

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

Financial Statements
Years Ended December 31, 2022 and 2021

(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:

We have audited the financial statements of Valdez Museum & Historical Archive Association, Inc. (VMHA), a component unit of the City of Valdez as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise VMHA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of VMHA as of December 31, 2022, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

VMHA's 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2023 on our consideration of VMHA’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering VMHA’s internal control over financial reporting and compliance.

A handwritten signature in blue ink, appearing to read "Newman & Vogel".

Anchorage, Alaska
May 11, 2023

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

Management Discussion and Analysis

December 31, 2022 and 2021

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 2022 financial statements.

The total current assets of the VMHA totaled \$331,412, \$309,175, and \$317,174 at the end of 2022, 2021 and 2020 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 \$286,276, \$264,036, and \$273,837 at the end of 2022, 2021 and 2020 respectively. Accounts receivable and merchandise inventory accounted for \$20,921, \$20,707, and \$19,223 at the end of 2022, 2021 and 2020, 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 \$98,439, \$103,785, and \$114,920 at December 31, 2022, December 31, 2021 and December 31, 2020, respectively.

The VMHA's **liabilities** are all short-term or current. At the end of 2022, the balances were for accounts payable, annual leave payable to employees, accrued payroll and related taxes, and unearned revenue, which includes funding for capital improvements. The total for these accounts was \$60,809, \$57,722, and \$72,758 on December 31, 2022, December 31, 2021, and December 31, 2020, respectively.

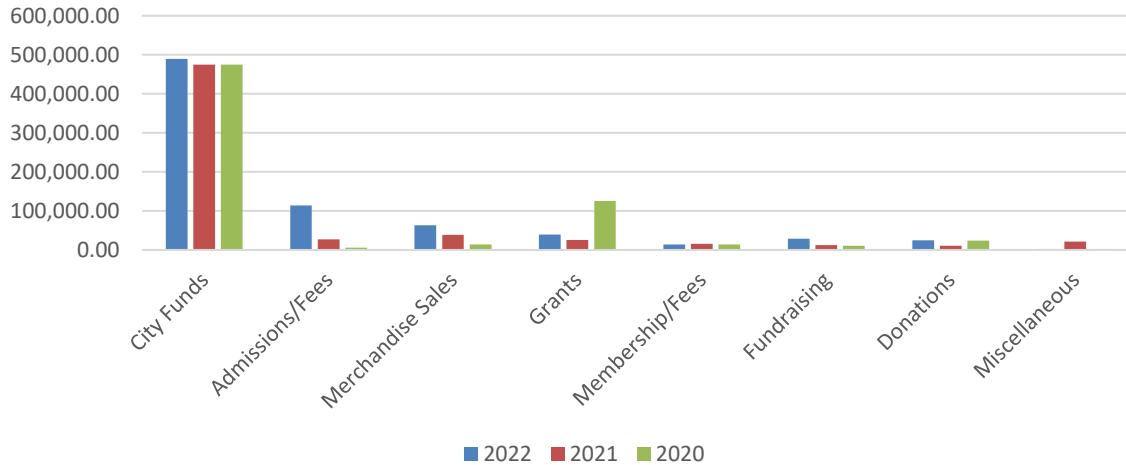
The **net position** can be broken down into three areas: investment in capital equipment \$98,439, \$103,785, and \$114,920 on December 31, 2022, December 31, 2021, and December 31, 2020, respectively; restricted by donor for special projects \$41,170, \$30,485, and \$18,188 on December 31, 2022, December 31, 2021, and December 31, 2020, respectively; and unrestricted \$229,433, \$220,968, and \$226,228 on December 31, 2022, December 31, 2021, and December 31, 2020, respectively. Total net position balances were \$369,042, \$355,238, and \$359,336 on December 31, 2022, December 31, 2021, and December 31, 2020, respectively.

The 2022, 2021 and 2020 **total operating revenues** were \$776,650, \$625,662, and \$672,730, respectively. Overall, the 2022 Budget performed better than expected. 2022 saw the return of individual travels, Tour Groups and Cruise Ships. With the additional City of Valdez funds and the American Rescue Plan Act grant, we were able to meet the needs of summer visitors and at the same time grow operating revenues. The Valdez Museum is back embracing its role as a valuable community asset.

