

**VALDEZ MUSEUM & HISTORICAL  
ARCHIVE ASSOCIATION, INC.**  
**(A Component Unit of the City of Valdez, Alaska)**  
Valdez, Alaska

Financial Statements  
Years Ended December 31, 2017 and 2016

(With Independent Auditor's Report Thereon)



**NEWHOUSE & VOGLER**  
Certified Public Accountants

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
**(A Component Unit of the City of Valdez, Alaska)**  
Valdez, Alaska

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**Newhouse & Vogler**

*Certified Public Accountants*

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Independent Auditor's Report

Board of Directors  
Valdez Museum & Historical Archive Association, Inc.  
Valdez, Alaska

Ladies and Gentlemen:

**Report on the Financial Statements**

We have audited the accompanying financial statements of Valdez Museum & Historical Archive Association, Inc. (VMHA), a component unit of the City of Valdez, Alaska, as of and for the years ended December 31, 2017 and December 31, 2016, and the related notes to the financial statements, which collectively comprise VMHA's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

Board of Directors  
Valdez Museum & Historical Archive Association, Inc.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Valdez Museum & Historical Archive Association, Inc. as of December 31, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-5 be presented to supplement the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in blue ink, appearing to read "Newman & Vogel", is written in a cursive style.

Anchorage, Alaska  
April 19, 2018

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
**(A Component Unit of the City of Valdez, Alaska)**  
Valdez, Alaska

*Management Discussion and Analysis*

*December 31, 2017 and 2016*

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The Valdez Museum & Historical Archive Association, Inc. (VMHA) is a 501(c) 3 non-profit organization. It was established in 1997 to manage the City of Valdez's museum and historical collection for the benefit of the public. The Museum's mission is to safeguard our community's valuable heritage; foster broad public understanding and appreciation of our unique heritage; celebrate our community's past and provide context for its future; encourage a sense of community pride; and enhance the quality of life by fostering and supporting cultural programs; for purposes of heritage preservation, education and economic development.

The Museum manages, preserves, presents, and interprets historical collections, develops exhibits and conducts educational programs for children and adults year round.

Following is a discussion and analysis of the VMHA's 2017 financial statements.

**The total current assets** of the VMHA totaled \$226,412 and \$182,336 at the end of 2017 and 2016 respectively. This breaks down into the following categories: cash, accounts receivable, prepaid insurance and museum store merchandise inventory. The most significant portion of the current assets was cash and cash equivalents at \$178,312 and \$135,674 at the end of 2017 and 2016 respectively. Accounts receivable and merchandise inventory accounted for \$23,986 and \$22,548 at the end of 2017 and 2016 respectively.

**Total non-current assets** include equipment, fixtures and capitalized facility planning fees with purchase prices over \$500 less accumulated depreciation on these items. The net book value of the equipment and fixtures was \$108,827 and \$116,648 at December 31, 2017 and December 31, 2016 respectively.

