLP

Torrance, California
September 22, 2023

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	609,023
Receivables		606
Inventory		26,459
Prepaid expenses and other assets		39,274

TOTAL CURRENT ASSETS		675,362
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PROPERTY AND EQUIPMENT

Ship improvements		2,715,156
Aircraft		450,384
Equipment		480,041
Exhibits		223,158
Computer and store assets		7,676
Vehicles		8,019
Assets held for sale		1,200

		3,885,634
Less: accumulated depreciation		(2,482,704)

Property and equipment, net		1,402,930
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TOTAL ASSETS	\$	2,078,292
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	471,097
Deferred revenue		138,139
CARES Act PPP loan payable		265,012

TOTAL CURRENT LIABILITIES		874,248
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NONCURRENT LIABILITIES

Loan payable - EIDL		510,000
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TOTAL LIABILITIES		1,384,248
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NET ASSETS

Without donor restrictions		505,301
With donor restrictions		188,743

TOTAL NET ASSETS		694,044
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TOTAL LIABILITIES AND NET ASSETS	\$	2,078,292
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The accompanying notes are an integral part of these financial statements.

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES AND SUPPORT			
Admissions, tours, and events	\$ 1,421,946	\$ -	\$ 1,421,946
Concessions	232,306	-	232,306
Fundraising	198,006	-	198,006
Memberships	79,909	-	79,909
Grants and contributions	5,905	16,584	22,489
Contributed goods	24,967	-	24,967
Other income	18,934	-	18,934
Net assets released from restrictions	70,667	(70,667)	-
TOTAL REVENUES AND SUPPORT	2,052,640	(54,083)	1,998,557
FUNCTIONAL EXPENSES			
Program services	1,669,017	-	1,669,017
General and administrative	693,961	-	693,961
Fundraising	36,068	-	36,068
TOTAL FUNCTIONAL EXPENSES	2,399,046	-	2,399,046
CHANGE IN NET ASSETS	(346,406)	(54,083)	(400,489)
NET ASSETS, beginning of year	851,707	242,826	1,094,533
NET ASSETS, end of year	\$ 505,301	\$ 188,743	\$ 694,044

The accompanying notes are an integral part of these financial statements.

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>PROGRAM SERVICES</u>			TOTAL PROGRAM SERVICES	<u>SUPPORTING SERVICES</u>		TOTAL EXPENSES
	<u>MUSEUM OPERATIONS</u>	<u>INSTITUTIONAL ADVANCEMENT</u>	<u>VISITOR EXPERIENCE</u>		<u>GENERAL AND ADMINISTRATIVE</u>	<u>FUNDRAISING</u>	
Salaries and related payroll costs	\$ 315,474	\$ 258,871	\$ 398,303	\$ 972,648	\$ 219,163	\$ 11,251	\$ 1,203,062
Office expenses	857	17,689	80,850	99,396	121,799	6,411	227,606
Rent	-	-	-	-	34,200	1,800	36,000
Advertising	-	26,787	3,042	29,829	134	7	29,970
Insurance	9,001	6,761	11,038	26,800	65,985	3,473	96,258
Cost of goods sold	-	-	106,157	106,157	-	-	106,157
Professional services	-	15,122	800	15,922	51,597	2,716	70,235
Program expenses	2,971	58,965	97,103	159,039	1,378	73	160,490
Utilities	10,630	623	-	11,253	123,153	6,482	140,888
Repairs and maintenance	73,091	885	317	74,293	9,523	501	84,317
Bank charges	18	55,210	15,994	71,222	34,746	1,656	107,624
Travel and training	210	12,411	1,201	13,822	2,684	141	16,647
Taxes	-	-	-	-	9,386	493	9,879
In-kind donation	-	-	-	-	19,070	1,004	20,074
Miscellaneous	4,487	-	-	4,487	1,143	60	5,690
Depreciation	84,149	-	-	84,149	-	-	84,149
	<u>\$ 500,888</u>	<u>\$ 453,324</u>	<u>\$ 714,805</u>	<u>\$ 1,669,017</u>	<u>\$ 693,961</u>	<u>\$ 36,068</u>	<u>\$ 2,399,046</u>

The accompanying notes are an integral part of these financial statements.

