
Galveston Naval Museum

2022 Annual Report





Cavalla Historical Foundation
6341 Stewart Rd. #249
Galveston, Texas 77551-1880
409-770-3196



(Managing and maintaining the Galveston Naval Museum at Seawolf Park)

9 January, 2023

Colleagues, Donors, and Friends,

As 2022 comes to a close, I reflect on yet another year of meaningful change and progress made by our museum. As much as 2021 was an awakening from the coma of the COVID 19 shutdown, 2022 can only be described as the beginning of a renaissance. Our organization has grown, not only in size but also in capability. We welcomed Tammy Lobaugh as our Executive Director. Her experience and deeply rooted connection to the Maritime community and Galveston Island has broadened our exposure and increased awareness of our mission to the community at large. We also welcomed Mike Morin onto the board of directors. Mike came to us as the new President of the Edsall Class Veterans Association or ECVA. ECVA has been a stalwart partner of the museum for more than a decade. Mike has led a focused effort to reinvigorate volunteerism at the museum and played a major role in the success of our Spring and Fall restoration work weeks.

In 2022 our team's accomplishments included:

- Replaced 4 watertight doors on the exterior of the USS Stewart
- Replaced 50 mattresses for the overnight program
- Completed fabrication of 8 depth charge racks for the K-Guns
- Removed and mitigated asbestos in the USS Carp Conning tower
- Installed power and lights to the USS Carp Conning tower for the first time
- Reactivated our anchor windlass for use in storm mitigation
- Ceramic coated the entire hull of the USS Cavalla
- Renovated our galley space for the overnight program
- Completed hull repairs along 40ft of USS Stewarts waterline
- Launched our new website
- Hosted a VIP event for the USS Texas transit to drydock, including full honors.
- Reopened the engine spaces of USS Stewart and offered new Hard Hat tours
- Concrete floor for shop
- Hired ED/ Media Coordinator
- Ventilation system
- Installed new air compressor
- New 240 power wired throughout Cavalla
- Landscaping and drainage
- Painting of chiefs heads
- Restoration of B3
- Painting officer country and Bridge
- Completed painting the entire hull of USS Stewart

As I write this, I vividly recall the challenges associated with each of these accomplishments. They required resilience, perseverance, and ownership to achieve these remarkable results. I am extremely proud of our team for the work that they have done to help us build back and set ourselves on the path to success.

To our generous donors and volunteers, I would like to express our sincere gratitude. Without your generous support, we simply could not have achieved these tremendous results. The list above is a sample of the progress that we have made in the past twelve months and demonstrates the results of your generosity. Thanks to all of you for your continued support and I look forward to building into the future in 2023. Happy New Year!

Brian R. Abugel
Chairman & CEO

Board of Directors



As of October 2022

Antoinette Lynch

Brian Abugel

Bruce Talbot, ETCM(SS), USN (Ret.)

Christopher Palumbo

Dan Fast

Dave Anderson

David James

Kimber Fountain

Ronald Whitener, LCDR, USN (Ret.)

Steve Bauerband

Urs Schmidt

Mike Morin

Our Mission



Who We are

The **Cavalla Historical Foundation** (CHF) does business as, and operates, the Galveston Naval Museum. Established in 1999, CHF is charged with the care, preservation, restoration, & promotion of the USS Cavalla, USS Stewart, and the other artifacts within the museum. The museum is a public/private partnership with the City of Galveston, through cooperation with the Galveston Park Board of Trustees.

Preserve, Remember, Educate

Our motto embodies our mission:

- Preserve our vessels & artifacts
- Honor the memory of the men lost during WW2, particularly the Submarine Service.
- Tell the stories of these sailors and educate future generations of the importance of their service.



Our Vision



Grow Galveston Naval Museum into a world class facility comparable to other museums of its kind

Serve as a memorial and educational facility representing all WW2 Submarines and Destroyer Escorts

Tell the story of hard work done and sacrifices made by these ships and their crews

Inspire young visitors to learn more about U.S. history and the U.S. Navy

Build a team of Employees and Volunteers with strong sense of camaraderie and family

THE CAVALLA HISTORICAL FOUNDATION, INC.

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

As of and for the Year Ended September 30, 2022

Cavalla Historical Foundation, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
The Cavalla Historical Foundation, Inc.

Opinion

We have audited the accompanying financial statements of The Cavalla Historical Foundation (a Texas nonprofit corporation), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities 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 The Cavalla Historical Foundation as of September 30, 2022, and the changes in its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Cavalla Historical Foundation 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cavalla Historical Foundation'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 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 The Cavalla Historical Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Cavalla Historical Foundation'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.

