

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

Financial Statements
Years Ended December 31, 2019 and 2018

(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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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, 2019 and 2018, 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, 2019 and 2018, 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 3-7 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.



Anchorage, Alaska
April 7, 2020

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

Management Discussion and Analysis

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 2019 financial statements.

The total current assets of the VMHA totaled \$236,027 and \$198,290 at the end of 2019 and 2018 respectively. This breaks down into the following categories: cash and cash equivalents, accounts receivable, and museum store merchandise inventory. The most significant portion of the current assets was cash and cash equivalents at \$214,635 and \$177,770 at the end of 2019 and 2018 respectively. Accounts receivable and merchandise inventory accounted for \$21,392 and \$19,870 at the end of 2019 and 2018 respectively.

Total non-current assets include equipment, fixtures and capitalized facility planning fees with purchase prices over \$2,000 less accumulated depreciation on these items. The net book value of the equipment and fixtures was \$126,056 and \$137,191 at December 31, 2019 and December 31, 2018, respectively.

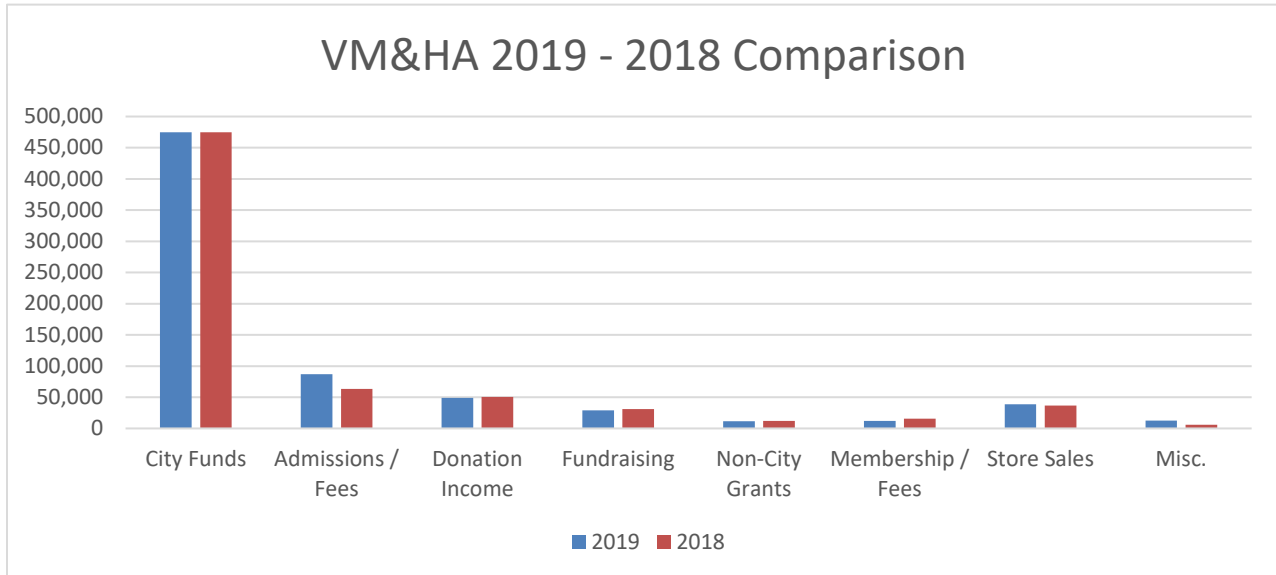
The VMHA's **liabilities** are all short-term or current. At the end of 2019, the balances were for accounts payable, annual leave payable to employees, accrued payroll and related taxes, and unearned revenue, which is funding for Annex Exterior improvements. The total for these accounts was \$64,267 and \$61,409 at December 31, 2019 and 2018, respectively.

The **net position** can be broken down into three areas: invested in capital equipment \$126,056 and \$137,191 at December 31, 2019 and 2018, respectively; restricted by donor for special projects \$9,804 and \$12,028 at December 31, 2019 and 2018, respectively; and unrestricted \$164,670 and \$124,853 at December 31, 2019 and 2018, respectively. Total net position balances were \$297,816 and \$274,072 at December 31, 2019 and 2018, respectively.

The 2019 and 2018 **total operating revenues** were \$726,301 and \$690,129 respectively. Overall, the 2019 Budget has performed exceptionally well. While the majority of the Museum's annual income is generated from the City of Valdez, earned revenue, consisting of Admissions, Fees, and Merchandise sales exceeded expectations by 45%. This is directly attributed to increase summer operations.