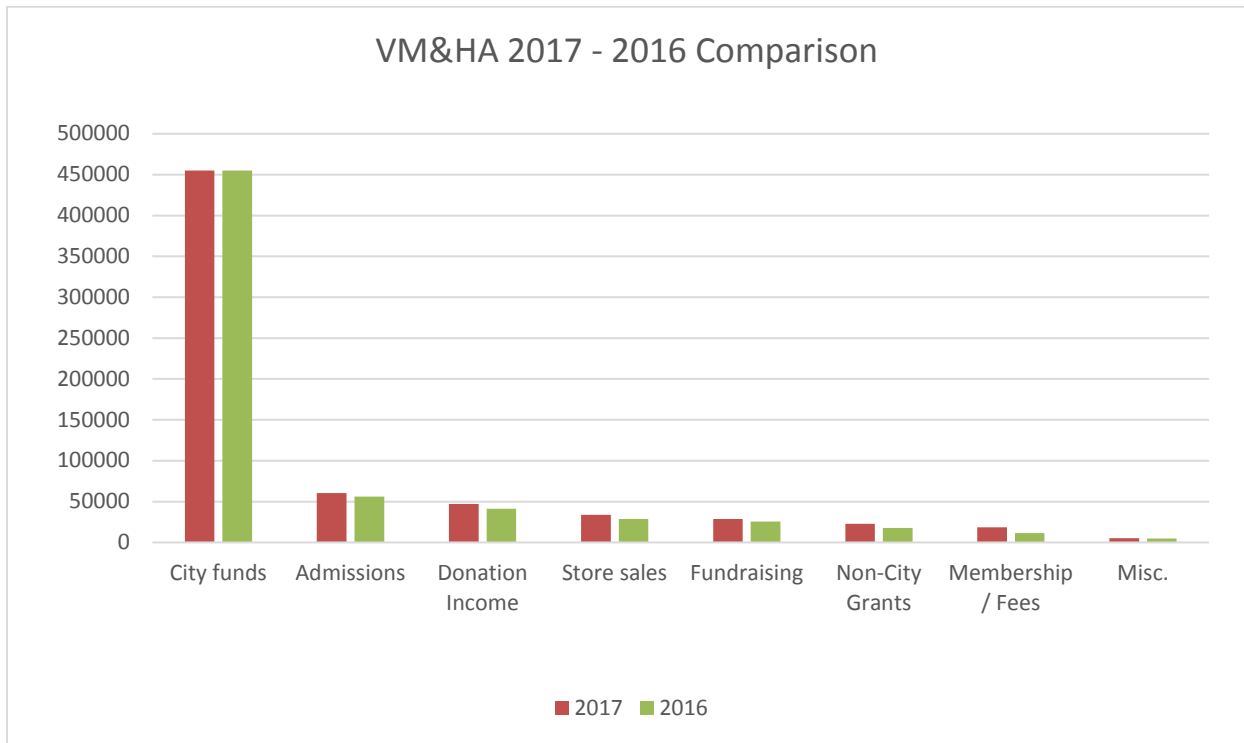
The VMHA's **liabilities** are all short-term or current. At the end of 2017, the balances were for accounts payable, annual leave payable to employees, accrued payroll and related taxes, and unearned revenue, which is funding for Annex Exterior improvements. The total for these accounts was \$70,142 and \$65,993 at December 31, 2017 and 2016, respectively.

The **net position** can be broken down into three areas: invested in capital equipment \$108,827 and \$116,648 at December 31, 2017 and 2016, respectively; restricted by donor for special projects \$33,375 and \$24,433 at December 31, 2017 and 2016, respectively; and unrestricted \$122,895 and \$91,910 at December 31, 2017 and 2016, respectively. Total net position balances were \$265,097 and \$232,991 at December 31, 2017 and 2016, respectively.

The 2017 and 2016 **total operating revenues** were \$671,055 and \$640,669 respectively. While 2017 City Funds remained the same, all other sources of revenue increased. With a well-crafted Fund Development Plan, the Museum generated a 10% growth in operating revenues.

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
**(A Component Unit of the City of Valdez, Alaska)**  
 Valdez, Alaska

*Management Discussion and Analysis, continued*



1. City funds remained stable at \$455,000.
2. Admission income increased; 2017 was \$60,385 compared with \$56,194 in 2016. While 2016's decrease can be attributed to fewer tourists in August due to bad fishing and poor weather, 2017 visitation saw notable increases all throughout the summer season.
3. Donation Income increased: 2017 was \$47,226 compared with \$41,258 in 2016. This is directly credited to restricted gifts for 2017 projects associated with Earthquake Education as well as increases in corporate donation; In-Kind Donations and other minor increases in Raffle proceeds and unrestricted gifts.
4. Store sales increased; \$33,633 compared with \$28,545 in 2016. Staff continue to work hard to find the right merchandise for visitors. Finding the right mix, Store Sales have performed well.
5. Fundraising increased: 2017 was \$28,497 compared with \$25,650 in 2016. This is directly attributed to the highest grossing Roadhouse Dinner and Fundraiser to date.
6. Non-City Grants, which include both State and Foundation awards, increased; \$22,650 in 2017 compared to \$17,900 in 2016. All grants supported mission driven programs and projects. While State Grants decreased due to the statewide fiscal crisis, Foundation Grants picked up the slack with a 59% increase in support.
7. Membership and Fees increased in 2017; \$18,613 compared with \$11,518 in 2016. The increase is attributed to success in generating more Archival Fees. This is due in part to the Google Optimization of the Valdez Museum's website and the having the Museum's collections online. Researchers are able to find us easier.
8. Miscellaneous income increased to \$5,051 in 2017; compared with \$4,604 in 2016. Consisting of Reimbursed Expenses and Interest Income, the increase is attributed to a notable Copper Valley Electric Capital Credit.