DRDA, PLLC

Houston, Texas
March 30, 2023

THE CAVALLA HISTORICAL FOUNDATION
STATEMENT OF FINANCIAL POSITION
September 30, 2022

Assets

Current Assets

Cash and Cash Equivalents	\$ 344,004
Cash and Cash Equivalents, Restricted	24,563
Investments	87,958
Inventory	41,574
Total Current Assets	<u>498,099</u>

Other Assets

Property and Equipment, net of accumulated depreciation of \$71,581	12,604
Collections	2,010,587
Long-Term Assets	3,146,336
Operating Lease Right of Use Asset	248,484
Total Other Assets	<u>5,418,011</u>

Total Assets	<u><u>\$ 5,916,110</u></u>
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Liabilities and Net Assets

Current Liabilities

Accounts Payable	12,947
Accrued Expenses	6,907
Lease Liability - Current Portion	57,681
Total Current Liabilities	<u>77,535</u>

SBA EIDL Note Payable	96,500
Long Term Lease Liability	<u>190,803</u>

Total Liabilities	364,838
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Net Assets

Without Donor Restrictions	381,941
With Donor Restrictions	5,169,331
Total Net Assets	<u>5,551,272</u>

Total Liabilities and Net Assets	<u><u>\$ 5,916,110</u></u>
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The accompanying notes are an integral part of these financial statements.

THE CAVALLA HISTORICAL FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Revenues and Other Support:			
Program Services:			
Contributions	\$ 102,159	\$ -	\$ 102,159
Sale of Merchandise	109,883	-	109,883
Art and Historical Funds	-	62,944	62,944
Gate Receipts	573,734	-	573,734
Sleepover Project	25,585	-	25,585
Investment Income(Loss)	(23,232)	-	(23,232)
Other income	3,204	-	3,204
	<u>791,333</u>	<u>62,944</u>	<u>854,277</u>
Net Assets Released From Restrictions	50,536	(50,536)	-
Total Revenues and Other Support	<u>841,869</u>	<u>12,408</u>	<u>854,277</u>
Expenses:			
Program Expenses	773,214	-	773,214
Supporting Expenses			
Management and General	30,582	-	30,582
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>803,796</u>	<u>-</u>	<u>803,796</u>
Change in Net Assets	38,073	12,408	50,481
Net Assets, Beginning of Year	<u>343,868</u>	<u>5,156,923</u>	<u>5,500,791</u>
Net Assets, End of Year	<u><u>\$ 381,941</u></u>	<u><u>\$ 5,169,331</u></u>	<u><u>\$ 5,551,272</u></u>

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

THE CAVALLA HISTORICAL FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2022

	Program Expenses	Supporting Expenses		Totals
		Management and General	Fundraising	
Payroll and Related	\$ 286,457	\$ -	\$ -	\$ 286,457
Advertising and Promotion	107,269	-	-	107,269
Bank Fees	448	-	-	448
Contract Labor	2,367	-	-	2,367
Depreciation	-	913	-	913
Insurance	4,265	-	-	4,265
Office Expense	-	10,409	-	10,409
Postage and Printing	1,191	-	-	1,191
Professional Fees	-	16,893	-	16,893
Rent	130,888	2,367	-	133,255
Repairs and Maintenance	148,619	-	-	148,619
Special Events	14,184	-	-	14,184
Store Expense	49,147	-	-	49,147
Supplies	4,549	-	-	4,549
Technology	9,406	-	-	9,406
Telephone	2,638	-	-	2,638
Other	11,786	-	-	11,786
Total Expenses	<u>\$ 773,214</u>	<u>\$ 30,582</u>	<u>\$ -</u>	<u>\$ 803,796</u>

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

THE CAVALLA HISTORICAL FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2022

Cash Flows From Operating Activities	
Change in Net Assets	\$ 50,481
Adjustments to Reconcile change in Net Assets to Net Cash from Operating Activities:	
Depreciation	913
Realized and Unrealized Loss on Investment	23,232
Change in Assets and Liabilities:	
Inventory	(42,220)
Accounts Payable and Accrued Expenses	19,854
Net Cash Provided By Operating Activities	<u>52,260</u>
Cash Flows From Investing Activities	
Purchase of Property and Equipment	<u>(13,518)</u>
Net Cash Used In Investing Activities	<u>(13,518)</u>
Increase in Cash and Cash Equivalents	38,742
Cash and Cash Equivalents, Beginning of Year	<u>329,825</u>
Cash and Cash Equivalents, End of Year, Unrestricted	344,004
Cash and Cash Equivalents, End of Year, Restricted	24,563
Cash and Cash Equivalents, End of Year	<u>\$ 368,567</u>
Supplemental Disclosures of Cash Flows Information	
Cash Paid for Interest	\$ 2,659
Non-cash Investing and Financing Activities	
Additions to Operating Lease Right of Use Asset Obtained From:	
New Operating Lease Liabilities	\$ 248,484

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

The Cavalla Historical Foundation, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 1 - Organization and Nature of Activities

The Cavalla Historical Foundation (the "Foundation") was formed on July 15, 1999 as a non-profit corporation in the State of Texas. The Foundation is dedicated to the preservation and maintenance of the USS Cavalla, a Navy Submarine, and the USS Stewart, a Navy Destroyer Escort, both located in Seawolf Park on Pelican Island in Galveston, Texas. On June 30, 2003, the Department of the Navy re-donated the USS Cavalla and the USS Stewart to the Park Board of Trustees of the City of Galveston and The Cavalla Historical Foundation.

