

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

Financial Statements
Years Ended December 31, 2021 and 2020

(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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Independent Auditor's Report

Board of Directors

Valdez Museum & Historical Archive Association, Inc.

Valdez, Alaska

Ladies and Gentlemen:

We have audited the financial statements of Valdez Museum & Historical Archive Association, Inc. (VMHA), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, except for the effects on the accompanying 2021 financial statements described in the Basis for Qualified Opinion on the 2021 Financial Statements section of our report, the financial statements present fairly, in all material respects, the financial position of VMHA as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the 2021 Financial Statements

In the process of changing accounting software mid-year, several accounts received correcting adjustments. After these adjustments were entered, net assets no longer matched prior year's equity. The amount that net assets is off was evaluated and deemed to be above materiality.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of VMHA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the 2021 financial statements and for our opinion on the 2020 financial statements.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about VMHA's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VMHA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about VMHA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

Anchorage, Alaska
May 10, 2022

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

Management Discussion and Analysis

December 31, 2021 and 2020

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 2021 financial statements.

The total current assets of the VMHA totaled \$309,175, \$317,174, and \$236,027 at the end of 2021, 2020 and 2019, 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 \$264,036, \$273,837, and \$190,521 at the end of 2021, 2020 and 2019, respectively. Accounts receivable and merchandise inventory accounted for \$21,025, \$19,223, and \$21,392 at the end of 2021, 2020 and 2019, 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 \$103,785, \$114,920, and \$126,056 at December 31, 2021, December 31, 2020 and December 31, 2019, respectively.

The VMHA's **liabilities** are all short-term or current. At the end of 2021, 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 \$57,722, \$72,758, and \$64,267 at December 31, 2021, December 31, 2020 and December 31, 2019 respectively.

The **net position** can be broken down into three areas: invested in capital equipment \$103,785, \$114,920, and \$126,056 on December 31, 2021, December 31, 2020, and December 31, 2019, respectively; restricted by donor for special projects \$30,485, \$18,188, and \$10,004 at December 31, 2021, December 31, 2020 and December 31, 2019, respectively; and unrestricted \$220,968, \$226,228, and \$161,756 at December 31, 2021, December 31, 2020 and December 31, 2019, respectively. Total net position balances were \$355,238, \$359,336, and \$297,816 on December 31, 2021, December 31, 2020, and December 31, 2019, respectively.

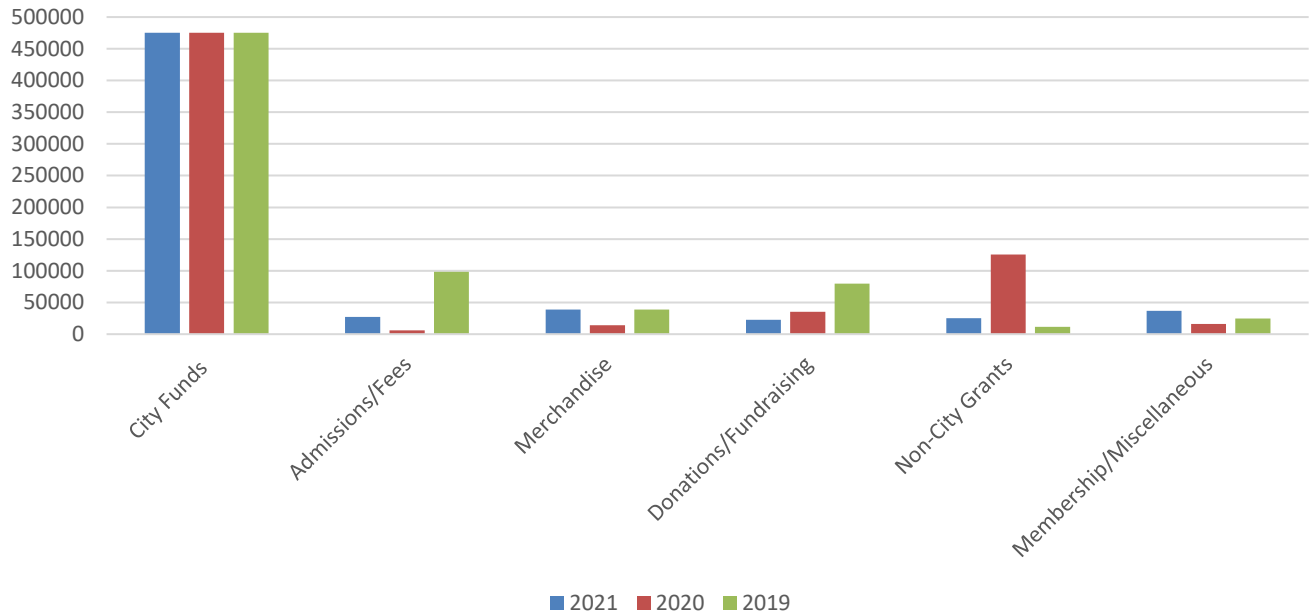
The 2021, 2020 and 2019 **total operating revenues** were \$625,662, \$672,730, and \$728,325, respectively. Over the last year, the team managed uncertainty by welcoming visitors safely, without hesitation, remained calm and kept moving on. Museum leadership navigated the twists and turns of operating in a pandemic by staying informed, staying connected, and embracing the unknown. Employing scenario planning, the Museum team closely monitored operational finances; assessing willingness of contributors and consumer confidence; as well as attempting

