

**Findings and Recommendations
For the Year Ended December 31, 2010**

Board of Directors
Mesa Verde Museum Association
Mesa Verde National Park, Colorado

Ladies and Gentlemen:

Professional standards require that we communicate, in writing, deficiencies in internal control over financial reporting that are considered significant deficiencies or material weaknesses that are identified during the audit of the financial statements. These items are discussed below for your consideration.

Material Weaknesses:

None noted

Significant Deficiencies:

09-01 Finding – Segregation of Duties – prior year reworded, reissued

We understand that the size of the Association's administrative staff prohibits the complete and proper segregation of duties within its accounting functions. Such segregation of duties provide important safeguards and controls to insure the proper recording, deposit and disposition of the Association's funds. Currently, the consolidation of several functions prohibits the complete and proper segregation of duties associated with cash receipts and cash disbursements.

Recommendation

We recommend management consider ways a segregation of duties can be achieved within its cash receipts system. This may be achieved by segregating the duty of handling cash from those who are responsible for accounting for cash receipts. We would be happy to assist the Association in the design and/or revision of job descriptions and duties to properly achieve this segregation.

It has been a pleasure to be of service to the Association during this year's audit. We would like to express our special thanks to each of you who assisted us during this year's audit. We commend the Association and its management in its efforts to not only provide accurate accounting data for its operation, but also in its assistance to National Park Service. We invite you to ask questions of us concerning the above comments and also throughout the year as you feel necessary. We look forward to a continued, pleasant, professional relationship.

Hinton, Burdick, Hall & Spiker, PLLC
HINTON, BURDICK, HALL & SPIKER, PLLC
March 11, 2011

**UNITED STATES DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE**

**ANNUAL FINANCIAL REPORT
FOR COOPERATING ASSOCIATIONS**

**MESA VERDE MUSEUM ASSOCIATION
Mesa Verde National Park, Colorado**

FOR THE YEAR ENDED DECEMBER 31, 2010

**A CULTURAL, HISTORICAL AND SCIENTIFIC ASSOCIATION
OR SOCIETY ENGAGED IN EDUCATIONAL WORK
IN COOPERATION WITH THE NATIONAL PARK SERVICE**

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Report of Certified Public Accountants

The Board of Directors
 Mesa Verde Museum Association
 Mesa Verde National Park, Colorado

We have audited the accompanying statements of financial position of Mesa Verde Museum Association (a nonprofit organization) as of December 31, 2010 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from Mesa Verde Museum Association's fiscal year 2009 financial statements and, in our report dated July 12, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audits 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mesa Verde Museum Association as of December 31, 2010 and the change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the statements of financial position, activities and cash flows. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the audited financial statements of Mesa Verde Museum Association. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hinton, Burdick, Hall & Spilker, PLLC
 HINTON, BURDICK, HALL & SPILKER, PLLC
 March 11, 2011

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MESA VERDE MUSEUM ASSOCIATION

OFFICER'S CERTIFICATION

March 11, 2011

I certify that this report is, to the best of my knowledge and belief, true and complete in all respects.



Officer: Laurel Rematore
Title: Executive Director

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MESA VERDE MUSEUM ASSOCIATION
Statements of Financial Position
December 31, 2010 and 2009

<u>ASSETS</u>		
	2010	2009
Current assets		
Cash and cash equivalents	\$ 86,979	\$ 75,487
Accounts receivable	2,461	3,243
Inventories	210,955	217,609
Prepaid expense	16,763	30,608
Total current assets	317,158	326,947
Property and equipment		
Furniture, fixtures and equipment	123,404	98,534
Accumulated depreciation	(102,161)	(97,447)
Total property and equipment	21,243	1,087
Other assets		
Manuscript costs, net	61,027	72,729
Total other assets	61,027	72,729
Total assets	\$ 399,428	\$ 400,763

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Financial Position
December 31, 2010 and 2009

<u>LIABILITIES AND NET ASSETS</u>		
	2010	2009
Current liabilities		
Accounts payable	\$ 15,679	\$ 13,166
Accrued wages and benefits	21,874	19,340
Other accrued liabilities	368	3,222
Deferred revenue	10,894	15,904
Long term liabilities, current portion	20,377	18,767
Total current liabilities	69,192	70,399
Long term liabilities		
Notes payable, net of current portion	18,829	61,233
Total liabilities	88,021	131,632
Net assets		
Unrestricted		
Unrestricted - designated	-	240
Unrestricted - undesignated	269,480	218,406
Temporarily restricted	41,927	50,485
Total net assets	311,407	269,131
Total liabilities and net assets	\$ 399,428	\$ 400,763