The Foundation's support comes from donor contributions and from an agreement to share in the Seawolf Park gate receipts with the Galveston Parks Board. The administration and management of the Foundation is vested in its Board of Directors and the Park Board of Trustees of the City of Galveston. Additional goals of the Foundation are to provide detailed educational information about the history of the vessels and give escorted tours by experienced volunteers.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions.

Net assets without donor restrictions

Net assets that are not restricted by donors or for which donor-imposed restrictions have expired.

Net assets with donor restrictions

Net assets that contain donor-imposed time or purpose restrictions that have not currently been met and restrictions stipulating that the amounts be maintained by the Foundation in perpetuity.

Use of Estimates

The preparation of the Foundations financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all cash and highly liquid short-term investments with a maturity of three months or less when purchased to be cash.

The Foundation maintains cash deposits with financial institutions that at times may exceed federally insured limits.

Inventory

Inventory costs consist of merchandise for sale stated at the lower of cost of net realizable value.

Investments

Investments are recorded at fair value with realized and unrealized gains and losses included in the statement of activities.

Foundation Shop Inventory

The Foundation maintains an inventory of books, posters, replicas and other mission-related products, purchased for resale, that are sold in its museum shop. Inventory costs consist of merchandise for sale stated at the lower of cost or net realizable value, using the first in, first out method.

The Cavalla Historical Foundation, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 2 - Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if donated, at fair value at date of gift. Property and equipment with a useful life of more than one year and an acquisition cost of \$1,000 or more is capitalized. Depreciation is provided over the estimated useful life (ranging from 3 to 40 years) of each depreciable asset and is computed using the straight-line method. Unless explicit donor stipulations specify how the donated assets must be used, gifts of property or equipment are reported as unrestricted gifts and contributions.

Collections

Donations of certain items that are displayed along with the submarine and destroyer escort are considered historical treasures or artifacts used for educational purposes that are held for exhibition to the general public. Collections are recorded at their estimated values at the dates of receipt.

Revenue Recognition

The Foundation is supported primarily through visitor gate receipts, gift shop sales, and special events. The Foundation also receives contributions from the general public, and grants.

Support and revenue are recorded as support with or without donor restriction, depending on the existence and/or nature of any donor restrictions. The Foundation has elected to present revenue with donor restrictions, the requirements of which are met in the year of receipt, as without donor restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets, or that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

The Foundation adopted ASC 606, *Revenue from Contracts with Customers*, which amended the existing accounting standards for revenue recognition. The adoption of this new revenue standard does not have a significant impact on the amount and timing of revenue recognized in the Foundations financial statements. Based on the Foundations evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Income Taxes

The Cavalla Historical Foundation, Inc. is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, they are required to file a 990 Income tax return annually as long as they maintain their tax exempt status and will have no federal income tax due.

The Foundations tax filings are subject to audit by various taxing authorities. The Foundations federal income tax returns remain open to examination by the Internal Revenue Service for three years from the date of filing. In evaluating the Foundations tax positions and accruals, the Foundation believes that its estimates are appropriate based on current facts and circumstances.

State Franchise Tax

The Foundation is exempt from Texas franchise tax as specified under Section 171.082 of the Texas Tax Code as a 501(c)3 qualified Foundation. Further, as a consequence of being Federally tax exempt under IRC 501(c)3, the Foundation filed for Sales Tax exemption from the State of Texas.

Functional Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Cavalla Historical Foundation, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 2 - Summary of Significant Accounting Policies (continued)

Leases

In February 2016, the FASB issued ASU No. 2016-02 *Leases*, which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under ASU No. 2016-02, lessor accounting is largely unchanged. Lessees and lessors must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases expiring before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. ASU No. 2016-02 was to be effective for fiscal years beginning after December 15, 2019 with early application permitted. On June 3, 2020, the FASB published a new accounting standard that grants a one-year delay on accounting rules for leases. See Note 8 for lease information.

NOTE 3 - Property and Equipment

Property and equipment as of September 30, 2022 consists of the following:

Furnishings and Equipment	\$ 29,615
Leasehold Improvements	7,550
Computer Equipment	17,657
Restroom Trailer	29,363
	<hr/> 84,185
Less: Accumulated Depreciation	71,581
Property and Equipment, net	<hr/> <u>\$ 12,604</u>

Depreciation expense for the year ended September 30, 2022 was \$913.