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
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Valdez, Alaska

*Management Discussion and Analysis, continued*

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The **total operating expenses** are \$639,747 and \$662,436 in 2017 and 2016 respectively. Operating expenses decreased by 10% for 2017. Starting fiscal year off with a \$21,767 deficit, Museum Board and Staff enacted austerity measures to insure that the Museum would be in good standing at the end of fiscal year 2017. While Utilities increased by 9%, notable decreases were made in the following areas: Advertising decreased 45%; Professional Development decreased 76%; Travel decreased 111%; Supplies decreased 49%; and Collections & Exhibits decreased. All other expenses remained stable with minor decrease and minor increases.

The VMHA **net position** at beginning of the year was \$232,991 and \$253,962 in 2017 and 2016 respectively. The net position at end of year was \$265,097 and \$232,991 in 2017 and 2016 respectively.

The Museum made no contributions to the **Museums' Endowment Fund** in 2017. The Endowment Fund was transferred to the City of Valdez in 1999 and is accounted for separately as part of City's Permanent Fund. The balances of the Endowment Fund at December 31, 2017 and 2016 were \$961,734 and \$842,888 respectively.

Since its inception in 2001, the VMHA organization has continued to create a dynamic museum through programming, exhibit display and as a community center. A multi-year fund development program that has diversified the revenue streams has been put in place, thus creating a more sustainable non-profit organization with a broader base of support.

This Management Discussion and Analysis was prepared to provide readers with an overview of the Valdez Museum & Historical Archive Association, Inc.'s financial activities and status for 2017. Questions about this report may be addressed to Patricia Relay, Executive Director, Valdez Museum & Historical Archive Association, Inc., PO Box 8, Valdez, AK 99686, Tel. 907-835-2764, E-mail [director@valdezmuseum.org](mailto:director@valdezmuseum.org).

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**

Valdez, Alaska

*Statements of Financial Position**December 31, 2017 and 2016*

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 178,312	135,674
Temporarily restricted	24,114	24,114
Accounts receivable	250	150
Merchandise inventory	<u>23,736</u>	<u>22,398</u>
<i>Total Current Assets</i>	<u>226,412</u>	<u>182,336</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>108,827</u>	<u>116,648</u>
<i>Total noncurrent assets</i>	<u>108,827</u>	<u>116,648</u>
<b>Total Assets</b>	<u>\$ 335,239</u>	<u>298,984</u>
 <b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 15,124	13,229
Accrued leave	20,110	17,266
Payroll liabilities	10,794	11,384
Unearned revenue	<u>24,114</u>	<u>24,114</u>
<i>Total Current Liabilities</i>	<u>70,142</u>	<u>65,993</u>
Net Position:		
Net investment in capital assets	108,827	116,648
Restricted for projects and displays	33,375	24,433
Unrestricted	<u>122,895</u>	<u>91,910</u>
<i>Total Net position</i>	<u>265,097</u>	<u>232,991</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 335,239</u>	<u>298,984</u>

See accompanying notes to the financial statements



## VALDEZ MUSEUM &amp; HISTORICAL ARCHIVE ASSOCIATION, INC.

Valdez, Alaska

*Statements of Revenues, Expenses and Changes in Net Position**Years Ended December 31, 2017 and 2016*

