



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

**AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE
YEAR ENDED JUNE 30, 2023**



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

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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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 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, 2023, 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

March 25, 2024

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	545,171
Receivables		1,429,269
Inventory		50,720
Prepaid expenses and other assets		52,674

TOTAL CURRENT ASSETS		2,077,834
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PROPERTY AND EQUIPMENT

Ship improvements		2,855,915
Aircraft		450,384
Equipment		564,036
Exhibits		223,158
Computer and store assets		7,676
Vehicles		8,019
Assets held for sale		1,200

		4,110,388
Less: accumulated depreciation		(2,747,632)

Property and equipment, net		1,362,756
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TOTAL ASSETS	\$	3,440,590
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	695,474
Deferred revenue		48,281
Obligation under capital lease, current portion		10,755
Note payable, current portion		6,140
Loan payable - EIDL, current portion		12,283

TOTAL CURRENT LIABILITIES		772,933
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NONCURRENT LIABILITIES

Obligation under capital lease, net of current portion		17,849
Loan payable - EIDL, net of current portion		478,723

TOTAL LIABILITIES		1,269,505
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NET ASSETS

Without donor restrictions		2,154,896
With donor restrictions		16,189

TOTAL NET ASSETS		2,171,085
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TOTAL LIABILITIES AND NET ASSETS	\$	3,440,590
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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, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUES AND SUPPORT			
Admissions, tours, and events	\$ 2,729,915	\$ -	\$ 2,729,915
Concessions	191,837	-	191,837
Sponsorships	11,915	-	11,915
Fundraising	291,305	-	291,305
Memberships	48,866	-	48,866
Grants and contributions of cash	50,256	27,285	77,541
Contributions of nonfinancial assets and services	24,190	-	24,190
Employee Retention Credit refunds	444,943	-	444,943
Other income	28,132	-	28,132
Interest income	7,415	-	7,415
Net assets released from restrictions	19,085	(19,085)	-
TOTAL REVENUES AND SUPPORT	3,847,859	8,200	3,856,059
FUNCTIONAL EXPENSES			
Program services	2,789,790	-	2,789,790
General and administrative	936,736	-	936,736
Fundraising	49,083	-	49,083
TOTAL FUNCTIONAL EXPENSES	3,775,609	-	3,775,609
CHANGE IN NET ASSETS	72,250	8,200	80,450
NET ASSETS, beginning of year	2,082,646	7,989	2,090,635
NET ASSETS, end of year	\$ 2,154,896	\$ 16,189	\$ 2,171,085

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, 2023**

	<u>PROGRAM SERVICES</u>			<u>TOTAL PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>		<u>TOTAL EXPENSES</u>
	<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	\$ 624,141	\$ 400,427	\$ 609,099	\$ 1,633,667	\$ 348,881	\$ 18,362	\$ 2,000,910
Office expenses	54,257	55,511	29,180	138,948	51,752	2,506	193,206
Rent	-	247	253	500	43,612	2,295	46,407
Advertising	211	38,949	2,853	42,013	1,389	73	43,475
Insurance	6,746	4,897	12,463	24,106	55,924	2,943	82,973
Cost of goods sold	-	-	78,222	78,222	-	-	78,222
Professional services	3,721	9,203	2,823	15,747	233,274	12,278	261,299
Program expenses	354	79,530	444,878	524,762	(112)	(6)	524,644
Utilities	3,780	1,802	2,376	7,958	129,631	6,823	144,412
Repairs and maintenance	98,164	-	31,303	129,467	1,560	82	131,109
Bank charges	14,748	24,004	28,928	67,680	54,438	2,865	124,983
Travel and training	29	13,272	2,872	16,173	15,645	823	32,641
In-kind donations	1,397	18,069	80	19,546	-	-	19,546
Miscellaneous	1,109	-	-	1,109	742	39	1,890
Depreciation	89,892	-	-	89,892	-	-	89,892
	<u>\$ 898,549</u>	<u>\$ 645,911</u>	<u>\$ 1,245,330</u>	<u>\$ 2,789,790</u>	<u>\$ 936,736</u>	<u>\$ 49,083</u>	<u>\$ 3,775,609</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, 2023**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	80,450
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation		89,892
Increase in receivables		(1,267,624)
Increase in inventory		(10,694)
Increase in prepaid expenses and other assets		(15,359)
Increase in accounts payable and accrued expenses		130,647
Increase in deferred revenue		44,997

NET CASH (USED IN) OPERATING ACTIVITIES (947,691)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment (140,759)

NET CASH (USED IN) INVESTING ACTIVITIES (140,759)

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on obligation under capital lease		(10,372)
Principal payments on note payable		(11,556)
Principal payments on EIDL loan payable		(8,994)

NET CASH (USED IN) FINANCING ACTIVITIES (30,922)

NET CHANGE IN CASH (1,119,372)

CASH AND CASH EQUIVALENTS, beginning of year 1,664,543

CASH AND CASH EQUIVALENTS, end of year \$ 545,171

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for:

Interest	\$	<u><u>24,423</u></u>
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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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

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.

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 H for more information on the composition of net assets with donor restrictions.

