

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

Financial Statements  
Years Ended December 31, 2020 and 2019

(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, 2020 and 2019, 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, 2020 and 2019, 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 5, 2021

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

*Management Discussion and Analysis, continued*

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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 2020 financial statements.

**The total current assets** of the VMHA totaled \$317,174, \$236,027 and \$198,290 at the end of 2020, 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 \$273,837, \$190,521 and \$153,656 as of December 31, 2020, 2019, and 2018, respectively. Accounts receivable and merchandise inventory accounted for \$19,223, \$21,392 and \$20,520 as of December 31, 2020, 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 \$114,920, \$126,056 and \$137,191 as of December 31, 2020, 2019, and 2018, respectively.

The VMHA's **liabilities** are all short-term or current. At the end of 2020, 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 \$72,758, \$64,267 and \$61,409 as of December 31, 2020, 2019, and 2018, respectively.

The **net position** can be broken down into three areas: invested in capital equipment \$114,920, \$126,056 and \$137,191 as of December 31, 2020, 2019, and 2018, respectively; restricted by donor for special projects \$18,188, \$10,004 and \$12,028 as of December 31, 2020, 2019, and 2018, respectively; and unrestricted \$226,228, \$161,756 and \$124,853 as of December 31, 2020, 2019 and 2018, respectively. Total net position balances were \$359,336, \$297,816 and \$274,072 as of December 31, 2020, 2019, and 2018, respectively.

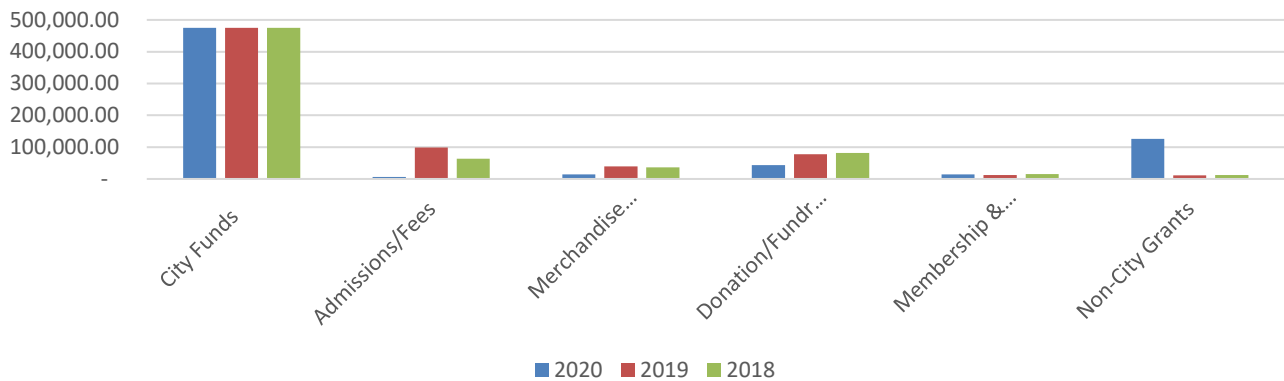
The 2020, 2019, and 2018 **total operating revenues** were \$680,914, \$726,301 and \$690,129, respectively. By all accounts, 2020 was supposed to be a year that the Valdez Museum broke attendance and sales records. Then everything ceased when all Museums and Libraries around the State closed on March 13, 2020. Thinking back over the last six months, the global COVID 19 pandemic has not only forced us to rethink our daily lives and the way we work, but also the way our community functions. It requires museums like the Valdez Museum to redefine our role in society, both broadly and specifically within the communities we serve. The Museum has adapted to what we call the "new normal."

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
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*Management Discussion and Analysis, continued*

Since reopening to the public on July 1, 2020 the “new normal” has settled in at the Museum. We have a COVID Mitigation Plan with health and safety precautions in place. Operations are going as expected. Summer is when the Valdez Museum typically generate 40% of its annual operating budget and in a normal year the Museum serves roughly 24,000 visitors annually. But as of December 31, 2020, visitation ended the year down 21,906 people through the door, with only 2,020 visitors, equating a \$157,158 loss in earned and contributed revenues, as well as laying off one year around attendant and eliminating four to five seasonal summer positions. The impact of COVID 19 is not just a health issue, but loss of income and of jobs. The good news was that a portion of that loss was made up with \$115,750 in a variety of CARES funding, reflected in the graph below.