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Management Discussion and Analysis, continued

to understand shifts in population given the long-term effects of the global pandemic. As a result, this attention to monitoring the Museum remained financially stable.

VM & HA Three Year Income Comparison



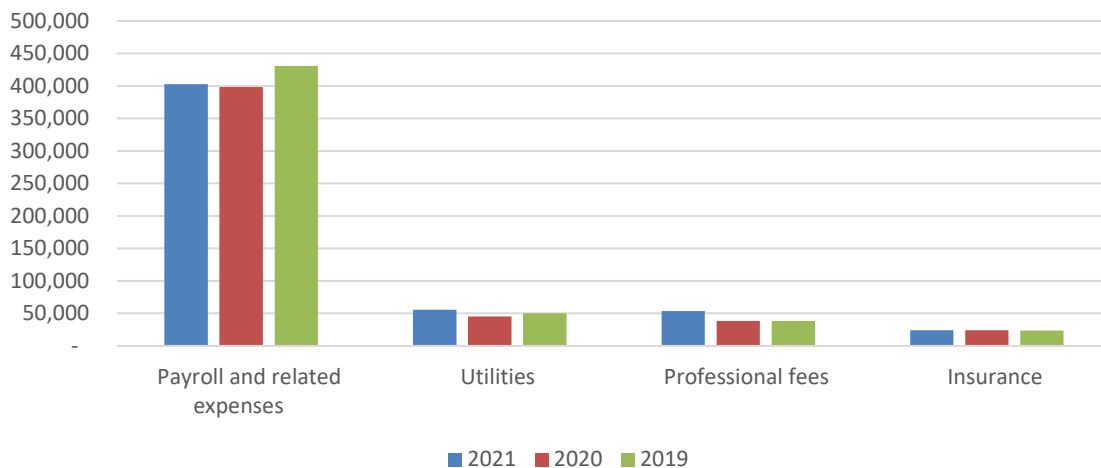
1. City funds remained stable at \$475,000. City funds support general operations, including human resources.
2. Admission income increased; 2021 was \$27,327 compared to \$6,203 and \$98,495 in 2020 and 2019, respectively. The focus was on in State travelers, given the continued effects of the global pandemic, resulting in an increase of 25% in visitation.
3. Store sales increased; 2021 was \$38,731 compared to \$14,297 and \$38,984 in 2020 and 2019, respectively. Travelers who visit the Museum were eager to shop local and sales reflected that sentiment.
4. Donation Income decreased: 2021 was \$10,520 compared to \$24,104 and \$50,948 in 2020 and 2019, respectively. The decrease is directly attributed to fewer unrestricted and restricted cash donations as well as fewer in-kind donation for auctions.
5. Fundraising increased slightly: 2021 was \$12,058 compared to \$11,113 and \$28,806 in 2020 and 2019, respectively. The increase is attributed to the successful raffle. Both the annual Appeal and Roadhouse decreased slightly.
6. Non-City Grants, which include both State and Foundation awards, decreased. 2021 was \$25,380 compared to \$125,750 and \$11,500 in 2020 and 2019, respectively. The notable difference is attributed to the 2020 CARES grant of \$100,000 that supported losses incurred by the global pandemic.
7. Membership and Fees increased; 2021 was \$15,438 compared to \$13,979 and \$12,171 in 2020 and 2019, respectively. The increase is attributed to and active membership recruitment effort.