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 \$475,000. City funds support general operations, including human resources. While we were successful in generating additional revenue from the cruise ship industry, we also needed additional labor to fulfill services.
2. Admission income increased; 2019 was \$98,495 compared with \$63,233 in 2018. The increase is directly attributed to increased summer operations, especially services rendered to cruise ship vendors.
3. Donation Income decreased slightly: 2019 was \$48,924 compared with \$50,472 in 2018. While there was a \$2,300 growth in unrestricted gifts, corporate and in-kind donations decreased notably.
4. Fundraising decreased: 2019 was \$28,806 compared with \$30,947 in 2018. While the Annual Appeal was successful, Roadhouse Dinner saw a 10% reduction in net earnings.
5. Non-City Grants, which include both State and Foundation awards, decreased; 2019 was \$11,500 in 2018 compared to \$12,100 in 2018. Non-City grants support mission driven programs and projects. With the 5% reduction in Non-City Grants is directly attributed to the not receiving the Alaska State Council on the Arts annual grant in the fourth quarter of 2019. Thankfully, earned revenue was able to make up the difference.
6. Membership and Fees decreased in 2019; \$12,171 compared with \$15,848 in 2018. While Membership and Space Rental decreased in 2019 by 9% and 35% respectively, Archival Fees were notably down by 83% Though Archival Fees did not hit the mark in 2019, we continue to work with researchers and scholars and 2020 has already generated revenue.
7. Store sales increased; \$38,984 compared with \$36,489 in 2018. In addition to finding the right mix of inventory, increased summer operations attributed to the growth.
8. Miscellaneous income increased to \$12,421 in 2019; compared with \$6,040 in 2018. Consisting of Reimbursed Expenses, Interest Income and yearend adjustments, the increase is directly attributed to a \$3,771 yearend audit adjustment.

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

Management Discussion and Analysis, continued

The **total operating expenses** are \$703,000 and \$681,878 in 2019 and 2018, respectively. Operating expenses increased by 3% for 2019. While continuing to budget conservatively within our means, the Museum was able to address increases in human resources for summer operations.

The VMHA **net position** at beginning of the year was \$274,072 and \$265,097 in 2019 and 2018, respectively. The net position at end of year was \$297,816 and \$274,072 in 2019 and 2018, respectively.

The Museum made no contributions to the **Museums' Endowment Fund** in 2019. 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, 2019 and 2018 were \$1,076,846 and \$923,512, respectively.

Since its inception in 1997, 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 2019. 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.

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

Management Discussion and Analysis, continued

	2019	2018	2017
Assets			
Current Assets:			
Cash and cash equivalents:			
Unrestricted	\$ 190,521	153,656	178,312
Temporarily restricted	24,114	24,114	24,114
Accounts receivable	-	650	250
Merchandise inventory	21,392	19,870	23,736
<i>Total Current Assets</i>	<u>236,027</u>	<u>198,290</u>	<u>226,412</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	126,056	137,191	108,827
<i>Total noncurrent assets</i>	<u>126,056</u>	<u>137,191</u>	<u>108,827</u>
Total Assets	<u>\$ 362,083</u>	<u>335,481</u>	<u>335,239</u>
 Liabilities and Net Assets			
Current Liabilities:			
Accounts payable	\$ 11,583	4,609	15,124
Accrued leave	21,545	21,354	20,110
Payroll liabilities	7,025	11,332	10,794
Unearned revenue	24,114	24,114	24,114
<i>Total Current Liabilities</i>	<u>64,267</u>	<u>61,409</u>	<u>70,142</u>
Net Position:			
Net investment in capital assets	126,056	137,191	108,827
Restricted for projects and displays	10,004	12,028	33,375
Unrestricted	161,756	124,853	122,895
<i>Total Net position</i>	<u>297,816</u>	<u>274,072</u>	<u>265,097</u>
Total Liabilities and Net Assets	<u>\$ 362,083</u>	<u>335,481</u>	<u>335,239</u>

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

Management Discussion and Analysis, continued

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Operating revenues:			
City funds	\$ 475,000	475,000	455,000
Admissions/fees	98,495	63,233	60,385
Donations	48,924	50,472	51,226
Merchandise sales	38,984	36,489	33,633
Fundraising	28,806	30,947	28,497
Grants	11,500	12,100	22,650
Memberships and fees	12,171	15,848	18,613
Miscellaneous	12,421	6,040	5,051
Total operating revenues	<u>726,301</u>	<u>690,129</u>	<u>675,055</u>
Operating expenses:			
Payroll and related expenses	430,898	408,787	393,527
Utilities	50,338	52,318	54,978
Fundraising expenses	42,186	45,369	37,122
Professional fees	38,219	39,543	35,821
Insurance	23,740	22,378	21,771
Merchandise for resale	21,568	19,977	16,228
Janitorial expenses	12,000	12,000	12,980
Depreciation	11,135	11,136	12,000
Retirement plan contributions	12,619	10,911	7,821
Supplies	8,838	8,392	7,677
Telephone and fax	7,719	8,089	7,211
Dues, subscriptions and memberships	5,781	7,235	5,425
Store discounts and fees	6,322	7,154	5,269
Education and public programs	5,293	5,667	5,040
Collections and exhibits	5,309	5,358	4,692
Postage and freight	4,330	4,969	4,472
Printing and reproduction	4,991	4,799	4,071
Advertising	6,490	4,079	4,010
Minor equipment	2,073	2,469	1,200
Vehicle expenses	427	1,142	686
Rent	10	10	499
Miscellaneous expenses	2,714	96	446
Total operating expenses	<u>703,000</u>	<u>681,878</u>	<u>643,747</u>
Operating loss	23,301	8,251	31,308
Nonoperating revenues -			
Interest income	<u>443</u>	<u>724</u>	<u>798</u>
Change in net position	<u>23,744</u>	<u>8,975</u>	<u>32,106</u>
Net Position at the beginning of the year	<u>274,072</u>	<u>265,097</u>	<u>232,991</u>
Net Position at the end of the year	<u>\$ 297,816</u>	<u>274,072</u>	<u>265,097</u>

VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.

Valdez, Alaska

*Statements of Financial Position**December 31, 2019 and 2018*

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 190,521	153,656
Temporarily restricted	24,114	24,114
Accounts receivable	-	650
Merchandise inventory	<u>21,392</u>	<u>19,870</u>
<i>Total Current Assets</i>	<u>236,027</u>	<u>198,290</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>126,056</u>	<u>137,191</u>
<i>Total noncurrent assets</i>	<u>126,056</u>	<u>137,191</u>
Total Assets	<u>\$ 362,083</u>	<u>335,481</u>
 Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 11,583	4,609
Accrued leave	21,545	21,354
Payroll liabilities	7,025	11,332
Unearned revenue	<u>24,114</u>	<u>24,114</u>
<i>Total Current Liabilities</i>	<u>64,267</u>	<u>61,409</u>
Net Position:		
Net investment in capital assets	126,056	137,191
Restricted for projects and displays	10,004	12,028
Unrestricted	<u>161,756</u>	<u>124,853</u>
<i>Total Net position</i>	<u>297,816</u>	<u>274,072</u>
Total Liabilities and Net Assets	<u>\$ 362,083</u>	<u>335,481</u>

See accompanying notes to the financial statements

VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.

Valdez, Alaska

*Statements of Revenues, Expenses and Changes in Net Position**Years Ended December 31, 2019 and 2018*

	2019	2018
Operating revenues:		
City funds	\$ 475,000	475,000
Admissions/fees	98,495	63,233
Donations	48,924	50,472
Merchandise sales	38,984	36,489
Fundraising	28,806	30,947
Grants	11,500	12,100
Memberships and fees	12,171	15,848
Miscellaneous	12,421	6,040
Total operating revenues	<u>726,301</u>	<u>690,129</u>
Operating expenses:		
Payroll and related expenses	430,898	408,787
Utilities	50,338	52,318
Fundraising expenses	42,186	45,369
Professional fees	38,219	39,543
Insurance	23,740	22,378
Merchandise for resale	21,568	19,977
Janitorial expenses	12,000	12,000
Depreciation	11,135	11,136
Retirement plan contributions	12,619	10,911
Supplies	8,838	8,392
Telephone and fax	7,719	8,089
Dues, subscriptions and memberships	5,781	7,235
Store discounts and fees	6,322	7,154
Education and public programs	5,293	5,667
Collections and exhibits	5,309	5,358
Postage and freight	4,330	4,969
Printing and reproduction	4,991	4,799
Advertising	6,490	4,079
Minor equipment	2,073	2,469
Vehicle expenses	427	1,142
Rent	10	10
Miscellaneous expenses	2,714	96
Total operating expenses	<u>703,000</u>	<u>681,878</u>
Operating loss	23,301	8,251
Nonoperating revenues -		
Interest income	443	724
Change in net position	<u>23,744</u>	<u>8,975</u>
Net Position at the beginning of the year	<u>274,072</u>	<u>265,097</u>
Net Position at the end of the year	<u>\$ 297,816</u>	<u>274,072</u>

See accompanying notes to the financial statements

VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.