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Activities
For the Years Ended December 31, 2010 and 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2010</u>	<u>Total 2009</u>
Revenues, gains and other support:				
Sales	\$ 1,092,372	\$ -	\$ 1,092,372	\$ 1,137,039
Management fees	4,190	-	4,190	1,500
Grants and contributions	-	167,298	167,298	133,143
Donations from trail guides	30,473	-	30,473	30,780
Interest income	856	-	856	877
Membership dues	42,369	-	42,369	31,798
Program service income	57,300	-	57,300	29,053
Other	12,890	-	12,890	3,712
Net assets released from restrictions:				
Satisfaction of program restrictions	175,856	(175,856)	-	-
Total revenues, gains and other support	<u>1,416,306</u>	<u>(8,558)</u>	<u>1,407,748</u>	<u>1,367,902</u>
Expenses and losses:				
Program - Sales	880,258	-	880,258	886,571
Program - Aid to National Park Service	296,775	-	296,775	259,592
Management and general	188,439	-	188,439	193,813
Fundraising	-	-	-	-
Total expenses	<u>1,365,472</u>	<u>-</u>	<u>1,365,472</u>	<u>1,339,976</u>
Change in net assets	50,834	(8,558)	42,276	27,926
Net assets at beginning of year	<u>218,646</u>	<u>50,485</u>	<u>269,131</u>	<u>241,205</u>
Net assets at end of year	<u>\$ 269,480</u>	<u>\$ 41,927</u>	<u>\$ 311,407</u>	<u>\$ 269,131</u>

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Cash Flows
December 31, 2010

	2010	2009
Cash flows from operating activities:		
Cash received from sales	\$ 1,088,144	\$ 1,150,987
Cash received from fees and other	116,749	66,063
Cash received from donations and grants	197,771	167,897
Cash received from interest income	856	877
Cash paid for inventory and other selling expenses	(857,566)	(882,108)
Cash paid for aid to National Park Service	(296,775)	(259,592)
Cash paid for general and administrative expenses	(162,221)	(171,595)
Cash paid for interest expenses	(9,802)	(9,802)
Net cash flows from operating activities	<u>77,156</u>	<u>62,727</u>
Cash flows from investing activities:		
Acquisition of fixed assets	(24,870)	-
Net cash flows from investing activities	<u>(24,870)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from short-term debt	-	78,650
Payments on short-term debt	-	(199,032)
Proceeds from long-term debt	-	80,000
Payments on long-term debt	(40,794)	-
Net cash flows from financing activities	<u>(40,794)</u>	<u>(40,382)</u>
Change in cash and cash equivalents	11,492	22,345
Cash and cash equivalents, beginning of year	<u>75,487</u>	<u>53,142</u>
Cash and cash equivalents, end of year	<u>\$ 86,979</u>	<u>\$ 75,487</u>
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 42,276	\$ 27,926
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	4,714	714
Amortization of manuscript costs	11,702	11,702
Changes in operating assets and liabilities:		
Decrease/(increase) in accounts receivable	782	(456)
Decrease/(increase) in grants receivable	-	3,974
Decrease/(increase) in inventory	6,654	14,657
Decrease/(increase) in prepaids	13,845	(8,949)
Increase/(decrease) in accounts payable	2,513	(3,575)
Increase/(decrease) in accrued wages and benefits	2,534	6,396
Increase/(decrease) in accrued liabilities	(2,854)	(4,066)
Increase/(decrease) in deferred revenue	(5,010)	14,404
Net cash flows from operating activities	<u>\$77,156</u>	<u>\$ 62,727</u>

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2010

NOTE 1. Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis of accounting.

Nature of Operations

Mesa Verde Museum Association (the Association) was incorporated June 23, 1960, as a non-profit organization involved in promoting scientific, historic, prehistoric, educational and interpretive activities of Mesa Verde National Park. The changes in net assets and financial position are reported under the accrual method of accounting.