NOTE 4 - Long-Term Assets

The following items are held as long term assets as of September 30, 2022:

Restoration-USS Cavalla	\$ 1,476,058
Restoration-USS Stewart	973,015
Plaza and USS Seawolf Memorial	247,402
USS Tautog-Sail Project	449,861
	<hr/> 449,861
Total	<hr/> <u>\$ 3,146,336</u>

Restoration costs represent the cumulative costs of repair, restoration, and maintenance expended since the formation of the Foundation in 1999 on the two vessels, USS Cavalla Submarine and the USS Stewart Destroyer Escort.

The Plaza and USS Seawolf Memorial is a permanent memorial to commemorate lost submarines of the United States Navy, with a special tribute to the State of Texas designated submarine, USS Seawolf.

The Cavalla Historical Foundation, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 4 – Long-Term Assets (continued)

The ship's sail from the USS Tautog has been received on loan from the United States Naval Historical Center. Transportation costs of \$49,861 for moving the Sail to Galveston and a permanent structure to display the Sail are included in these costs. The Board of Directors has given a value to the Sail of the USS Tautog of \$400,000.

NOTE 5 – Collections

Through donations from the United States Navy and the Maritime Administration, the Foundation has acquired certain items that are displayed along with the submarine and destroyer escort. These items are considered historical treasures or artifacts used for educational purposes that are held for exhibition to the general public.

The following are held as collection items as of September 30, 2022:

Periscopes	\$ 2,000,287
Other	10,300
Total	<u>\$ 2,010,587</u>

NOTE 6 – Fair Value Measurements

FASB ASC 820 (Formerly SFAS No. 157, Fair Value Measurements), establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Foundation management uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. The Foundation has no assets identified as Level 2 or Level 3.

Level 1 Fair Value Measurements

The fair values of mutual funds and exchange-traded products are based on quoted market prices. Gains and losses (realized and unrealized) related to these investments are included in with investment income on the statement of activities.

NOTE 7 – Note Payable – U.S. Small Business Administration

On July 25 2020, as a result of the coronavirus pandemic, the Foundation applied for and received an "Economic Injury Disaster Loan" from the SBA in the amount of \$96,700 with a fixed interest rate of 2.75% per annum and 30-year repayment term. Monthly principle and interest payments are deferred until 24 months after the date of the promissory note or July 25, 2022. This loan is secured by all tangible and intangible assets of the Foundation. Covenants under this loan require the Foundation retain and maintain all loan collateral in good condition, and ensure all property taxes and hazard insurance on the collateral are current. In October 2022, the Foundation repaid the outstanding loan principal of \$96,500 in full.

The Cavalla Historical Foundation, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 8 – Leases

On July 4, 2022, the Foundation executed *Agreement Among Owners* (the Agreement) with Park Board of Trustees of the City of Galveston (Park Board). The Agreement includes recitals that Park Board and the Foundation.

Park Board and the Foundation are co-owners of the USS Cavalla and USS Stewart (the vessels). In sharing of responsibility for care of the vessels and surrounding assets and park site, the co-owners generally agree that the preservation, upkeep and maintenance of the vessels and historic and educational assets are under the responsibility and stewardship of the Foundation, whereas the maintenance and general upkeep of the land, utilities and infrastructure are the responsibility of the Park Board.

The Park Board will charge the Foundation a monthly fee for the use of the “fenced area” inside Seawolf Park that surrounds the vessels, a memorial compass rose, memorial plaques, and other military artifacts, one mobile ticket book, one mobile bathroom and other assets. The Park Board charges a monthly fee of \$7,500 plus 10% of the gross ticket sales for 6 months out of the year, and \$2,500 plus 10% of the gross ticket sales for the other 6 months of the year. The lease asset and liability were calculated using the minimum portion of the monthly payments. As of September 30, 2022, the right-of-use (ROU) asset had a balance of \$248,484 on the balance sheet; the lease liability is included in current liabilities (\$57,681, and long-term liabilities (\$190,803). The lease asset and liability were calculated utilizing the risk-free discount rate (4.02%), according to the Company’s elected policy. For the year ended September 30, 2022, Museum site lease expense, including rent and utilities, was \$113,056.

The following summarized the cash flow information related to operating leases for the six months ended June 30, 2022:

Weighted average remaining lease term	4.75 years
Weighted average discount rate	4.02%

The maturities of operating lease liabilities as of September 30, 2022, are as follows:

Twelve months ending September 30,		
2023	\$	57,681
2024		55,452
2025		53,309
2026		51,249
2027		30,793
Total lease payments		<u>248,484</u>

On October 3, 2022 the Foundation executed a short-term rental agreement for a 8' x 20' trailer used on site at Seawolf Park requiring monthly payments of \$453. The lease is considered month to month. Because the length of this lease cannot be determined, no lease asset or liability is recognized for this operating lease.