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

Management Discussion and Analysis, continued

VM&HA Three Year Income Comparison



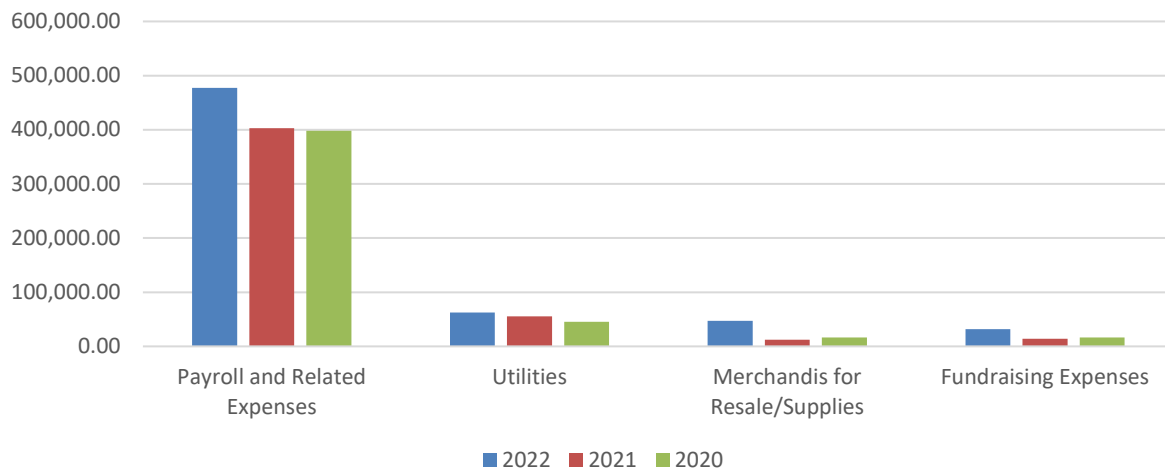
1. City funds increased; 2022 was \$490,000 compared to \$475,000 in 2021 and 2020. City funds support general operations, including human resources.
2. Admission income increased; 2022 was \$113,801 compared to \$38,731 and \$6,203 in 2021 and 2020, respectively. With an increase of visitors and Cruise Ship passengers, the summer season was exceptional.
3. Store sales increased; 2022 was \$62,902 compared to \$27,327 and \$14,297 in 2021 and 2020 respectively. With increased visitors came increased store sales. Travelers were eager to bring something special home with them.
4. Non-City Grants, which include both State and Foundation awards, grew slight in 2022. 2022 was \$39,280 compared to \$25,380 and \$125,750 in 2021 and 2020, respectively. The large amount in 2020 was due to \$100,000 received through cares, and the slight increase in 2022 was due to \$25,000 received from ARPA, which is included in the \$39,280 of grant revenue.
5. Membership and Fees remained stable; 2022 was \$14,390 compared to \$12,050 and \$13,979 in 2021 and 2020, respectively. The slight decrease is attributed to reduced archival fees and membership fees.
6. Fundraising increased: 2022 was \$28,552 compared to \$10,520 and \$11,113 in 2021 and 2020, respectively. The increase is attributed to success in the annual appeal, Roadhouse Dinner and items in the Store that are designated as fundraising.
7. Donation Income increased: 2022 was \$25,062 compared to \$15,438 and \$24,104 in 2021 and 2020, respectively. The increase is directly attributed to Restricted and In-Kind donations.
8. Miscellaneous Income returned to normal levels in 2022. The 2021 increase was attributed to the software issues, creating an adjustment of \$15,466.

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

The **total operating expenses** were \$773,831, \$642,755, and \$619,839 in 2022, 2021, and 2020, respectively. Operating expenses increased by 20% for 2022. Overall, the budgeted expenses performed as anticipated, except for significant increases in General Operating and Fundraising expenses. With the return of travelers, tour groups and cruise ships general operating costs, which include Payroll, Utilities, Supplies, and Merchandise for Resale, increased. 2022 saw the return of an in-person Roadhouse Dinner, additional increases are noted in Fundraising Expenses.