	2017	2016
Operating revenues:		
City funds	\$ 455,000	455,000
Admissions	60,385	56,194
Donations	51,226	41,258
Merchandise sales	33,633	28,545
Fundraising	28,497	25,650
Grants	22,650	17,900
Memberships and fees	18,613	11,518
Miscellaneous	5,051	4,604
Total operating revenues	<u>675,055</u>	<u>640,669</u>
Operating expenses:		
Payroll and related expenses	393,527	395,346
Utilities	54,978	47,967
Professional fees	37,122	39,236
Fundraising expenses	35,821	32,557
Insurance	21,771	22,619
Merchandise for resale	16,228	15,394
Retirement plan contributions	12,980	12,783
Janitorial expenses	12,000	12,000
Depreciation	7,821	8,300
Telephone and fax	7,677	8,398
Dues, subscriptions and memberships	7,211	6,930
Collections and exhibits	5,425	11,967
Store discounts and fees	5,269	4,327
Printing and reproduction	5,040	7,783
Advertising	4,692	7,870
Supplies	4,472	9,038
Postage and freight	4,071	4,246
Education and public programs	4,010	6,834
Rent	1,200	910
Travel	686	6,191
Vehicle expenses	499	337
Minor equipment	410	269
Professional development	250	1,062
Board expenses	141	72
Miscellaneous expenses	446	-
Total operating expenses	<u>643,747</u>	<u>662,436</u>
Operating loss	31,308	(21,767)
Nonoperating revenues -		
Interest income	798	796
Change in net position	<u>32,106</u>	<u>(20,971)</u>
Net Position at the beginning of the year	<u>232,991</u>	<u>253,962</u>
Net Position at the end of the year	<u>\$ 265,097</u>	<u>232,991</u>

See accompanying notes to the financial statements

## VALDEZ MUSEUM &amp; HISTORICAL ARCHIVE ASSOCIATION, INC.

Exhibit C-1

Valdez, Alaska

## Statements of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from customers and patrons	\$ 197,305	170,149
Cash received from City and grantors	477,650	472,900
Cash paid to employees	(391,273)	(392,369)
Cash paid to suppliers and vendors	(241,842)	(239,582)
<i>Net cash flows from operating activities</i>	<u>41,840</u>	<u>11,098</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	-	(49,028)
<i>Total cash flows from capital and related financing activities</i>	<u>-</u>	<u>(49,028)</u>
Cash flows from investing activities:		
Interest income received	798	796
<i>Net cash flows from investing activities</i>	<u>798</u>	<u>796</u>
Net change in cash	42,638	(37,134)
Cash at beginning of year	<u>159,788</u>	<u>196,922</u>
<b>Cash at end of year</b>	<u><u>\$ 202,426</u></u>	<u><u>159,788</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income (loss)	\$ 31,308	(21,767)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation expense	7,821	8,300
(Increase) decrease in assets and deferred outflows:		
Accounts receivable	(100)	2,380
Prepaid expenses	-	20,929
Inventory	(1,338)	(380)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	1,895	(1,341)
Accrued payroll and taxes	(590)	345
Accrued leave	2,844	2,632
<b>Net cash flows from operating activities</b>	<u><u>\$ 41,840</u></u>	<u><u>11,098</u></u>

See accompanying notes to the financial statements.

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
**(A Component Unit of the City of Valdez, Alaska)**  
Valdez, Alaska

*Notes to the Basic Financial Statements*

*December 31, 2017 and 2016*

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**NOTE 1 – NATURE AND MEMBERSHIP OF MUSEUM**

The Valdez Museum & Historical Archive Association, Inc. (VMHA) was incorporated pursuant to the provisions of the Alaska Non-Profit Corporation Act on December 11, 1995. VMHA was organized exclusively for the collection, preservation, and interpretation of Valdez area history for charitable, literary, or educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code.

VMHA has members who appoint the Board of Directors and approve their actions at annual meetings. Membership in the VMHA Corporation is limited to those persons holding office on the City Council of the City of Valdez, Alaska. A Member shall retain membership until his/her successor takes office on the City Council. Other classes of non-voting membership may be established from time to time by a Board of Directors appointed by the Members. The Chairman of the Board of Directors and the City Manager will serve as non-voting *ex officio* Members.

The Board of Directors (Board) consists of eleven voting directors that meet once a month. The Board establishes policies and procedures, exercises, conducts and controls the powers, business and property of VMHA.

Because the Valdez City Council appoints the VMHA Board of Directors and approves the annual operating budget of VMHA, VMHA is a component unit of the City of Valdez, and is included in the City's basic financial statements. As a component unit of the City of Valdez, VMHA follows accounting principles that are applicable to local governments.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The accounts of VMHA are organized like an enterprise fund. An enterprise fund is a proprietary type fund used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

***Cash and Cash Equivalents***

For purposes of the Statement of Cash Flows, VMHA considers cash, restricted cash, and short-term investments that are readily convertible to known amounts of cash and that present an insignificant risk of change in value due to changes in interest rates or other factors to be cash equivalents.