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (400,489)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:	
Depreciation	84,149
Decrease in receivables	384
Decrease in inventory	50,172
Increase in prepaid expenses and other assets	(360)
Decrease in accounts payable and accrued expenses	(25,731)
Increase in deferred revenue	83,178
	(208,697)
NET CASH (USED IN) OPERATING ACTIVITIES	
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from CARES Act PPP loan payable	265,012
Proceeds from loan payable - EIDL	510,000
	775,012
NET CASH PROVIDED BY FINANCING ACTIVITIES	
NET CHANGE IN CASH	566,315
CASH AND CASH EQUIVALENTS, beginning of year	42,708
CASH AND CASH EQUIVALENTS, end of year	\$ 609,023

The accompanying notes are an integral part of these financial statements

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE A – NATURE OF OPERATIONS

Aircraft Carrier Hornet Foundation dba: USS Hornet Sea, Air, and Space Museum (the "Foundation") is a tax-exempt (ID #94-3226801) 501(c)(3) California nonprofit corporation founded in 1995. The Foundation maintains the USS Hornet, a decommissioned United States Navy aircraft carrier with historical significance, as an Air, Sea, and Space Museum to further education about World War II, the Korean and Vietnam wars, space exploration, and Naval life among its patrons.

The United States Navy approved the use of the ship as a museum on contract via the historic ship donation program in 1998. During a national emergency, at the government's request, title to the vessel may revert to the government. Accordingly, the value of the ship was not recognized on the Foundation's financial statements. The Foundation has restored a significant portion of the ship and commenced the operation of the museum. The USS Hornet and its related museum are located at Alameda Point, California.

The Foundation's mission statement is as follows:

Aircraft Carrier Hornet Foundation preserves and honors the legacy of the USS Hornet, a national historic landmark, and its role in naval aviation, the defense of our country, the Apollo Programs, and exploration of space. The USS Hornet Museum connects the greatest generation of Americans with future generations, educating and inspiring them to meet the challenges they will face in the days to come.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Foundation prepares its financial statements on the accrual basis which recognizes income when earned and expenses when incurred, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which require the Foundation to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation.

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

Net assets with donor restrictions – Net assets subject to donor-imposed (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 that 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. See Note G for more information on the composition of net assets with donor restrictions.

The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as Net Assets Released from Restrictions.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid investments purchased with a remaining maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

Receivables

Receivables principally consist of amounts due the Foundation for admissions and special events. Management determines the allowance for uncollectable receivables based on historical experience and review of subsequent collections. During the year ended June 30, 2020, the Foundation did not record an allowance for uncollectable receivables.

Inventory

Inventory consists primarily of merchandise held for sale in the ship's store. Inventory is valued at the lower of cost or net realizable value determined by the first-in, first-out method.

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value of Financial Instruments

Fair value is defined as 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. The carrying amounts of cash, receivables, and accounts payable approximate fair value due to the short maturity of these instruments.

Property and Equipment

Property and equipment are stated at cost if purchased, or if donated, at fair value on the date of donation. The cost of assets purchased under \$1,000 is charged to expense. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of assets ranging from 3 to 30 years. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation expense for the year ended June 30, 2020 was \$84,149.

Long Lived Assets

The Foundation reviews for the impairment of long-lived assets and certain identifiable intangible assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. An impairment loss is recognized when the estimate on discounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount. If impairment is indicated, the amount of the loss to be recorded is based on an estimate of the difference between the carrying amount and the fair value of the asset. Fair value is based upon discounted estimated cash flows expected to result from the use of the asset and its eventual disposition and other valuation methods. There were no impairment charges during the year ended June 30, 2020.

Collections and Artifacts

The Foundation maintains and displays collections and individual items of significance, which are not held for financial gain, but rather are held for public exhibition, education, or research in the furtherance of public service. Examples of historical treasures include rare items from World War II and early space travel. The period of economic benefit or service potential for inexhaustible historical treasures is extraordinary long due to efforts of the Foundation to protect and preserve the assets in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

Deferred Revenue

Deferred revenue results from the Foundation recognizing revenue for events in the period in which the event takes place. Accordingly, cash received before the event is held and reported as deferred revenue.

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition

Admissions, Tours, and Events – The Foundation recognizes revenue from admissions, tours, and events in the period in which the service has been provided.