VM&HA Three Year Expense Comparison



The VMHA **net position** at beginning of the year was \$355,238, \$359,336, and \$297,816 in 2022, 2021, and 2020 respectively. The net position at end of year was \$369,042, \$355,238, and \$359,336 in 2022, 2021, and 2020, respectively.

The Museum made no contributions to the **Museums' Endowment Fund** in 2022. 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, 2022, 2021 and 2020 were \$1,192,182, \$1,391,721, and \$1,230,671, 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. Coming out of the COVID Pandemic, 2022 started off slow. As the year progressed, the Museum rebounded, increasing revenues by 23% While trends bounced back. Museum leadership continues to embrace 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 2020. 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)
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Management Discussion and Analysis, continued

	2022	2021	2020
Assets			
Current Assets:			
Cash and cash equivalents:			
Unrestricted	\$ 286,276	264,036	273,837
Temporarily restricted	24,114	24,114	24,114
Accounts receivable	101	318	-
Merchandise inventory	20,921	20,707	19,223
<i>Total Current Assets</i>	<u>331,412</u>	<u>309,175</u>	<u>317,174</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	98,439	103,785	114,920
<i>Total noncurrent assets</i>	<u>98,439</u>	<u>103,785</u>	<u>114,920</u>
Total Assets	<u>\$ 429,851</u>	<u>412,960</u>	<u>432,094</u>
 Liabilities and Net Assets			
Current Liabilities:			
Accounts payable	\$ 4,846	3,592	14,527
Accrued leave	20,400	23,924	26,106
Payroll liabilities	11,449	6,092	8,011
Unearned revenue	24,114	24,114	24,114
<i>Total Current Liabilities</i>	<u>60,809</u>	<u>57,722</u>	<u>72,758</u>
Net Position:			
Net investment in capital assets	98,439	103,785	114,920
Restricted for projects and displays	41,170	30,485	18,188
Unrestricted	229,433	220,968	226,228
<i>Total Net position</i>	<u>369,042</u>	<u>355,238</u>	<u>359,336</u>
Total Liabilities and Net Assets	<u>\$ 429,851</u>	<u>412,960</u>	<u>432,094</u>

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

Management Discussion and Analysis, continued

	2022	2021	2020
Operating revenues:			
City funds	\$ 490,000	475,000	475,000
Admissions/fees	113,801	27,327	6,203
Merchandise sales	62,902	38,731	14,297
Grants	39,280	25,380	125,750
Fundraising	28,552	12,058	11,113
Donations	25,062	10,520	24,104
Memberships and fees	14,390	15,438	13,979
Miscellaneous	2,663	21,208	2,284
Total operating revenues	<u>776,650</u>	<u>625,662</u>	<u>672,730</u>
Operating expenses:			
Payroll and related expenses	477,577	402,615	398,273
Utilities	62,514	55,619	45,480
Merchandise for resale	33,931	7,382	7,985
Professional fees	33,357	53,754	38,320
Fundraising expenses	31,909	14,235	16,319
Insurance	26,378	24,101	23,973
Janitorial expenses	15,117	13,375	11,000
Dues, subscriptions and memberships	14,026	8,439	8,463
Supplies	13,435	5,201	8,206
Retirement plan contributions	12,855	13,484	12,918
Collections and exhibits	8,034	4,415	6,168
Telephone and fax	7,072	7,313	7,050
Store discounts and fees	6,581	5,917	4,102
Postage and freight	5,493	3,261	2,763
Depreciation	5,346	11,135	11,136
Advertising	5,276	2,735	3,941
Education and public programs	4,283	2,909	2,446
Printing and reproduction	3,870	5,360	4,122
Minor equipment	3,486	-	-
Travel	1,592	11	2,432
Rent	1,210	1,210	1,210
Vehicle expenses	489	284	724
Professional development	-	-	2,808
Total operating expenses	<u>773,831</u>	<u>642,755</u>	<u>619,839</u>
Operating loss	2,819	(17,093)	52,891
Nonoperating revenues -			
Interest income	<u>300</u>	<u>698</u>	<u>445</u>
Change in net position	<u>3,119</u>	<u>(16,395)</u>	<u>53,336</u>
Change in restricted for projects and displays	<u>10,685</u>	<u>12,297</u>	<u>8,184</u>
Net Position at the beginning of the year	<u>355,238</u>	<u>359,336</u>	<u>297,816</u>
Net Position at the end of the year	<u>\$ 369,042</u>	<u>355,238</u>	<u>359,336</u>

VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.