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Management Discussion and Analysis, continued

The **total operating expenses** were \$642,755, \$619,839, and \$703,000 in 2021, 2020 and 2019, respectively. Operating expenses increased by 10% for 2021. While general operating costs, which include Payroll, Utilities, Professional Fees remained and Insurance increased, all other areas remained stable. The increases are attributed to increased operations. Overall, the budgeted expenses performed as expected, except for significant increase in utilities and consulting fees for new museum fundraising materials.

VMH & HA Three Year Expense Comparison



The VMHA **net position** at beginning of the year was \$359,336, \$297,816, and \$274,072 in 2021, 2020, and 2019, respectively. The net position at end of year was \$355,238, \$359,336, and \$297,816, in 2021, 2020, and 2019, respectively.

The Museum made no contributions to the **Museums' Endowment Fund** in 2021. 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 on December 31, 2021, 2020 and 2019 were \$1,391,721, \$1,230,671, and \$1,076,846, 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. Since the onset of the global COVID 19 pandemic, the Museum team has been navigating uncertainty, embracing the unknown and adapting to all the changes. We continue to embrace the unknown and operate within our means. Museum leadership embraces a fund development program that will be nimble, and we 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.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets			
Current Assets:			
Cash and cash equivalents:			
Unrestricted	\$ 264,036	273,837	190,521
Temporarily restricted	24,114	24,114	24,114
Accounts receivable	318	-	-
Merchandise inventory	<u>20,707</u>	<u>19,223</u>	<u>21,392</u>
<i>Total Current Assets</i>	<u>309,175</u>	<u>317,174</u>	<u>236,027</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	<u>103,785</u>	<u>114,920</u>	<u>126,056</u>
<i>Total noncurrent assets</i>	<u>103,785</u>	<u>114,920</u>	<u>126,056</u>
Total Assets	<u>\$ 412,960</u>	<u>432,094</u>	<u>362,083</u>
 Liabilities and Net Assets			
Current Liabilities:			
Accounts payable	\$ 3,592	14,527	11,583
Accrued leave	23,924	26,106	21,545
Payroll liabilities	6,092	8,011	7,025
Unearned revenue	<u>24,114</u>	<u>24,114</u>	<u>24,114</u>
<i>Total Current Liabilities</i>	<u>57,722</u>	<u>72,758</u>	<u>64,267</u>
Net Position:			
Net investment in capital assets	103,785	114,920	126,056
Restricted for projects and displays	30,485	18,188	10,004
Unrestricted	<u>220,968</u>	<u>226,228</u>	<u>161,756</u>
<i>Total Net position</i>	<u>355,238</u>	<u>359,336</u>	<u>297,816</u>
Total Liabilities and Net Assets	<u>\$ 412,960</u>	<u>432,094</u>	<u>362,083</u>

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Management Discussion and Analysis, continued

