

Navy Seal Museum San Diego, LLC

Financial Statements

December 31, 2022 and 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Navy Seal Museum San Diego, LLC
San Diego, California

Opinion

We have audited the accompanying financial statements of Navy Seal Museum San Diego, LLC (the "Organization"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Navy Seal Museum San Diego, LLC as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Navy Seal Museum San Diego, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Navy Seal Museum San Diego, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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, including omissions, 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 Navy Seal Museum San Diego, LLC'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 Navy Seal Museum San Diego, LLC'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.



Armanino^{LLP}
Irvine, California

December 1, 2023

Navy Seal Museum San Diego, LLC
 Statements of Financial Position
 December 31, 2022 and 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,543,550	\$ 437,017
Contributions receivable	295,158	250,000
Prepaid expenses	4,643	6,803
Total current assets	1,843,351	693,820
Non-current assets		
Contributions receivable, net	555,736	488,304
Property and equipment, net	1,135	1,437
Total non-current assets	556,871	489,741
Total assets	\$ 2,400,222	\$ 1,183,561
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 8,749	\$ 44,857
Credit card payables	1,166	695
Total current liabilities	9,915	45,552
Related party note payable	2,000,000	750,000
Total liabilities	2,009,915	795,552
Net assets		
Without donor restrictions	(563,740)	(396,792)
With donor restrictions	954,047	784,801
Total net assets	390,307	388,009
Total liabilities and net assets	\$ 2,400,222	\$ 1,183,561

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

Navy Seal Museum San Diego, LLC
Statement of Activities
For the Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support			
Support, grants and contributions	\$ 118,226	\$ 660,760	\$ 778,986
Net investment income	9,545	-	9,545
In-kind contributions	32,616	-	32,616
Net assets released from restriction	491,514	(491,514)	-
Total revenues, gains, and other support	<u>651,901</u>	<u>169,246</u>	<u>821,147</u>
Functional expenses			
Program services	<u>94,592</u>	-	<u>94,592</u>
Support services			
Management and general	210,597	-	210,597
Fundraising	<u>513,660</u>	-	<u>513,660</u>
Total support services	<u>724,257</u>	-	<u>724,257</u>
Total functional expenses	<u>818,849</u>	-	<u>818,849</u>
Change in net assets	(166,948)	169,246	2,298
Net assets (deficit), beginning of year	<u>(396,792)</u>	<u>784,801</u>	<u>388,009</u>
Net assets (deficit), end of year	<u><u>\$ (563,740)</u></u>	<u><u>\$ 954,047</u></u>	<u><u>\$ 390,307</u></u>

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

Navy Seal Museum San Diego, LLC
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Support, grants and contributions	\$ 62,063	\$ 1,283,304	\$ 1,345,367
Net investment income	2	-	2
Net assets released from restriction	498,503	(498,503)	-
Total revenues, gains, and other support	560,568	784,801	1,345,369
Functional expenses			
Program services	223,503	-	223,503
Support services			
Management and general	75,669	-	75,669
Fundraising	482,674	-	482,674
Total support services	558,343	-	558,343
Total functional expenses	781,846	-	781,846
Change in net assets	(221,278)	784,801	563,523
Net assets (deficit), beginning of year	(175,514)	-	(175,514)
Net assets (deficit), end of year	\$ (396,792)	\$ 784,801	\$ 388,009

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

Navy Seal Museum San Diego, LLC
Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ -	\$ 106,113	\$ 219,289	\$ 325,402
Payroll taxes	-	8,282	17,672	25,954
Employee benefits	-	7,072	3,314	10,386
Total personnel expenses	-	121,467	240,275	361,742
Professional fees	-	33,950	71,203	105,153
Trident House family support	94,238	-	-	94,238
Travel	34	34,263	17,100	51,397
Advertising	-	5,554	41,845	47,399
Events	-	-	125,223	125,223
Office expenses	320	6,566	16,684	23,570
Insurance	-	5,161	176	5,337
Taxes and licenses	-	3,300	-	3,300
Internet service	-	-	841	841
Bank charges	-	336	11	347
Depreciation	-	-	302	302
	<u>\$ 94,592</u>	<u>\$ 210,597</u>	<u>\$ 513,660</u>	<u>\$ 818,849</u>