The Cavalla Historical Foundation, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 9 - Net Assets

Net assets at September 30, 2022 consist of:

Without Donor Restriction		\$ 381,941.00
With Donor Restriction		
Arts and Historical Fund	12,408	
Restoration-USS Cavalla	1,476,058	
Restoration-USS Stewart	973,015	
Plaza and USS Seawolf Memorial	247,402	
USS Tautog - Sail Project	449,861	
Total Restoration Costs	<u>3,158,744</u>	
Collections	<u>2,010,587</u>	
Total Net Assets with Donor Restriction	<u>5,169,331</u>	<u>5,169,331</u>
Total Net Assets		<u>\$ 5,551,272</u>

NOTE 10 - Liquidity

The following reflects the Foundation's financial assets as of September 30, 2022 reduced by amounts not available for general use due to contractual or donor-imposed restrictions within one year of the financial position date. Amounts not available include amounts from donor-restricted funds.

Financial Assets at September 30, 2022	\$ 498,099
Less those unavailable for general expenditure within one year due to: Restricted by donor with purpose restriction	<u>24,563</u>
Financial asset available to meet cash needs for general expenditure within one year	<u>\$ 473,536</u>

The Foundation is substantially supported by gate receipts and donations by Museum visitors and patrons which are not subject to donor-imposed restrictions; thus, the majority of the Foundation's financial assets are available for general expenditure within one year. As part of the Foundation'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.

NOTE 11 - Commitments and Contingencies

The Foundation's activities are subject to review by federal, state, and local taxing authorities. The Foundation has not received notification that such review is to be performed in the near future; however, it is at least reasonably possible that such a review could be scheduled and that some liability could be incurred as a result.

The Cavalla Historical Foundation, Inc.
Notes to Financial Statements
September 30, 2022

NOTE 12 - Concentrations

The Foundation's financial instruments that are exposed to concentrations of credit risk consist primarily of cash. The Foundation maintains its cash balances with high credit quality institutions. At times cash balances exceed FDIC insured limits of up to \$250,000 per depositor for FDIC insured institutions. At September 30, 2022, the Foundation's uninsured cash balances totaled \$108,928.

NOTE 13 - Subsequent Events

Foundation management has evaluated subsequent events through March 30, 2023 which is the date the financial statements were available to be issued.

Exhibits



USS Cavalla



USS Stewart



USS Carp



USS Seawolf



USS Tautog



Engineer
Special Brigades

USS Cavalla SS-244



Class: Gato Class Submarine
 Number of boats in class: 73
 Nickname: "Lucky Lady"
 Builder: Electric Boat of Groton Connecticut
 Keel Laid: March 4, 1943
 Launched: November 14, 1943
 Commissioned: February 29, 1944 (Leap Year Day)
 Decommissioned in 1946,
 brought back into service from 1951-1958
 Length and Maximum Breadth: 311ft and 9in X 27ft and 3in
 Draft: 15ft 3in
 Displacement: 1526 tons surfaced; 2410 tons submerged
 Operating depth: 300 feet
 Watertight compartments: 8 plus conning tower
 Pressure Hull Plating: 11/16 inches mild steel
 Maximum Speed: 21 knots surfaced; 9 knots submerged
 Cruising range: 11,000 miles surfaced at 10knots Submerged
 Endurance: 48 hours at 2knots
 Fuel Capacity: 94,400 gallons
 Patrol Endurance: 75 days
 Propulsion: Four diesel engines x 1600 shaft hp main motors x
 1370 hp two 126-cell Sargo main storage batteries/ one auxiliary
 generator.
 Crew: 6 officers/54 enlisted.
 4 x General Electric propulsion motors to drive the screws (2
 propellers).
 Range: 11,000 nautical miles on the surface at a cruising speed of
 10 knots.
 War Patrols: 60 to 70 days long, usually submerging from 18-20
 hours at a time.
 Armament: 10 x 21-inch torpedo tubes (24 Mark-14 or Mark-16
 torpedoes) 6 Fwd, 4 Aft. 1 x 3 inch, 50-caliber gun and 4 x machine
 guns at commissioning; Bofors 40mm and Oerlikon 20mm guns
 were added later.

Cavalla was a Gato class fleet sub, designed and built in the
 summer of 1943 by the Electric Boat Company and launched
 on November 14, 1943. She was commissioned on Feb. 29,
 1944, the first "leap year" boat built by E.B.

From 1944-1946, Cavalla was an attack submarine, sinking
 over 34,000 tons of enemy shipping including the Imperial
 Japanese Navy's carrier, Shokaku during the Battle of the
 Philippine Seas. After the war, she was decommissioned and
 placed in the Navy Reserve Fleet, New London CT.
 Decommissioned again after a tour with Submarine Squadron
 8, the Electric Boat Company converted her into a hunter-
 killer submarine (SSK-244) on September 3, 1952. Cavalla was
 recommissioned and served with Submarine Squadron
 10/Submarine Development group 2 to experiment with new
 sonar equipment.