VM & HA 3 Year Income Comparison



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 decreased; income for the year ended December 31, 2020, was \$6,203 compared to \$98,469 and \$63,233 in 2019, and 2018, respectively. The decrease is directly attributed to the COVID pandemic.
3. Donation Income decreased slightly: income for the year ended December 31, 2020, was \$32,288 compared to \$48,924 and \$50,472 in 2019, and 2018, respectively. The decrease is directly attributed to fewer in-kind donation for auctions.
4. Fundraising decreased: income for the year ended December 31, 2020 was \$11,113 compared to \$28,806 and \$30,947 in 2019, and 2018, respectively. While the Annual Appeal was successful, Roadhouse Dinner did not exist. A virtual event was delivered but only brought in 25% of an in-person event.
5. Non-City Grants, which include both State and Foundation awards, increased. Non-city grants were a bright spot in a year of non-existent earned and contributed revenues. To make up the losses a variety of State and Federal stimulus grants were received. For the year ended December 31, 2020 income was \$125,750 compared to \$11,500 and \$12,100 in 2019, and 2018, respectively.
6. Membership and Fees increased; income for the year ended December 31, 2020 was \$13,979 compared to \$12,171 and \$15,848 in 2019, and 2018, respectively. The nominal increase is attributed to and active membership recruitment effort.

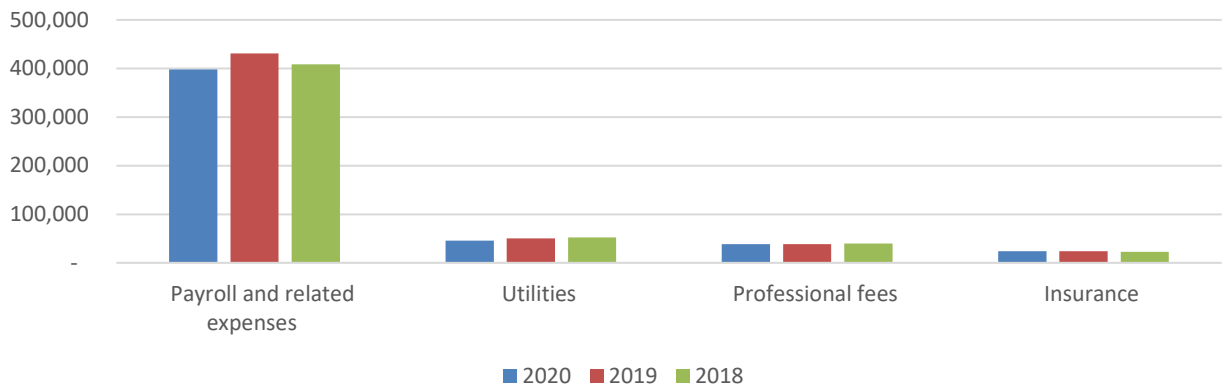
**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
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Valdez, Alaska

*Management Discussion and Analysis, continued*

7. Store sales decreased; income for the year ended December 31, 2020 was \$14,297 compared to \$38,984 and \$36,489 in 2019, and 2018, respectively. Given that there were no visitors in the Museum due to the global pandemic, store sales suffered equally.

The **total operating expenses** were \$619,839, \$703,000 and \$681,878 for the years ended December 31, 2020, 2019, and 2018, respectively. Operating expenses decreased by 12% for 2020. While general operating costs, which include Payroll, Utilities, Liability Insurance and Professional Fees remained similar, all other areas were reduced. Overall, the budgeted expenses performed as expected.

VM&HA 3 Year Expense Comparison



The VMHA **net position** at beginning of the year was \$297,816, \$274,072 and \$265,097 as of December 31, 2020, 2019, and 2018, respectively. The net position at end of year was \$359,336, \$297,816 and \$274,072 as of December 31, 2020, 2019, and 2018, respectively.