Date of Management's Review

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through March 11, 2011, the date the financial statements were available to be issued.

Inventory and Cost of Sales

Inventories consist of goods held for sale and are stated at the lower of cost or market. Cost is determined by the first-in first-out method. Shipping and handling costs are included in cost of sales.

Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Provision for Income Tax

No provision has been made for Federal income taxes because the Association is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2010

NOTE 2. Cash and Cash Equivalents

The Association's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

As of December 31, 2010 and 2009, respectively, \$94,606 and \$70,062 of the bank balance were fully insured by the FDIC.

A reconciliation of cash and cash equivalents as shown on the statements of financial position follows:

	2010	2009
Cash on hand	\$ 3,599	\$ 4,622
Carrying amounts of deposits	83,380	70,865
Total	\$ 86,979	\$ 75,487
Cash and cash equivalents	\$ 86,979	\$ 75,487
Total	\$ 86,979	\$ 75,487

NOTE 3. Accounts Receivable

The majority of the receivables relates to third-party reimbursements, management fees and other grant income. Management considers all receivables to be collectible; therefore, an allowance for doubtful account is not considered necessary.

NOTE 4. Property and Equipment

Property and equipment are carried at cost if purchased or fair market value if contributed. Depreciation of equipment and improvements is provided over the estimated useful life of each asset, which ranges from two to ten years. The straight-line method of depreciation is used. The cost of repairs and maintenance is charged to expense as incurred; significant renewals and betterments are capitalized. It is the policy of the Association to capitalize all items that have a value of \$1,000 or more and have a useful life of over one year.

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2010

NOTE 4. Property and Equipment, Continued

The following is a summary of property and equipment activity for the year ended December 31, 2010:

	Balance December 31, 2009	Additions	Deletions	Balance December 31, 2010
Furniture, fixtures and equipment	\$ 98,534	\$ 24,870	\$ -	\$ 123,404
	\$ 98,534	\$ 24,870	\$ -	\$ 123,404

The following is a summary of property and equipment activity for the year ended December 31, 2009:

	Balance December 31, 2008	Additions	Deletions	Balance December 31, 2009
Furniture, fixtures and equipment	\$ 98,534	\$ -	\$ -	\$ 98,534
	\$ 98,534	\$ -	\$ -	\$ 98,534

NOTE 5. Manuscripts

The Association purchases manuscripts for various books and materials that it sells. The cost of these manuscripts are capitalized and amortized on a straight-line basis over a ten year period, which is the estimated economic life. Amortization of manuscript costs was \$11,702 and \$11,702 in 2010 and 2009, respectively. The balances of manuscript costs and accumulated amortization as of December 31, 2010 and 2009 are as follows:

	2010	2009
Manuscript costs	\$ 180,738	\$ 180,738
Accumulated amortization	(119,711)	(108,009)
	\$ 61,027	\$ 72,729

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2010

Note 6. Long-Term Debt

The Association's long-term debt consists of the following as of December 31, 2010:

Loan payable to Dolores State Bank, due in annual principal and interest payments of \$22,567.43, bearing interest at Prime + 1.5%, maturing September 30, 2013.	\$ 39,206
Less current portion	<u>(20,377)</u>
Total long-term debt, net of current portion	<u><u>\$ 18,829</u></u>

The estimated maturity of the long-term debt is as follows:

	Principal	Interest	Total
2011	\$ 20,377	\$ 2,191	\$ 22,568
2012	<u>18,829</u>	<u>671</u>	<u>19,500</u>
Total	<u><u>\$ 39,206</u></u>	<u><u>\$ 2,862</u></u>	<u><u>\$ 42,068</u></u>

Note 7. Deferred Charges

Costs incurred for the development of new publications and other media are reflected as deferred charges until the material is complete, at which time the total cost is transferred to manuscripts and amortization begins. Deferred charges not expected to be realized are written off in the period that determination is made.

Deferred charges at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Prepaid royalties and other	\$ 15,401	\$ 19,246
Prepayment on equipment	-	10,000
Deposits - publications	<u>1,362</u>	<u>1,362</u>
	<u><u>\$ 16,763</u></u>	<u><u>\$ 30,608</u></u>

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2010

Note 8. Retirement Plan

Mesa Verde Museum Association maintains a defined-contribution plan which provides for retirement benefits based on the actual value of contributions at the time of retirement. Employees must be 21 years of age and must have completed 12 months of service before becoming eligible to participate. Employees attain 100% vesting immediately. Contributions to the plan are 8% of the participants' salaries. During the year ended December 31, 2010, two employees were added to the plan. Pension expense was \$16,732 and \$10,308 in 2010 and 2009 respectively.