Contributions – The Foundation recognizes contributions as revenue at the time they are received or unconditionally pledged. That revenue is either reported as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to either a time or a purpose restriction. When a restriction expires or is met, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the Statement of Activities. Conditional contributions or promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Concessions – The Foundation recognizes revenue from the operation of its gift store, vending machines and other concessions in the period when the revenue is received.

Contributed Goods – Donated material and equipment are recorded as contributions at their estimated fair value on the date of receipt. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. For the year ended June 30, 2020, the Foundation recognized \$24,967 for contributed goods.

Contributed Services – The Foundation records contribution revenue for certain services received at the fair value of those services, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would be purchased if not donated. There were many additional volunteer hours donated that were not recorded because they did not require specialized skills. For the year ended June 30, 2020, the Foundation did not recognize contributed services.

Membership – The Foundation recognizes revenue from the sales of annual memberships in the period the memberships are issued.

Advertising Costs

Advertising costs are expensed as incurred. For the year ended June 30, 2020, the Foundation incurred \$29,970 in advertising costs.

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Income Taxes

The Foundation is a not-for-profit, tax-exempt organization under Internal Revenue Code Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code. The Foundation may be subject to tax on income which is not related to its exempt purposes. No such unrelated business taxable income was reported for the year ended June 30, 2020.

The Foundation follows the accounting guidance, FASB ASC 740-10, *Uncertainty in Income Taxes*, related to financial statement recognition, measurement and disclosure of uncertain tax positions. The Foundation recognizes the impact of an uncertain income tax position or an income tax return at the largest amount that is more-likely-than-not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained. The Foundation has considered its tax positions and believes that there are no material uncertain tax positions that require recognition or disclosure in the financial statements as of June 30, 2020.

The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax years in progress.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standard Update (“ASU”) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Foundation is currently evaluating the impact of the adoption of this guidance on its financial statements.

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements - Continued

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. ASU No. 2020-07 is required to be applied retrospectively for annual periods beginning after June 15, 2021 and interim periods within fiscal years beginning after June 15, 2022 with early adoption permitted. The Foundation implemented ASU No. 2020-07 during the year ended June 30, 2022.

NOTE C – CONCENTRATIONS OF RISK

Financial instruments that potentially expose the Foundation to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The Foundation manages deposit concentration risk by placing cash and cash equivalents with financial institutions believed to be credit worthy. At times, amounts on deposit may exceed insured limits. To date, the Foundation has not experienced losses in any of these accounts. The receivables represent amounts due for programs and are monitored closely by management for collections.

NOTE D – ECONOMIC INJURY DISASTER LOAN

On April 21, 2020, the Foundation 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 Foundation’s operations. The principal amount of the loan was \$500,000, with proceeds to be used for working capital purposes. Interest accrues at the rate of 2.75% per annum on the outstanding borrowings. Installment payments of principal and interest of \$2,136 are due monthly and commenced October 17, 2022, through October 17, 2052.

As of June 30, 2020, future principal payments are due as follows:

Year Ending <u>June 30,</u>	
2023	\$ 12,032
2024	12,368
2025	12,712
2026	13,067
2027	13,430
Thereafter	<u>436,391</u>
Total	<u>\$ 500,000</u>

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE D – ECONOMIC INJURY DISASTER LOAN - CONTINUED

On April 13, 2020, the Foundation received an initial EIDL advance in the amount of \$10,000. The initial EIDL advance is considered an unrestricted contribution and has been recognized as Grant Revenue – EIDL in the Statement of Activities during the year ended June 30, 2021.

NOTE E – PAYCHECK PROTECTION PROGRAM

In April 2020, the Foundation received a loan in the original principal amount of \$265,012 under the Paycheck Protection Program (“PPP”) established under the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”). The PPP is administered by the SBA. Under the terms of the CARES Act, PPP loan recipients can apply for, and the SBA can grant forgiveness of all or a portion of loans made under the PPP if the recipients use the PPP loan proceeds for eligible purposes, as set forth in the CARES Act. On August 20, 2021, the Foundation applied for and received \$265,012 in PPP loan forgiveness, recognized as debt forgiveness income, in accordance with the terms of the CARES Act.

On February 25, 2021, the Organization secured a second-draw loan of \$265,012 under the Paycheck Protection Program. The Organization applied for and received full forgiveness of the \$265,012 loan on December 13, 2021.