The Museum made no contributions to the **Museums' Endowment Fund** in 2020. 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 as of December 31, 2020, 2019, and 2018 were \$1,230,671, \$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. In between navigating the twists and turns of the COVID 19 pandemic and figuring out how to operate the museum in an adapted and reduced way through it all the Museum kept going. Embracing uncertainty, the Museum will continue on. Our multi-year fund development program will be nimble and it will adapt to changing financial opportunities.

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](mailto:director@valdezmuseum.org).

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

*Management Discussion and Analysis, continued*

	2020	2019	2018
<b>Assets</b>			
Current Assets:			
Cash and cash equivalents:			
Unrestricted	\$ 273,837	190,521	153,656
Temporarily restricted	24,114	24,114	24,114
Accounts receivable	-	-	650
Merchandise inventory	19,223	21,392	19,870
<i>Total Current Assets</i>	317,174	236,027	198,290
Noncurrent assets:			
Capital assets, net of accumulated depreciation	114,920	126,056	137,191
<i>Total noncurrent assets</i>	114,920	126,056	137,191
<b>Total Assets</b>	<b>\$ 432,094</b>	<b>362,083</b>	<b>335,481</b>
 <b>Liabilities and Net Assets</b>			
Current Liabilities:			
Accounts payable	\$ 14,527	11,583	4,609
Accrued leave	26,106	21,545	21,354
Payroll liabilities	8,011	7,025	11,332
Unearned revenue	24,114	24,114	24,114
<i>Total Current Liabilities</i>	72,758	64,267	61,409
Net Position:			
Net investment in capital assets	114,920	126,056	137,191
Restricted for projects and displays	18,188	10,004	12,028
Unrestricted	226,228	161,756	124,853
<i>Total Net position</i>	359,336	297,816	274,072
<b>Total Liabilities and Net Assets</b>	<b>\$ 432,094</b>	<b>362,083</b>	<b>335,481</b>



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

*Management Discussion and Analysis, continued*

	2020	2019	2018
Operating revenues:			
City funds	\$ 475,000	475,000	475,000
Grants	125,750	11,500	12,100
Donations	32,288	48,924	50,472
Merchandise sales	14,297	38,984	36,489
Memberships and fees	13,979	12,171	15,848
Fundraising	11,113	28,806	30,947
Admissions/fees	6,203	98,495	63,233
Miscellaneous	2,284	12,421	6,040
Total operating revenues	<u>680,914</u>	<u>726,301</u>	<u>690,129</u>
Operating expenses:			
Payroll and related expenses	398,273	430,898	408,787
Utilities	45,480	50,338	52,318
Professional fees	38,320	38,219	39,543
Insurance	23,973	23,740	22,378
Fundraising expenses	16,319	42,186	45,369
Retirement plan contributions	12,918	12,619	10,911
Depreciation	11,136	11,135	11,136
Janitorial expenses	11,000	12,000	12,000
Dues, subscriptions and memberships	8,463	5,781	7,235
Supplies	8,206	8,838	8,392
Merchandise for resale	7,985	21,568	19,977
Telephone and fax	7,050	7,719	8,089
Collections and exhibits	6,168	5,309	5,358
Printing and reproduction	4,122	4,991	4,799
Store discounts and fees	4,102	6,322	7,154
Advertising	3,941	6,490	4,079
Professional development	2,808	-	-
Postage and freight	2,763	4,330	4,969
Education and public programs	2,446	5,293	5,667
Travel	2,432	-	-
Rent	1,210	10	10
Vehicle expenses	724	427	1,142
Minor equipment	-	2,073	2,469
Miscellaneous expenses	-	2,714	96
Total operating expenses	<u>619,839</u>	<u>703,000</u>	<u>681,878</u>
Operating loss	61,075	23,301	8,251
Nonoperating revenues -			
Interest income	445	443	724
Change in net position	<u>61,520</u>	<u>23,744</u>	<u>8,975</u>
Net Position at the beginning of the year	<u>297,816</u>	<u>274,072</u>	<u>265,097</u>
Net Position at the end of the year	<u>\$ 359,336</u>	<u>297,816</u>	<u>274,072</u>