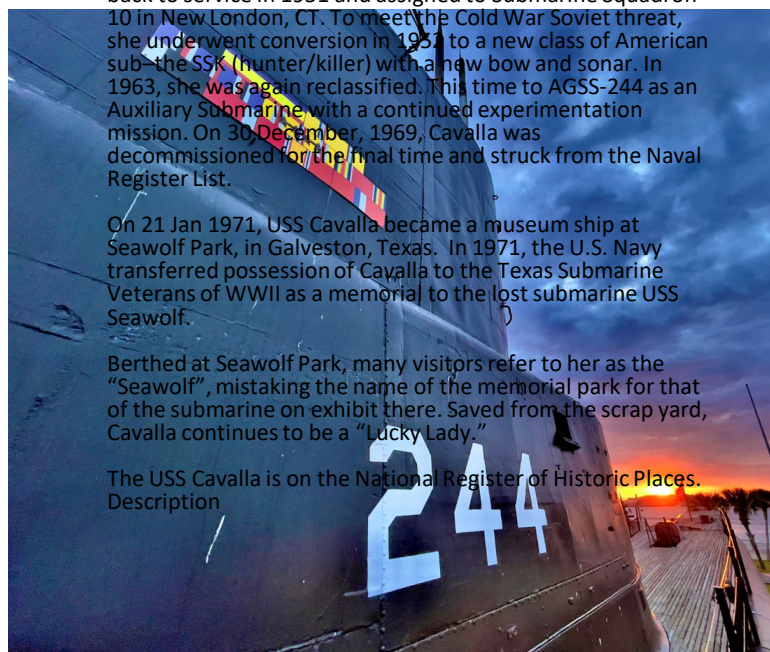
USS Cavalla (SS-244) was awarded the Presidential Unit
 Citation for actions on her first patrol near the Philippines
 from May 31 to Aug 3, 1944 under the command of Lt. Cdr.
 Herman J. Kossler (1911-1988). She was also awarded four
 Battle Stars for operations in the Pacific. The USS Cavalla is
 best know as the "Avenger of Pearl Harbor" and earned the
 prestigious Presidential Unit Citation for sinking the Japanese
 Aircraft Carrier, Shokaku, a vessel which attacked Pearl
 Harbor.

The Cavalla was decommissioned in 1946, but was brought
 back to service in 1951 and assigned to Submarine Squadron
 10 in New London, CT. To meet the Cold War Soviet threat,
 she underwent conversion in 1951 to a new class of American
 sub—the SSK (hunter/killer) with a new bow and sonar. In
 1963, she was again reclassified. This time to AGSS-244 as an
 Auxiliary Submarine with a continued experimentation
 mission. On 30 December, 1969, Cavalla was
 decommissioned for the final time and struck from the Naval
 Register List.

On 21 Jan 1971, USS Cavalla became a museum ship at
 Seawolf Park, in Galveston, Texas. In 1971, the U.S. Navy
 transferred possession of Cavalla to the Texas Submarine
 Veterans of WWII as a memorial to the lost submarine USS
 Seawolf.

Berthed at Seawolf Park, many visitors refer to her as the
 "Seawolf", mistaking the name of the memorial park for that
 of the submarine on exhibit there. Saved from the scrap yard,
 Cavalla continues to be a "Lucky Lady."

The USS Cavalla is on the National Register of Historic Places.
 Description



USS Stewart DE-238



Class: Edsall class Destroyer Escort

Number of boats in class: 85

Builder: Brown Shipbuilding, Houston Texas

Keel Laid: July 15, 1942

Launched: November 22, 1942

Commissioned: May 31, 1943

Decommissioned: January 1947

Length: 306 feet

Beam: 36.58 feet

Draft: 10.42 full load feet

Complement: 8 officers, 201 Enlisted

Propulsion: 4 Fairbanks-Morris 1500 hp diesel Engines

Speed: 21 Knots Range: 9,100 nmi

Range: 9,100 nautical miles at 12 knots

Armament: 3 x 3in, 50 cal guns, 2 x 40mm

AA guns, 8 x 20mm AA guns,

3 x 21 in torpedo tubes, 8 x MK-6 (K-Gun)

Depth Charge projectors,

1 x hedgehog depth charge projector, 2 x

stern depth charge roll-off tracks

USS Stewart is one of only two remaining Destroyer Escorts, and the only Edsall-class DE in the United States. She was built in 1942 by Brown Shipping Company in Houston and commissioned in May of 1943.

USS Stewart began her patrols out of Miami, then as a "school ship" training student officers out of Norfolk, VA. She escorted President Roosevelt in the presidential yacht down the Potomac River to rendezvous with USS Iowa for his mission to Casablanca and Tehran. In 1944, she commenced North Atlantic convoy operations, making 30 crossings with occasional enemy submarine and aircraft encounters. On April 9th, 1945, Stewart rescued the surviving members of the SS Saint Mihiel-SS Nashbulk collision and helped put out fires and salvage the ships. During her many convoys, heavy seas and icing conditions were frequent.