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

Navy Seal Museum San Diego, LLC
Statement of Functional Expenses
For the Year Ended December 31, 2021

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses				
Salaries and wages	\$ -	\$ 8,306	\$ 181,982	\$ 190,288
Payroll taxes	-	165	12,526	12,691
Employee benefits	-	5,000	6,804	11,804
Total personnel expenses	-	13,471	201,312	214,783
Professional fees	-	22,409	172,119	194,528
Trident House family support	223,503	-	-	223,503
Travel	-	16,673	23,681	40,354
Advertising	-	8,454	72,440	80,894
Events	-	-	1,572	1,572
Office expenses	-	14,651	11,474	26,125
Bank charges	-	11	-	11
Depreciation	-	-	76	76
	<u>\$ 223,503</u>	<u>\$ 75,669</u>	<u>\$ 482,674</u>	<u>\$ 781,846</u>

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

Navy Seal Museum San Diego, LLC
 Statements of Cash Flows
 For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 2,298	\$ 563,523
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	302	76
Changes in operating assets and liabilities		
Contributions receivable, net	(112,590)	(738,304)
Prepaid expenses	2,160	(6,803)
Accounts payable	(36,108)	42,857
Credit card payable	471	695
Net cash used in operating activities	(143,467)	(137,956)
Cash flows from investing activities		
Purchase of equipment	-	(1,513)
Net cash provided by (used in) investing activities	-	(1,513)
Cash flows from financing activities		
Proceeds from related party notes payable	1,250,000	450,000
Net cash provided by financing activities	1,250,000	450,000
Net increase in cash	1,106,533	310,531
Cash, beginning of year	437,017	126,486
Cash, end of year	\$ 1,543,550	\$ 437,017

Supplemental disclosure of cash flow information

Cash paid during the year for taxes	\$ 800	\$ -
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The accompanying notes are an integral part of these financial statements.

Navy Seal Museum San Diego, LLC
Notes to Financial Statements
December 31, 2022 and 2021

1. NATURE OF OPERATIONS

The Navy SEAL Museum, San Diego LLC (the "Organization") is formed according to the provisions of the Articles of Formation under the laws of and filed in California. The Organization has been formed by its sole member, the National UDT-SEAL Museum Association, Incorporated, a Florida 501(c)(3) not-for-profit corporation (the "Member"). The Organization's general purpose is to foster and perpetuate the principles of the Member by establishing and operating a new museum in the San Diego County of California (the "New Museum").

The New Museum aims to be a world-class museum attraction honoring the extraordinary work, drive, and dedication of the US Navy SEALs and their predecessor units. The New Museum is intended to be a medium of informing and educating the public on their essential role in our country's history of Navy Sea, Air, and Land Teams, stimulating greater governmental and public awareness, fostering an appreciation of the importance of the New Museum; and cultivating supportive relationships and beneficial functions with other military and veteran support organizations.

The New Museum will achieve its primary purpose as an interactive museum by providing visitors with an immersive experience into the covert world of the US Navy SEALs. There will be first-person accounts, activated artifacts, engaging digital media, and full-body challenges. Activities include the museum experience, event space rentals, and retail opportunities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Organization reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restriction* - Net assets that are not subject to donor-imposed stipulations. The Organization's board of directors may designate net assets without donor restrictions for specific purposes.
- *Net assets with donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature such as those that may or will be met by actions of the Organization and/or passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the funds 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.

Navy Seal Museum San Diego, LLC
Notes to Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and disclosures made in the accompanying notes to the financial statements. While management believes these estimates are adequate, actual results could differ from those estimates.