Exhibit C-1

Valdez, Alaska

Statements of Cash Flows

Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from customers and patrons	\$ 240,451	202,629
Cash received from City and grantors	486,500	487,100
Cash paid to employees	(435,014)	(407,005)
Cash paid to suppliers and vendors	<u>(255,515)</u>	<u>(268,604)</u>
<i>Net cash flows from operating activities</i>	<u>36,422</u>	<u>14,120</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	-	(39,500)
<i>Total cash flows from capital and related financing activities</i>	<u>-</u>	<u>(39,500)</u>
Cash flows from investing activities:		
Interest income received	<u>443</u>	<u>724</u>
<i>Net cash flows from investing activities</i>	<u>443</u>	<u>724</u>
Net change in cash	36,865	(24,656)
Cash at beginning of year	<u>177,770</u>	<u>202,426</u>
Cash at end of year	<u><u>\$ 214,635</u></u>	<u><u>177,770</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income	\$ 23,301	8,251
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation expense	11,135	11,136
(Increase) decrease in assets and deferred outflows:		
Accounts receivable	650	(400)
Inventory	(1,522)	3,866
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	6,974	(10,515)
Accrued payroll and taxes	(4,307)	538
Accrued leave	<u>191</u>	<u>1,244</u>
Net cash flows from operating activities	<u><u>\$ 36,422</u></u>	<u><u>14,120</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, 2019 and 2018

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

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. VMHA’s capitalization threshold was set by the council at \$2,000 per item.

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)
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Notes to the Financial Statements, continued

NOTE 3 – CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents at December 31, 2019 and 2018 follow:

	2019		2018	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Cash on hand	\$ 824	-	1,431	-
Checking accounts	87,213	88,996	92,058	97,548
Savings accounts	59,240	60,208	17,338	16,352
Certificates of deposit	67,358	67,358	66,943	66,943
	\$ 214,635	216,562	177,770	180,843

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, 2019 and 2018, all of VMHA's deposits were insured.

NOTE 4 – CAPITAL ASSETS

Capital assets consisted of the following at December 31, 2019 and 2018:

	January 1, 2019	Increases	Decreases	December 31, 2019
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	71,134	-	-	71,134
Total capital assets, being depreciated	221,659	-	-	221,659
Less accumulated depreciation for:				
Office equipment	(108,517)	(6,278)	-	(114,795)
Lifeboat shelter	(14,594)	(907)	-	(15,501)
Vehicles and other assets	(35,584)	(3,950)	-	(39,534)
Total accumulated depreciation	(158,695)	(11,135)	-	(169,830)
Total capital assets, net	\$ 137,191	(11,135)	-	126,056

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, 2018	Increases	Decreases	December 31, 2018
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	39,500	-	71,134
Total capital assets, being depreciated	182,159	39,500	-	221,659
Less accumulated depreciation for:				
Office equipment	(102,239)	(6,278)	-	(108,517)
Lifeboat shelter	(13,686)	(908)	-	(14,594)
Vehicles and other assets	(31,634)	(3,950)	-	(35,584)
Total accumulated depreciation	(147,559)	(11,136)	-	(158,695)
Total capital assets, net	\$ 108,827	28,364	-	137,191

NOTE 5 – ACCURED LEAVE

Accrued leave activity for the years ended December 31, 2019 and 2018 follows:

	January 1,	Accrued	Used	December 31,
2019	\$ 21,354	12,283	(12,092)	21,545
2018	20,110	12,037	(10,793)	21,354

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, 2019 and 2018 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, 2019 and 2018 were \$1,076,846 and \$923,512, respectively. VMHA did not contribute to the Endowment Fund in 2019 and 2018.

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, 2019 and 2018 have been restricted by donors for the following projects and displays:

	2019	2018
Annex exterior construction improvements	\$ 7,064	7,064
Copper Valley Electric Foundation - Temporary Exhibits	1,500	1,000
Forget Me Nots Denzel Mauldin	401	401
Exhibit materials	375	375
Pinzon Bar neon sign	304	304
Museum building construction	200	-
Katie Dewing Cataloging Project	100	100
Gold Rush exhibits	60	60
State of Alaska – Arts council	-	2,724
<i>Total restricted for projects and displays</i>	\$ 10,004	12,028

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

	2019	2018
Designated for:		
Jim Lethcoe fund	\$ 68	68
Phyllis Irish Fund – special projects	67,358	66,943
Undesignated	94,330	57,842
<i>Total unrestricted net position</i>	\$ 161,756	124,853

NOTE 9 – LEASES

VMHA has an agreement with the City of Valdez (the City) to lease the buildings and property for ten dollars a year expiring on December 31, 2021. The City considers a fair market value lease to be 10% of the buildings assessed value, annually. The buildings being leased to VMHA are assessed at a combined \$2,202,100, thus the fair market value for the lease on these buildings is \$220,210, annually. Pursuant to Governmental Auditing Standards Board Statement 29, VMHA does not follow FAS 116, related to in-kind income related to the below fair market value lease. VMHA has elected to disclose the value of the lease in the footnotes to the financial statements. Lease amounts are not shown in the financial statements.

NOTE 10 – ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising expense totaled \$6,490 for 2019, and \$4,079 for 2018.

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Notes to the Financial Statements, continued

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 \$12,619 and \$10,911 for 2019 and 2018, respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS

VMHA received a payment from the City of Valdez for \$475,000 and \$475,000 for 2019 and 2018, 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 7, 2020. This is also the date the financial statements were available to be issued.