Valdez, Alaska

*Statements of Financial Position**December 31, 2022 and 2021*

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 286,276	264,036
Temporarily restricted	24,114	24,114
Accounts receivable	101	318
Merchandise inventory	20,921	20,707
<i>Total current assets</i>	<u>331,412</u>	<u>309,175</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	98,439	103,785
<i>Total noncurrent assets</i>	<u>98,439</u>	<u>103,785</u>
Total Assets	<u>\$ 429,851</u>	<u>412,960</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 4,846	3,592
Accrued leave	20,400	23,924
Payroll liabilities	11,449	6,092
Unearned revenue	24,114	24,114
<i>Total current liabilities</i>	<u>60,809</u>	<u>57,722</u>
Net position:		
Net investment in capital assets	98,439	103,785
Restricted for projects and displays	41,170	30,485
Unrestricted	229,433	220,968
<i>Total Net position</i>	<u>369,042</u>	<u>355,238</u>
Total Liabilities and Net Assets	<u>\$ 429,851</u>	<u>412,960</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, 2022 and 2021*

	<u>2022</u>	<u>2021</u>
Operating revenues:		
City funds	\$ 490,000	475,000
Admissions/fees	113,801	27,327
Merchandise sales	62,902	38,731
Grants	39,280	25,380
Fundraising	28,552	12,058
Donations	25,062	10,520
Memberships and fees	14,390	15,438
Miscellaneous	2,663	21,208
Total operating revenues	<u>776,650</u>	<u>625,662</u>
Operating expenses:		
Payroll and related expenses	477,577	402,615
Utilities	62,514	55,619
Merchandise for resale	33,931	7,382
Professional fees	33,357	53,754
Fundraising expenses	31,909	14,235
Insurance	26,378	24,101
Janitorial expenses	15,117	13,375
Dues, subscriptions and memberships	14,026	8,439
Supplies	13,435	5,201
Retirement plan contributions	12,855	13,484
Collections and exhibits	8,034	4,415
Telephone and fax	7,072	7,313
Store discounts and fees	6,581	5,917
Postage and freight	5,493	3,261
Depreciation	5,346	11,135
Advertising	5,276	2,735
Education and public programs	4,283	2,909
Printing and reproduction	3,870	5,360
Minor equipment	3,486	-
Travel	1,592	11
Rent	1,210	1,210
Vehicle expenses	489	284
Total operating expenses	<u>773,831</u>	<u>642,755</u>
Operating (loss) income	<u>2,819</u>	<u>(17,093)</u>
Nonoperating revenues -		
Interest income	<u>300</u>	<u>698</u>
Change in net position	<u>3,119</u>	<u>(16,395)</u>
Change in restricted for projects and displays	<u>10,685</u>	<u>12,297</u>
Net Position at the beginning of the year	<u>355,238</u>	<u>359,336</u>
Net Position at the end of the year	<u>\$ 369,042</u>	<u>355,238</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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash received from customers and patrons	\$ 258,272	123,910
Cash received from City and grantors	529,280	513,731
Cash paid to employees	(475,744)	(406,716)
Cash paid to suppliers and vendors	(289,868)	(241,424)
<i>Net cash flows from operating activities</i>	<u>21,940</u>	<u>(10,499)</u>
Cash flows from investing activities:		
Interest income received	300	698
<i>Net cash flows from investing activities</i>	<u>300</u>	<u>698</u>
Net change in cash	<u>22,240</u>	<u>(9,801)</u>
Cash at beginning of year	<u>288,150</u>	<u>297,951</u>
Cash at end of year	<u>\$ 310,390</u>	<u>288,150</u>
Reconciliation of operating (loss) income to net cash flows from operating activities:		
Operating (loss) income	\$ 2,819	(17,093)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation expense	5,346	11,135
Change in restricted for projects and displays	10,685	12,297
(Increase) decrease in assets and deferred outflows:		
Accounts receivable	217	(318)
Inventory	(214)	(1,484)
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	1,254	(10,935)
Accrued payroll and taxes	5,357	(1,919)
Accrued leave	(3,524)	(2,182)
Net cash flows from operating activities	<u>\$ 21,940</u>	<u>(10,499)</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 Financial Statements