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues:			
City funds	\$ 475,000	475,000	475,000
Grants	25,380	125,750	11,500
Donations	10,520	24,104	50,948
Merchandise sales	38,731	14,297	38,984
Memberships and fees	15,438	13,979	12,171
Fundraising	12,058	11,113	28,806
Admissions/fees	27,327	6,203	98,495
Miscellaneous	21,208	2,284	12,421
Total operating revenues	<u>625,662</u>	<u>672,730</u>	<u>728,325</u>
Operating expenses:			
Payroll and related expenses	402,615	398,273	430,898
Utilities	55,619	45,480	50,338
Professional fees	53,754	38,320	38,219
Insurance	24,101	23,973	23,740
Fundraising expenses	14,235	16,319	42,186
Retirement plan contributions	13,484	12,918	12,619
Janitorial expenses	13,375	11,000	12,000
Depreciation	11,135	11,136	11,135
Dues, subscriptions and memberships	8,439	8,463	5,781
Merchandise for resale	7,382	7,985	21,568
Telephone and fax	7,313	7,050	7,719
Store discounts and fees	5,917	4,102	6,322
Printing and reproduction	5,360	4,122	4,991
Supplies	5,201	8,206	8,838
Collections and exhibits	4,415	6,168	5,309
Postage and freight	3,261	2,763	4,330
Education and public programs	2,909	2,446	5,293
Advertising	2,735	3,941	6,490
Rent	1,210	1,210	10
Vehicle expenses	284	724	427
Travel	11	2,432	-
Professional development	-	2,808	-
Minor equipment	-	-	2,073
Miscellaneous expenses	-	-	2,714
Total operating expenses	<u>642,755</u>	<u>619,839</u>	<u>703,000</u>
Operating loss	(17,093)	52,891	25,325
Nonoperating revenues -			
Interest income	698	445	443
Change in net position	<u>(16,395)</u>	<u>53,336</u>	<u>25,768</u>
Change in restricted for projects and displays	<u>12,297</u>	<u>8,184</u>	<u>(2,024)</u>
Net Position at the beginning of the year	<u>359,336</u>	<u>297,816</u>	<u>274,072</u>
Net Position at the end of the year	<u>\$ 355,238</u>	<u>359,336</u>	<u>297,816</u>

VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.

Valdez, Alaska

Statements of Financial Position

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 264,036	273,837
Temporarily restricted	24,114	24,114
Accounts receivable	318	-
Merchandise inventory	20,707	19,223
<i>Total current assets</i>	<u>309,175</u>	<u>317,174</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	103,785	114,920
<i>Total noncurrent assets</i>	<u>103,785</u>	<u>114,920</u>
Total Assets	<u>\$ 412,960</u>	<u>432,094</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 3,592	14,527
Accrued leave	23,924	26,106
Payroll liabilities	6,092	8,011
Unearned revenue	24,114	24,114
<i>Total current liabilities</i>	<u>57,722</u>	<u>72,758</u>
Net position:		
Net investment in capital assets	103,785	114,920
Restricted for projects and displays	30,485	18,188
Unrestricted	220,968	226,228
<i>Total Net position</i>	<u>355,238</u>	<u>359,336</u>
Total Liabilities and Net Assets	<u>\$ 412,960</u>	<u>432,094</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, 2021 and 2020*

	<u>2021</u>	<u>2020</u>
Operating revenues:		
City funds	\$ 475,000	475,000
Merchandise sales	38,731	14,297
Admissions/fees	27,327	6,203
Grants	25,380	125,750
Memberships and fees	15,438	13,979
Fundraising	12,058	11,113
Donations	10,520	24,104
Miscellaneous	21,208	2,284
Total operating revenues	<u>625,662</u>	<u>672,730</u>
Operating expenses:		
Payroll and related expenses	402,615	398,273
Utilities	55,619	45,480
Professional fees	53,754	38,320
Insurance	24,101	23,973
Fundraising expenses	14,235	16,319
Retirement plan contributions	13,484	12,918
Janitorial expenses	13,375	11,000
Depreciation	11,135	11,136
Dues, subscriptions and memberships	8,439	8,463
Merchandise for resale	7,382	7,985
Telephone and fax	7,313	7,050
Store discounts and fees	5,917	4,102
Printing and reproduction	5,360	4,122
Supplies	5,201	8,206
Collections and exhibits	4,415	6,168
Postage and freight	3,261	2,763
Education and public programs	2,909	2,446
Advertising	2,735	3,941
Rent	1,210	1,210
Vehicle expenses	284	724
Travel	11	2,432
Professional development	-	2,808
Total operating expenses	<u>642,755</u>	<u>619,839</u>
Operating (loss) income	(17,093)	52,891
Nonoperating revenues -		
Interest income	<u>698</u>	<u>445</u>
Change in net position	<u>(16,395)</u>	<u>53,336</u>
Change in restricted for projects and displays	<u>12,297</u>	<u>8,184</u>
Net Position at the beginning of the year	<u>359,336</u>	<u>297,816</u>
Net Position at the end of the year	<u>\$ 355,238</u>	<u>359,336</u>