USS Stewart is named after Admiral Charles Stewart who was the first Admiral of the US Navy, and commanded the USS Constitution during the War of 1812. In addition to DE-238, two earlier U.S. Navy destroyers, DD-13 and DD-224, were named in Stewart's honor. One of her special duties as an escort ship, in October of 1943, USS Stewart transported flag officers and their staffs while escorting and protecting the Presidential Yacht of President Franklin D. Roosevelt as he made his way to the Battleship USS Iowa and on to Tehran, Iran for an historic meeting with Prime Minister Winston Churchill and General Secretary Joseph Stalin. There, they decided that in May of 1944, the Allies would conduct Operation Overlord, the landing at Normandy Beach. USS Stewart led the way to history! On April 10, 1945, USS Stewart assisted the SS St Mihiel after it collided with another ship off the coast of New York. Stewart fought the fire, reestablished power, and helped escort the ships back to port.

Stewart moved to the Pacific theater in mid 1945, and conducted training exercises out of Pearl Harbor until the end of the war. She was decommissioned in late 1945 and changed berths 3 times before arriving at Seawolf Park in 1974. She is the only ship of her class in the US and the third ship (DD-13, DD-224, and DE-238) named for Rear Admiral Charles Stewart who commanded another ship in the historic naval fleet, USS Constitution, from 1813 to 1815.

USS Stewart was added to the National Register of Historic Places in 2007.

USS Carp SS-338



Carp (SS-338) was launched 12 November 1944 by Electric Boat Company, Groton, Connecticut; sponsored by Mrs. W. E. Hess; and commissioned 28 February 1945.

Carp departed New London 14 April 1945, conducted training at Balboa, Panama, and arrived at Pearl Harbor 21 May. On her first and only war patrol (8 June – 7 August), Carp cruised off the coast of Honshū, destroying small craft and patrolling for the carriers of the 3rd Fleet engaged in air strikes on the mainland. Undergoing refit at Midway when hostilities ended, Carp returned to Seattle 22 September.

Carp received one battle star for her service in World War II. Her single war patrol was designated as "successful".

Based in San Diego as flagship for Submarine Division 71, Carp operated along the West Coast with occasional training cruises to Pearl Harbor. Between 13 February and 15 June 1947 she made a simulated war patrol to the Far East, and in 1948 and 1949 Carp made two exploratory cruises to extreme northern waters, adding to the knowledge of an increasingly important strategic area for submarine operations.

Converted to a Fleet Snorkel-type submarine in February 1952, which added to her submerged speed and endurance, Carp supported United Nations' forces in the Korean War during her cruise of 22 September 1952–April 1953 to the Far East. Arriving at Pearl Harbor, her new home port 15 March 1954, Carp remained on active duty with the fleet from that port through July 1959. During this time she continued to make cruises to the Far East, one of which included a good-will visit to Australia and participation in a Southeast Asia Treaty Organization exercise, and to Alaskan waters.

On 1 August 1959 Carp departed Pearl Harbor for her new assignment with the Atlantic Fleet. Arriving at Naval Station Norfolk in Norfolk, Virginia, 28 August 1959, the submarine conducted type exercises and training off the United States East Coast and in the Caribbean Sea through 1967.



USS Tautog SSN-639



USS Tautog (SSN-639), a Sturgeon-class attack submarine, was the second ship of the United States Navy to be named for the Tautog (Tautoga Onitis), a wrasse commonly found along the Northern Atlantic coast. The submarine was in service from 17 August 1968 to 31 March 1997.

Collision with K-108, 1970

On 20 June 1970, Tautog was patrolling the North Pacific Ocean near the city of Petropavlovsk-Kamchatsky, on the Soviet Union's Kamchatka Peninsula, which was a major base for missile-armed submarines of the Soviet Navy. Tautog was attempting to trail the K-108, a Soviet Navy Echo II-class guided missile submarine nicknamed "Black Lila". The