Cash and cash equivalents

The Organization has cash in financial institutions which is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 at each institution. At various times throughout the year, Organization may have cash balances in financial institutions which exceed the FDIC insurance limit. Management reviews the financial condition of these financial institutions on a periodic basis and does not believe this concentration of cash results in a high level of risk for Organization.

The Organization considers all highly liquid investments with a maturity of three months or less at the purchase date to be cash equivalents. Included in cash and cash equivalents are purchased money market funds.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Three levels of input that may be used to measure fair value are established as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which Organization has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include the following: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets in markets that are not active; Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

Navy Seal Museum San Diego, LLC
Notes to Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Property and equipment are capitalized if the cost is \$1,000 or greater and a useful life when acquired of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the property and equipment. Depreciation of computer equipment is computed using the straight-line method over three years.

Contributions and promises to give

Contributions received are reported as net assets with or without donor restrictions, depending upon donor restrictions, if any.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the donor imposed barriers have been met by the Organization and there is no longer a right of return or release. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, current aging of contributions receivable and changes in current economic conditions.

In-kind contributions

Contributed goods are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt. Donated services are recognized as contributions if the services (a) create or enhance financial assets or (b) require specialized, are performed by people with those skills, and would otherwise be purchased by Organization. The Organization's in-kind contributions are primarily comprised of donated goods.

Functional expense allocation

The costs of providing program and general and administrative activities have been summarized on a functional basis in the statements of activities. Expenses directly attributable to a specific functional area of Organization are reported as expenses of those functional areas, while indirect costs that benefit multiple functional areas are allocated based on the estimated time spent by function.

Advertising

Advertising costs are expensed as incurred and totaled \$47,399 and \$80,894 for the years ended December 31, 2022 and 2021, respectively.

Navy Seal Museum San Diego, LLC
Notes to Financial Statements
December 31, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Member is a tax-exempt entity under Internal Revenue Code Section 501(c)(3). As a single member limited liability company ("LLC") of a tax-exempt entity, Organization maintains tax-exempt status. The Organization is not required to file its own federal exempt organization return but must file a California LLC return and is subject to the California LLC fee based on its California taxable income.

Subsequent events

Management has evaluated subsequent events through December 1, 2023, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give, which are not expected to be collected until after the year promised, are reflected in the accompanying financial statements as contributions receivable and revenue in the appropriate net asset category. Contributions receivable are recorded using discount rates between 1% - 4%.

Contributions receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 295,158	\$ 250,000
Due between one and five years	<u>660,224</u>	<u>500,000</u>
	955,382	750,000
Less discount to present value	<u>(26,136)</u>	<u>(11,696)</u>
	<u><u>\$ 929,246</u></u>	<u><u>\$ 738,304</u></u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2022</u>	<u>2021</u>
Time	\$ 929,246	\$ 738,304
Museum	22,500	25,000
Trident House	<u>2,301</u>	<u>21,497</u>
	<u><u>\$ 954,047</u></u>	<u><u>\$ 784,801</u></u>

Navy Seal Museum San Diego, LLC
Notes to Financial Statements
December 31, 2022 and 2021

4. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restrictions released from restriction during the year were as follows:

	2022	2021
Time	\$ 394,776	\$ 250,000
Trident House	94,238	223,503
Museum	2,500	25,000
	\$ 491,514	\$ 498,503

5. RELATED PARTIES

In August 2021, the Member's board ratified a \$2,000,000 loan to Organization. The loan represents an intra-company capital advance to fund the San Diego museum's start-up expenditures with no repayment scheduled, duration period outlined, or interest due.

6. LIQUIDITY

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 come due.

The following is a quantitative disclosure which describes financial assets that are available within one year of December 31, 2022 and 2021 to fund general expenditures and other obligations as they become due:

	2022	2021
Cash and cash equivalents	\$ 1,543,550	\$ 437,017
Contributions receivable	295,158	250,000
	\$ 1,838,708	\$ 687,017