December 31, 2022 and 2021

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)
Valdez, Alaska

Notes to the Financial Statements, continued

NOTE 3 – CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents at December 31, 2022 and 2021 follow:

	2022		2021	
	Carrying Amount	Bank Balance	Carrying Amount	Bank Balance
Cash on hand	\$ 4,563	-	3,357	-
Checking accounts	163,428	154,616	128,574	122,434
Savings accounts	73,669	72,921	87,763	87,015
Certificates of deposit	68,730	68,730	68,456	68,456
	<u>\$ 310,390</u>	<u>296,267</u>	<u>288,150</u>	<u>277,905</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, 2022 and 2021, all of VMHA's deposits were insured.

NOTE 4 – CAPITAL ASSETS

Capital assets consisted of the following at December 31, 2022 and 2021:

	January 1, 2022	Increases	Decreases	December 31, 2022
	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	52,134	-	-	52,134
Total capital assets, being depreciated	<u>202,659</u>	<u>-</u>	<u>-</u>	<u>202,659</u>
Less accumulated depreciation for:				
Office equipment	(127,351)	(489)	-	(127,840)
Lifeboat shelter	(17,316)	(907)	-	(18,223)
Vehicles and other assets	(28,434)	(3,950)	-	(32,384)
Total accumulated depreciation	<u>(173,101)</u>	<u>(5,346)</u>	<u>-</u>	<u>(178,447)</u>
Total capital assets, net	<u>\$ 103,785</u>	<u>(5,346)</u>	<u>-</u>	<u>98,439</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, 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	221,659	-	(19,000)	202,659
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	(180,966)	(11,135)	19,000	(173,101)
Total capital assets, net	\$ 114,920	(11,135)	-	103,785

NOTE 5 – ACCURED LEAVE

Accrued leave activity for the years ended December 31, 2022 and 2021 follows:

	January 1,	Accrued	Used	December 31,
2022	\$ 23,924	12,899	(16,423)	20,400
2021	26,106	13,131	(15,313)	23,924

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, 2022 and 2021 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, 2022 and 2021 were \$1,192,182 and \$1,391,721, respectively. VMHA did not contribute to the Endowment Fund in 2022 and 2021.

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, 2022 and 2021 have been restricted by donors for the following projects and displays:

	2022	2021
Capital Campaign - New Museum	\$ 35,110	8,109
State Council on the Arts	2,880	2,880
Copper Valley Electric Foundation - Temporary Exhibits	2,000	1,000
Forget Me Nots Denzel Mauldin	401	401
McAlister Ex. Materials	375	375
Pinzon Bar neon sign	304	304
Katie Dewing Cataloging Project	100	100
State Library ARPA Electric	-	7,500
Annex exterior construction improvements	-	7,064
State Library ARPA Easy	-	2,752
<i>Total restricted for projects and displays</i>	\$ 41,170	30,485

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

	2022	2021
Designated for:		
Phyllis Irish Fund – special projects	\$ 68,730	68,456
Undesignated	160,703	152,512
<i>Total unrestricted net position</i>	\$ 229,433	220,968

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, 2025. 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. MHA 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 \$5,276 for 2022, and \$2,735 for 2021.

VALDEZ MUSEUM & HISTORICAL ARCHIVE ASSOCIATION, INC.
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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 \$12,855 and \$13,484 for 2022 and 2021, respectively.

NOTE 12 – RELATED PARTY TRANSACTIONS

VMHA received a payment from the City of Valdez for \$490,000 and \$475,000 for 2022 and 2021, 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 11, 2023, the date the financial statements were issued and determined there is nothing to be disclosed or recognized.