See accompanying notes to the financial statements

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

Exhibit C-1

Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from customers and patrons	\$ 123,910	80,164
Cash received from City and grantors	513,731	600,750
Cash paid to employees	(406,716)	(392,726)
Cash paid to suppliers and vendors	(241,424)	(205,317)
<i>Net cash flows from operating activities</i>	(10,499)	82,871
Cash flows from investing activities:		
Interest income received	698	445
<i>Net cash flows from investing activities</i>	698	445
Net change in cash	(9,801)	83,316
Cash at beginning of year	297,951	214,635
Cash at end of year	\$ 288,150	297,951
Reconciliation of operating (loss) income to net cash flows from operating activities:		
Operating (loss) income	\$ (17,093)	52,891
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation expense	11,135	11,136
Change in restricted for projects and displays	12,297	8,184
(Increase) decrease in assets and deferred outflows:		
Accounts receivable	(318)	-
Inventory	(1,484)	2,169
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	(10,935)	2,944
Accrued payroll and taxes	(1,919)	986
Accrued leave	(2,182)	4,561
<i>Net cash flows from operating activities</i>	\$ (10,499)	82,871

See accompanying notes to the financial statements.

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Valdez, Alaska

Notes to the Financial Statements

December 31, 2021 and 2020

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.
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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.

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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, 2021 and 2020 follow:

	2021		2020	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Cash on hand	\$ 3,357	-	899	-
Checking accounts	128,574	122,434	142,969	145,141
Savings accounts	87,763	87,015	86,305	86,482
Certificates of deposit	68,456	68,456	67,778	67,778
	<u>\$ 288,150</u>	<u>277,905</u>	<u>297,951</u>	<u>299,401</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, 2021 and 2020, all of VMHA's deposits were insured.

NOTE 4 – CAPITAL ASSETS

Capital assets consisted of the following at December 31, 2021 and 2020:

	January 1, 2021	Increases	Decreases	December 31, 2021
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	-	(19,000)	52,134
Total capital assets, being depreciated	<u>221,659</u>	<u>-</u>	<u>(19,000)</u>	<u>202,659</u>
Less accumulated depreciation for:				
Office equipment	(121,073)	(6,278)	-	(127,351)
Lifeboat shelter	(16,409)	(907)	-	(17,316)
Vehicles and other assets	(43,484)	(3,950)	19,000	(28,434)
Total accumulated depreciation	<u>(180,966)</u>	<u>(11,135)</u>	<u>19,000</u>	<u>(173,101)</u>
Total capital assets, net	<u>\$ 114,920</u>	<u>(11,135)</u>	<u>-</u>	<u>103,785</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, 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	221,659	-	-	221,659
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	(169,830)	(11,136)	-	(180,966)
Total capital assets, net	\$ 126,056	(11,136)	-	114,920

NOTE 5 – ACCURED LEAVE

Accrued leave activity for the years ended December 31, 2021 and 2020 follows:

	January 1,	Accrued	Used	December 31,
2021	\$ 26,106	13,131	(15,313)	23,924
2020	21,545	12,488	(7,927)	26,106

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, 2021 and 2020 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, 2021 and 2020 were \$1,391,721 and \$1,230,671, respectively. VMHA did not contribute to the Endowment Fund in 2021 and 2020.

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, 2021 and 2020 have been restricted by donors for the following projects and displays:

	2021	2020
Capital Campaign - New Museum	\$ 8,109	7,908
State Library ARPA Electric	7,500	-
Annex exterior construction improvements	7,064	7,064
State Council on the Arts	2,880	-
State Library ARPA Easy	2,752	-
Copper Valley Electric Foundation - Temporary Exhibits	1,000	1,500
Forget Me Nots Denzel Mauldin	401	401
McAlister Ex. Materials	375	-
Pinzon Bar neon sign	304	304
Katie Dewing Cataloging Project	100	100
State Library CARES Grant	-	536
Exhibit materials	-	375
<i>Total restricted for projects and displays</i>	\$ 30,485	18,188

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

	2021	2020
Designated for:		
Phyllis Irish Fund – special projects	\$ 68,456	67,778
Undesignated	152,512	158,450
<i>Total unrestricted net position</i>	\$ 220,968	226,228

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 \$2,735 for 2021, and \$3,941 for 2020.

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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 \$13,484 and \$12,918 for 2021 and 2020, respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS

VMHA received a payment from the City of Valdez for \$475,000 and \$475,000 for 2021 and 2020, 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 May 10, 2022, 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.