Note 9. Compensated Absences

The Association has a policy for compensated absences for full-time employees. The accrued liability was \$12,151 and \$10,679 and December 31, 2010 and 2009 respectively and is included in accrued wages and benefits in the accompanying balance sheets.

Note 10. Donation of Trail Guides

The Association donates its trail guides to the National Park Service and asks for public donations for any trail guides kept by the public. Therefore, an item for donations is shown in donations from trail guides and the related cost of trail guides given away is included in Assistance to National Park Service.

Note 11. Concentrations

The Association operates within the confines of Mesa Verde National Park and therefore is dependent on the Park's continued operation.

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2010

Note 12. Temporarily Restricted Net Assets

As of December 31, 2010 and 2009, the Association had the following temporarily restricted net assets:

	2010	2009
Aid to NPS Carryover-2007/2008	\$ 8,215	\$ 8,215
Grants for National Park Service - Educators' Guide	4,742	4,688
SAT Match	-	1,943
Sepas	22,775	22,519
USS Mesa Verde	-	1,389
Module 440	2,574	2,574
Native American Internship	3,621	3,580
Reynolds Reader Theatre	-	609
Magnetometry Survey	-	4,968
Total	\$ 41,927	\$ 50,485

Note 13. Unrestricted-Designated Net Assets

Unrestricted, designated net assets consist of funds reserved by the board of directors of the Association. The board has directed that interest earned on designated funds be included in the respective designated fund. As of December 31, 2010 and 2009, unrestricted, designated net assets were \$240 and \$240, respectively.

Note 14. Related Party Transactions

During the periods ending December 31, 2010 and 2009, the Association purchased maps from Time Traveler Maps which is owned by a Mesa Verde Museum Association board member; Frank Lister. Total purchases during fiscal year 2010 and 2009 were \$1,520 and \$3,097, respectively.

SUPPLEMENTARY INFORMATION

MESA VERDE MUSEUM ASSOCIATION
Statement of Functional Expenses
For the Year Ended December 31, 2010

<u>Expense category</u>	<u>Program A</u> <u>Sales</u>	<u>Program B</u> <u>Aid to National</u> <u>Park Service</u>	<u>Management</u> <u>& General</u>	<u>Total</u>
Aid to National Park Service (See Attachment A)	\$ -	\$ 296,775	\$ -	\$ 296,775
Advertising	1,090	-	-	1,090
Amortization of manuscripts	11,702	-	-	11,702
Cost of materials sold	560,479	-	-	560,479
Merchant credit card expense	25,570	-	-	25,570
Depreciation	-	-	4,714	4,714
Dues	-	-	2,700	2,700
Employee benefits	33,907	-	20,214	54,121
Employee convention	-	-	3,185	3,185
Equipment expense	5,457	-	551	6,008
Insurance	1,536	-	4,118	5,654
Interest	-	-	6,283	6,283
Joint membership expense	20,270	-	6,757	27,027
Lease expense	4,899	-	-	4,899
Legal and professional	-	-	16,051	16,051
Mail sale expense	4,183	-	-	4,183
Other	6,659	-	3,110	9,769
Royalty	886	-	-	886
Supplies	4,924	-	7,868	12,792
Travel	5,719	-	5,662	11,381
Vehicle operations	5,705	-	-	5,705
Utilities	4,740	-	-	4,740
Wages, salaries and payroll taxes	182,532	-	107,226	289,758
Total	<u>\$ 880,258</u>	<u>\$ 296,775</u>	<u>\$ 188,439</u>	<u>\$ 1,365,472</u>

MESA VERDE MUSEUM ASSOCIATION
Statement of Aid to the National Park Service
Attachment A
For the Year Ended December 31, 2010

	Current Year
Interpretation	\$ 113,228
Research	159,858
Administrative support	2,534
Mesa Verde Institute	<u>21,155</u>
Total	<u><u>\$ 296,775</u></u>