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting - Continued

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, 2023, 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.

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, 2023 was \$89,892.

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 of 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, 2023.

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.

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.

Sponsorships – The Foundation receives grants and contributions from other charitable institutions acting in a fiscal sponsorship role. Such revenue is recognized in the period in which it is received or unconditionally pledged.

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue Recognition – Continued

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, 2023, the Foundation recognized \$24,190 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, 2023, the Foundation did not recognize any revenue for contributed services.

Fundraising – The Foundation recognizes donations from its telephone solicitation campaign in the period in which the donations are received or unconditionally pledged.

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, 2023, the Foundation incurred \$43,476 in advertising costs.

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.

Contributed Nonfinancial Assets

Contributed services are recognized as contributions at their estimated fair value, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. A number of volunteers have made significant contributions of their time to the Foundation's programs and supporting services.

Contributions of miscellaneous hardware and supplies, automobiles, and advertising 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 assets for a specific purpose.

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2016-13, *Financial Instruments-Credit Losses (Topic 326)*. Under the new guidance, organizations are required to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of the adoption of this guidance on its financial statements.

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, 2023.

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, 2023.

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

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 – EMPLOYEE RETENTION CREDIT

On January 16, 2023, the Foundation applied for an Employee Retention Credit (“ERC”). 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. On January 2, 2024, the Foundation received refunds and related interest totaling \$508,804 from the ERC, of which \$444,943 is included with Receivables as of June 30, 2023.

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE E – OBLIGATION UNDER CAPITAL LEASE

Obligation under capital lease consisted of the following:

Capital lease with a bank for equipment to be utilized in operations; dated January 15, 2022; payable in monthly installments of \$968, including principal and interest at an annual interest rate of 3.64%, until January 15, 2026.

	\$ 28,604
Current portion	<u>(10,755)</u>
Long-term portion	<u>\$ 17,849</u>

Future minimum capital lease payments are as follows:

Year Ending <u>June 30,</u>	
2024	\$ 11,618
2025	11,618
2026	<u>6,778</u>
Total	\$ 30,014
Less: interest portion	<u>(1,410)</u>
Obligation under capital lease	<u>\$ 28,604</u>

NOTE F – NOTE PAYABLE

As of June 30, 2023, the Foundation has a noninterest bearing note payable for the acquisition of equipment. The note requires monthly payments of \$963 and is scheduled to be repaid in full during the year ended June 30, 2024.

As of June 30, 2023, future principal payments are due as follows:

Year Ending <u>June 30,</u>	
2024	\$ <u>6,140</u>
Total	\$ <u>6,140</u>

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE G – 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, 2023, future principal payments are due as follows:

Year Ending June 30,	
2024	\$ 12,283
2025	12,625
2026	12,978
2027	13,338
2028	13,710
Thereafter	<u>426,072</u>
Total	<u>\$ 491,006</u>

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2023:

Purpose restricted:	
Education	\$ 8,200
Museum - wardroom restoration	7,989
Total net assets with donor restrictions	<u>\$ 16,189</u>

For the year ended June 30, 2023, 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:	
Artifacts/exhibits	\$ 15,225
Education	3,860
Total net assets released from donor restrictions	<u>\$ 19,085</u>

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE I – CONTRIBUTED NONFINANCIAL ASSETS

The Foundation received the following contributions of nonfinancial assets during the year ended June 30, 2023:

Miscellaneous hardware and supplies	\$ 3,495
Advertising	16,050
Automobile	<u>4,645</u>
Total contributed nonfinancial assets	<u>\$ 24,190</u>

Contributed nonfinancial assets are recorded as revenue at fair value. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions for the year ended June 30, 2023.

During the year ended June 30, 2023, the Foundation received contributions of miscellaneous hardware and supplies, advertising, and an automobile.

The Foundation estimated the fair value of the miscellaneous hardware and supplies based on estimates of wholesale value that would be received for selling similar products in the United States. The Foundation estimated the fair value of the contributed advertising based on the standard industry pricing for each marketing campaign. The Foundation estimated the fair value of the automobile based on the fair market value as of the donation date, as designated by the donor.

During the year ended June 30, 2023, contributed nonfinancial assets were used by the Foundation for various programs and supporting activities.

NOTE J – 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, 2023 was \$10,962 and is included in Salaries and Related Payroll Costs in the Statement of Functional Expenses.

NOTE K – 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 a month-to-month agreement. Total lease expense for the year ended June 30, 2023 was \$61,881.

AIRCRAFT CARRIER HORNET FOUNDATION
DBA: USS HORNET SEA, AIR, AND SPACE MUSEUM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE L – 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, 2023:

Cash and cash equivalents	\$ 545,171
Receivables	<u>1,421,428</u>
Total financial assets available	1,966,599
Less net assets with donor restrictions	<u>(16,189)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,950,410</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 M – SUBSEQUENT EVENTS

The Foundation has evaluated all subsequent events through March 25, 2024, the date the financial statements were available to be issued.

In February 2024, the Foundation received notification of a potential claim for a wrongful termination of a former employee. Management cannot determine the outcome of the potential litigation nor the estimated settlement.