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

Valdez, Alaska

*Statements of Financial Position**December 31, 2020 and 2019*

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents:		
Unrestricted	\$ 273,837	190,521
Temporarily restricted	24,114	24,114
Merchandise inventory	<u>19,223</u>	<u>21,392</u>
<i>Total Current Assets</i>	<u>317,174</u>	<u>236,027</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	<u>114,920</u>	<u>126,056</u>
<i>Total noncurrent assets</i>	<u>114,920</u>	<u>126,056</u>
<b>Total Assets</b>	<u>\$ 432,094</u>	<u>362,083</u>
 <b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 14,527	11,583
Accrued leave	26,106	21,545
Payroll liabilities	8,011	7,025
Unearned revenue	<u>24,114</u>	<u>24,114</u>
<i>Total Current Liabilities</i>	<u>72,758</u>	<u>64,267</u>
Net Position:		
Net investment in capital assets	114,920	126,056
Restricted for projects and displays	18,188	10,004
Unrestricted	<u>226,228</u>	<u>161,756</u>
<i>Total Net position</i>	<u>359,336</u>	<u>297,816</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 432,094</u>	<u>362,083</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, 2020 and 2019

	2020	2019
Operating revenues:		
City funds	\$ 475,000	475,000
Grants	125,750	11,500
Donations	32,288	48,924
Merchandise sales	14,297	38,984
Memberships and fees	13,979	12,171
Fundraising	11,113	28,806
Admissions/fees	6,203	98,495
Miscellaneous	2,284	12,421
Total operating revenues	<u>680,914</u>	<u>726,301</u>
Operating expenses:		
Payroll and related expenses	398,273	430,898
Utilities	45,480	50,338
Professional fees	38,320	38,219
Insurance	23,973	23,740
Fundraising expenses	16,319	42,186
Retirement plan contributions	12,918	12,619
Depreciation	11,136	11,135
Janitorial expenses	11,000	12,000
Dues, subscriptions and memberships	8,463	5,781
Supplies	8,206	8,838
Merchandise for resale	7,985	21,568
Telephone and fax	7,050	7,719
Collections and exhibits	6,168	5,309
Printing and reproduction	4,122	4,991
Store discounts and fees	4,102	6,322
Advertising	3,941	6,490
Professional development	2,808	-
Postage and freight	2,763	4,330
Education and public programs	2,446	5,293
Travel	2,432	-
Rent	1,210	10
Vehicle expenses	724	427
Minor equipment	-	2,073
Miscellaneous expenses	-	2,714
Total operating expenses	<u>619,839</u>	<u>703,000</u>
Operating loss	61,075	23,301
Nonoperating revenues -		
Interest income	<u>445</u>	<u>443</u>
Change in net position	<u>61,520</u>	<u>23,744</u>
Net Position at the beginning of the year	<u>297,816</u>	<u>274,072</u>
Net Position at the end of the year	<u>\$ 359,336</u>	<u>297,816</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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from customers and patrons	\$ 80,164	240,451
Cash received from City and grantors	600,750	486,500
Cash paid to employees	(392,726)	(435,014)
Cash paid to suppliers and vendors	(205,317)	(255,515)
<i>Net cash flows from operating activities</i>	<u>82,871</u>	<u>36,422</u>
Cash flows from investing activities:		
Interest income received	445	443
<i>Net cash flows from investing activities</i>	<u>445</u>	<u>443</u>
Net change in cash	83,316	36,865
Cash at beginning of year	<u>214,635</u>	<u>177,770</u>
<b>Cash at end of year</b>	<u><u>\$ 297,951</u></u>	<u><u>214,635</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:		
Operating income	\$ 61,075	23,301
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation expense	11,136	11,135
(Increase) decrease in assets and deferred outflows:		
Accounts receivable	-	650
Inventory	2,169	(1,522)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	2,944	6,974
Accrued payroll and taxes	986	(4,307)
Accrued leave	4,561	191
<b>Net cash flows from operating activities</b>	<u><u>\$ 82,871</u></u>	<u><u>36,422</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, 2020 and 2019*