***Accounts Receivable***

Accounts receivable consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
**(A Component Unit of the City of Valdez, Alaska)**  
Valdez, Alaska

*Notes to the Financial Statements, continued*

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES, continued**

***Merchandise Inventory***

Inventories, consisting of merchandise for resale, are stated at the lower of cost (first-in, first-out basis) or market (net realizable value).

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The accompanying financial statements are reported using the “economic resources measurement focus,” and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

***Collections***

VMHA has adopted a policy of not capitalizing artwork and other items maintained in its collections. No assets have been recognized from the acquisition of collection items. The collections are also the property of the City of Valdez.

***Capital Assets***

VMHA property and equipment, exclusive of the land and building, were transferred from the City of Valdez at the end of 1998. The VMHA land and building are owned by the City, and are included in the City’s capital assets.

***Depreciation***

Depreciation of equipment and fixtures is computed using the straight-line method over the economic lives of the assets. The economic lives for most assets range from three to five years.

***Income Tax Status***

The Internal Revenue Service has determined that VMHA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

***Reclassification***

Certain amounts included in the prior year financial statements have been reclassified to conform to current year classification.

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
**(A Component Unit of the City of Valdez, Alaska)**  
Valdez, Alaska

*Notes to the Financial Statements, continued*

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Components of cash and cash equivalents at December 31, 2017 and 2016 follow:

	2017		2016	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Cash on hand	\$ 2,310	-	3,296	-
Checking accounts	40,751	40,727	6,437	4,948
Savings accounts	33,080	30,812	7,774	5,550
Certificates of deposit	126,285	126,285	142,281	142,281
	\$ 202,426	197,824	159,788	152,779

*Custodial credit risk:* Custodial credit risk is the risk that in the event of a bank failure, VMHA's deposits may not be returned to it. VMHA does not have a deposit policy for custodial credit risk. At December 31, 2017 and 2016, all of VMHA's deposits were insured.

**NOTE 4 – CAPITAL ASSETS**

Capital assets consisted of the following at December 31, 2017 and 2016:

	January 1, 2017	Increases	Decreases	December 31, 2017
Capital assets not being depreciated:				
Construction in progress	\$ 74,227	-	-	74,227
Capital assets, being depreciated:				
Office equipment	127,840	-	-	127,840
Lifeboat shelter	22,685	-	-	22,685
Vehicles and other assets	31,634	-	-	31,634
Total capital assets, being depreciated	182,159	-	-	182,159
Less accumulated depreciation for:				
Office equipment	(95,325)	(6,914)	-	(102,239)
Lifeboat shelter	(12,779)	(907)	-	(13,686)
Vehicles and other assets	(31,634)	-	-	(31,634)
Total accumulated depreciation	(139,738)	(7,821)	-	(147,559)
<b>Total capital assets, net</b>	<b>\$ 116,648</b>	<b>(7,821)</b>	<b>-</b>	<b>108,827</b>

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
**(A Component Unit of the City of Valdez, Alaska)**  
Valdez, Alaska

*Notes to the Financial Statements, continued*

**NOTE 4 – CAPITAL ASSETS, continued**

	January 1, 2016	Increases	Decreases	December 31, 2016
Capital assets not being depreciated:				
Construction in progress	\$ 25,199	49,028	-	74,227
Capital assets, being depreciated:				
Office equipment	127,840	-	-	127,840
Lifeboat shelter	22,685	-	-	22,685
Vehicles and other assets	31,634	-	-	31,634
Total capital assets, being depreciated	182,159	-	-	182,159
Less accumulated depreciation for:				
Office equipment	(87,932)	(7,393)	-	(95,325)
Lifeboat shelter	(11,872)	(907)	-	(12,779)
Vehicles and other assets	(31,634)	-	-	(31,634)
Total accumulated depreciation	(131,438)	(8,300)	-	(139,738)
<b>Total capital assets, net</b>	<b>\$ 75,920</b>	<b>40,728</b>	<b>-</b>	<b>116,648</b>

During 2017 and 2016, VMHA expended \$0 and \$49,028, respectively, in facility planning costs in anticipation of future expansion. These costs have been capitalized as construction in progress. Once the determination has been made regarding the title of the new facility, these costs may transfer to the City as contributed capital.