The Pacific Theater



MacArthur's Navy

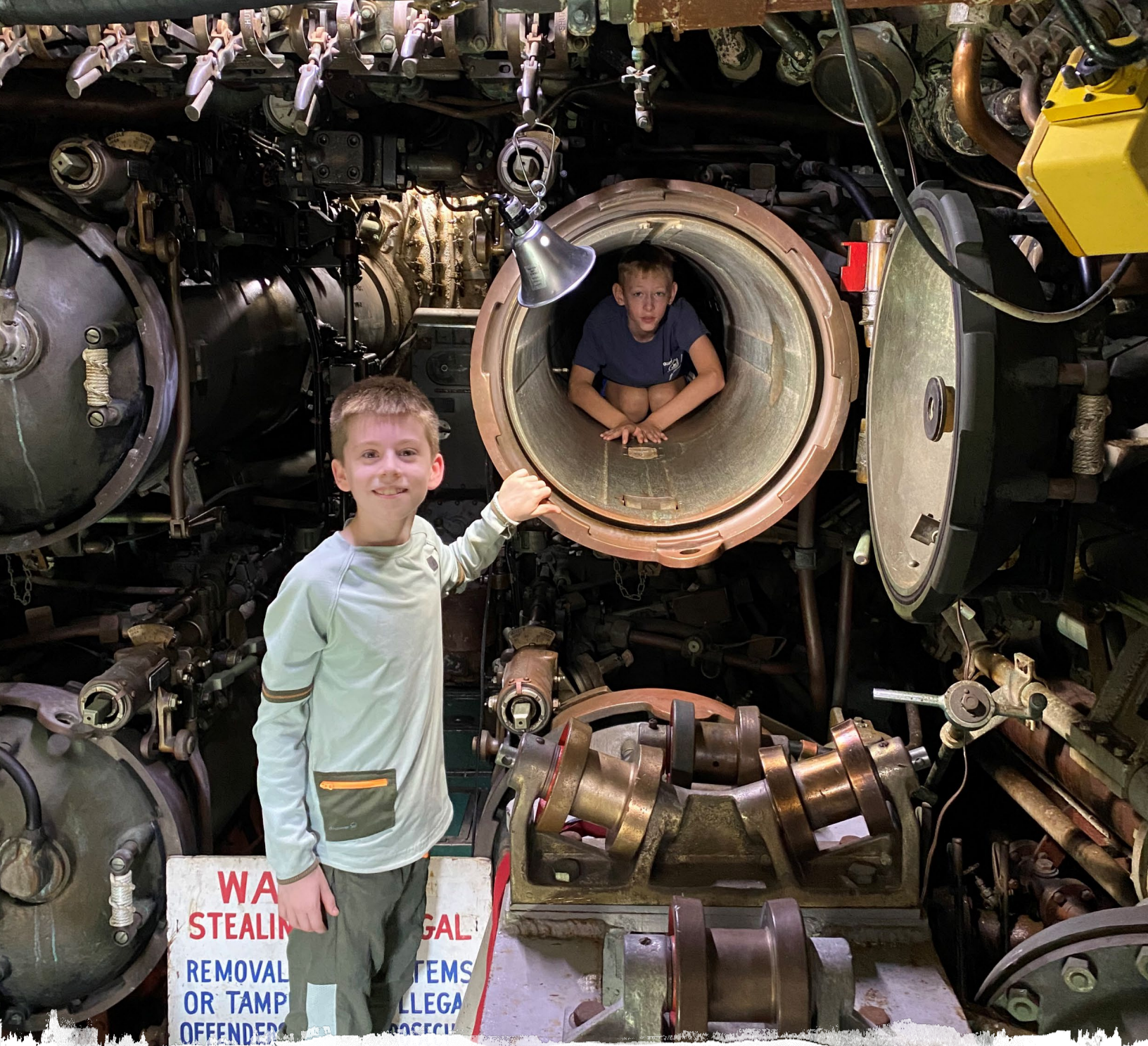
Amphibious engineer brigades executed more than just transport. The amphibians conducted anti-air and anti-ship operations, defended harbors, beachheads, and airports, organized the far shore, constructed facilities and infrastructure, conducted combat operations, and sustained forces on land.

They assaulted the beach, defended the beach, received personnel and equipment, and operated ports and constructed all facilities from ports to airports.¹⁸ The brigade supported an infantry division in all operations from embarkation, transportation, organization of the beachhead, and logistical support ashore. ¹⁹ Providing logistical support ashore was a key change to the tasks of the amphibians. Not only were they required to bridge the gap, but they had to maintain the bridge and sustain everyone across it.²⁰ Once in theater, the brigades would additionally develop an organic fires capability to assist in direct and indirect fire onto defended beaches



Museum Events





- **Memorial Day**
- **Veterans Day**
- **Pearl Harbor Day**
- **Battle of Samar**
- **Sleepover Program**
- **ScareWolf Park**
- **Volunteer Work Week**
- **Living History**
- **BVARC Radio Club**

Volunteer Work Week



Fellowship & Service..

The work week is one of the pinnacle events sponsored by the museum. We offer fellowship and service combined with the comradery of working toward a shared vision. Twice each year, our volunteers have a unique opportunity to experience life onboard the USS Stewart and effectively become a crew member for the time that they contribute. We live and work together during this time, sharing stories, advice, and fun. We work very hard to promote a sense of family and belonging for everyone who wants to join our crew. For one day or the entire week, volunteer contributions of time, skill, and effort are much needed and welcome.

Will feed for work...

One of the central themes of our Work Week is that we provide full meals for our volunteers. During this time, our fully equipped galley space is in constant use to produce everything from cookies to turkey dinners. Our volunteers enjoy mealtime to tell stories and chat with old and new friends alike.





Honored Donors



Volunteers

- **The Galveston Naval Museum Volunteer Corps**
 - **Docents & Restoration**
 - **James Spell**
- **Texas A & M University**
- **Edsall Class veterans Association**
- **6th Cavalry Living History**
- **Lone Star Living History**
- **Brazos Area Amateur Radio Club**
- **NASA Intern Program**
- **Boy Scouts of America**
- **San Jacinto propeller club**







Honored Donors