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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. 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)**  
 Valdez, Alaska

*Notes to the Financial Statements, continued*

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Components of cash and cash equivalents at December 31, 2020 and 2019 follow:

	2020		2019	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Cash on hand	\$ 899	-	824	-
Checking accounts	142,969	145,141	87,213	88,996
Savings accounts	86,305	86,482	59,240	60,208
Certificates of deposit	67,778	67,778	67,358	67,358
	<u>\$ 297,951</u>	<u>299,401</u>	<u>214,635</u>	<u>216,562</u>

*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, 2020 and 2019, all of VMHA's deposits were insured.

**NOTE 4 – CAPITAL ASSETS**

Capital assets consisted of the following at December 31, 2020 and 2019:

	January 1, 2020	Increases	Decreases	December 31, 2020
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	<u>221,659</u>	<u>-</u>	<u>-</u>	<u>221,659</u>
Less accumulated depreciation for:				
Office equipment	(114,795)	(6,278)	-	(121,073)
Lifeboat shelter	(15,501)	(908)	-	(16,409)
Vehicles and other assets	(39,534)	(3,950)	-	(43,484)
Total accumulated depreciation	<u>(169,830)</u>	<u>(11,136)</u>	<u>-</u>	<u>(180,966)</u>
<b>Total capital assets, net</b>	<u>\$ 126,056</u>	<u>(11,136)</u>	<u>-</u>	<u>114,920</u>

**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, 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)
<b>Total capital assets, net</b>	<b>\$ 137,191</b>	<b>(11,135)</b>	<b>-</b>	<b>126,056</b>

**NOTE 5 – ACCURED LEAVE**

Accrued leave activity for the years ended December 31, 2020 and 2019 follows:

	January 1,	Accrued	Used	December 31,
2020	\$ 21,545	12,488	(7,927)	26,106
2019	21,354	12,283	(12,092)	21,545

**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, 2020 and 2019 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, 2020 and 2019 were \$1,230,671 and \$1,076,846, respectively. VMHA did not contribute to the Endowment Fund in 2020 and 2019.



**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
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*Notes to the Financial Statements, continued*

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

Net positions at December 31, 2020 and 2019 have been restricted by donors for the following projects and displays:

	2020	2019
Capital Campaign - New Museum	\$ 7,908	200
Annex exterior construction improvements	7,064	7,064
Copper Valley Electric Foundation - Temporary Exhibits	1,500	1,500
State Library CARES Grant	536	-
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
<i>Total restricted for projects and displays</i>	<b>\$ 18,188</b>	<b>10,004</b>

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

	2020	2019
Designated for:		
Phyllis Irish Fund – special projects	\$ 67,778	67,358
Jim Lethcoe fund	-	68
Undesignated	158,450	94,330
<i>Total unrestricted net position</i>	<b>\$ 226,228</b>	<b>161,756</b>

**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 January 1, 2021. VMHA is currently in negotiations with the City to extend this lease. At the date of these financial statements, no decision has been made regarding this lease. 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 \$3,941 for 2020, and \$6,490 for 2019.

**VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.**  
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*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 \$12,918 and \$12,619 for 2020 and 2019, respectively.

**NOTE 12 – RELATED PARTY TRANSACTIONS**

VMHA received a payment from the City of Valdez for \$475,000 and \$475,000 for 2020 and 2019, 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**

In preparing these financial statements, VMHA has evaluated events and transactions for potential recognition or disclosure through April 5, 2021, the date the financial statements were issued and determined there is nothing to be disclosed or recognized.

The Organization's operations have seen significant effect of the recent and ongoing outbreak of the coronavirus disease (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it has resulted in a significant decline in daily operation as a public museum, which has resulted in reduced revenue and expenses in many areas within VMHA.