**NOTE 5 – ACCRUED LEAVE**

Accrued leave activity for the years ended December 31, 2017 and 2016 follows:

	January 1,	Accrued	Used	December 31,
2017	\$ 17,266	17,599	(14,755)	20,110
2016	14,634	21,682	(19,050)	17,266

**NOTE 6 – UNEARNED REVENUE**

Unearned revenue consists of amounts received from grantor agencies which are restricted as to use and have not been expended for the intended use. The unearned revenue at December 31, 2017 and 2016 was \$24,114 and \$24,114, respectively.

**NOTE 7 – ENDOWMENT FUND**

Periodically, VMHA makes contributions to an Endowment Fund. To maximize investment income, the Endowment Fund was transferred to the City of Valdez in 1999, where it is accounted for separately as part of the City's Permanent Fund. The balances of the Endowment Fund at December 31, 2017 and 2016 were \$961,734 and \$842,888, respectively. VMHA did not contribute to the Endowment Fund in 2017 and 2016.

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
**(A Component Unit of the City of Valdez, Alaska)**  
Valdez, Alaska

*Notes to the Financial Statements, continued*

**NOTE 8 – NET POSITION RESTRICTIONS AND DESIGNATIONS**

Net positions at December 31, 2017 and 2016 have been restricted by donors for the following projects and displays:

	2017	2016
Felland Fund	\$ 10,000	-
Annex exterior construction improvements	7,064	7,064
Robert Felland Revocable Trust	5,821	10,246
Museums of Alaska CMF – 2018 Intern	5,000	-
State of Alaska – Arts council	3,250	300
Copper Valley Electric Foundation - Temporary Exhibits	1,000	-
Forget Me Nots Denzel Mauldin	401	401
Exhibit materials	375	375
Pinzon Bar neon sign	304	304
Katie Dewing Cataloging Project	100	100
Gold Rush exhibits	60	60
State of Alaska – GIA Intern	-	4,100
Treasure Trove Exhibit	-	1,483
<i>Total restricted for projects and displays</i>	<b>\$ 33,375</b>	<b>24,433</b>

Unrestricted net position consists of designated and undesignated amounts as follows:

	2017	2016
Designated for:		
Jim Lethcoe fund	\$ 68	68
Phyllis Irish Fund – special projects	66,532	66,122
Undesignated	56,295	25,720
<i>Total unrestricted net position</i>	<b>\$ 122,895</b>	<b>91,910</b>

**NOTE 9 – LEASES**

The City of Valdez owns VMHA's real property. VMHA has an agreement with the City to lease the buildings and property for ten dollars a year expiring on December 31, 2021.

**NOTE 10 – ADVERTISING COSTS**

Advertising costs are expensed as incurred. Advertising expense totaled \$4,692 for 2017, and \$7,870 for 2016.

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
**(A Component Unit of the City of Valdez, Alaska)**  
Valdez, Alaska

*Notes to the Financial Statements, continued*

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**NOTE 11 – RETIREMENT PLAN**

VMHA participates in a 403(b) tax deferred annuity plan that is available to most employees working at least 20 hours per week. Employees may contribute to the plan on a payroll deduction basis. VMHA will match the employee contributions up to a maximum of 6.75% of eligible compensation. Eligible employees may participate any day on or following their date of hire and their contributions are fully vested. Eligible employees participate in employer matching contributions after completing six months of service. Total contributions to the plan by VMHA were \$12,980 and \$12,783 for 2017 and 2016, respectively.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

VMHA received a payment from the City of Valdez for \$455,000 and \$455,000 for 2017 and 2016, respectively.

**NOTE 13 – NEW ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board has passed several new accounting standards with upcoming implementation dates. Management has not fully evaluated the potential effects of these statements, but believes none of the new accounting pronouncements will have a material impact on VMHA's financial statements.

**NOTE 14 – SUBSEQUENT EVENTS**

Subsequent event procedures have been performed as of April 19, 2018. This is also the date the financial statements were available to be issued.