NOTE F – RETIREMENT PLAN

The Foundation established a Simple IRA savings incentive plan, covering substantially all of its employees meeting certain eligibility requirements. The plan provides for contributions based on voluntary reductions in employee salaries and additional matching contributions made by the Foundation. Employees may contribute a percentage of their salary up to a maximum subject to the annual Internal Revenue Code limits. The Foundation makes matching contributions based on the percentage of employee’s contribution to compensation, limited to 3% of the employee’s contributions. The Foundation’s contribution for the year ended June 30, 2020 was \$5,671 and is included in Salaries and Related Payroll Costs in the Statement of Functional Expenses.

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2020:

Purpose restricted:	
STEM Educational Program	\$ 154,652
Restoration Project	(26,000)
Education Grants	21,332
Veteran’s Health and Job Fair	23,770
Museum – wardroom restoration	7,989
Audio Tour Campaign	<u>7,000</u>
Total net assets with donor restrictions	<u>\$ 188,743</u>

For the year ended June 30, 2020, net assets released from donor restrictions (either by incurring expenses satisfying the restricted purpose or other events specified by the donors) are as follows:

Purpose restricted:	
Education Grants	\$ 47,995
Veteran’s Health and Job Fair	250
Museum – wardroom restoration	522
Grants and Sponsors	<u>21,900</u>
Total net assets with donor restrictions	<u>\$ 70,667</u>

NOTE H – COMMITMENTS

Effective March 15, 2009, the Foundation entered into a five-year operating lease with the Alameda Reuse and Redevelopment Authority for the USS Hornet’s location at Pier 3 North, Alameda, California, covering a portion of the pier, submerged real property, parking areas, and other designated common areas. The lease is currently under a month-to-month agreement. The monthly lease payment is \$3,000.

The Foundation also leases equipment under month-to-month agreements through November 2021.

Total lease expense for the years ended June 30, 2020 was \$105,727.

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE I – 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 date for expenditures, are comprised of the following as of June 30, 2020:

Cash and cash equivalents	\$	609,023
Receivables		<u>606</u>
Total financial assets available		609,629
Less net assets with donor restrictions		<u>(188,743)</u>
Financial assets available to meet general expenditures within one year	\$	<u>420,886</u>

The Foundation considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Foundation 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.

NOTE J – SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through September 22, 2023, the date the financial statements were available to be issued. The Foundation concluded that no material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in these financial statements.

The following subsequent events are for informational purposes:

Due to COVID-19 closures, the great majority of the staff were furloughed, hours were drastically reduced, and maintenance was deferred. The Museum, working with the Alameda County Health Department and City of Alameda, was able to begin operations as an open-air museum in August 2020, one of only two in the San Francisco Bay area. The staff required to operate the Museum was recalled but with reduced hours and frozen salaries which were in effect until July 2021.

On July 15, 2021, the Foundation received a Shuttered Venue Operators Grant (“SVOG”) as part of The American Rescue Plan Act administered by the SBA Office of Disaster Assistance. The SVOG was \$791,907 and is considered a government grant contingent on the Foundation meeting certain conditions and having incurred eligible expenses.

**AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE J – SUBSEQUENT EVENTS - CONTINUED

On December 14, 2021, the Foundation received an additional SVOG in the amount of \$528,460.

On January 16, 2023, the Foundation applied for an Employee Retention Credit (“ERC”) in the amount of \$444,943. Under Section 3134 of the Internal Revenue Code, the ERC is a refundable payroll tax credit for businesses that continued to pay employees while either shut down due to the COVID-19 pandemic or had significant declines in gross revenue from March 13, 2020 to December 31, 2021. The Foundation has not received the ERC funds.

Management worked with the City of Alameda to defer rent until July 2021 and are still in negotiations for back rent and have obtained a credit of \$27,000. The agreement with the City of Alameda requires the Foundation to make 6-monthly payments on the back rent which started August 2023 and will be completed in January 2024. The proposed final version of the lease includes an additional renegotiated amount due to be resolved in October 2023, depending on the Alameda City Council’s Calendar.

Management worked with Alameda Municipal Power to defer the power bill to July 2021 and obtained a credit of \$27,000. The agreement with Alameda Municipal Power requires the Foundation to make 6-monthly payments on the past power bills which started August 2023 and will be completed in January 2024.