

**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, 2016

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

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Mesa Verde Museum Association (a nonprofit organization) which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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 audits. 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 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.

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 Mesa Verde Museum Association as of December 31, 2016 and 2015, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses and Summary of Aid to the National Park Service on pages 16 and 17 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

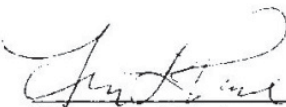
HintonBurdick, PLLC
St. George, Utah
February 17, 2017

MESA VERDE MUSEUM ASSOCIATION

OFFICER'S CERTIFICATION

February 17, 2017

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

A handwritten signature in cursive script, appearing to read "Teri Paul", is written over a horizontal line.

Officer: Teri Paul

Title: Executive Director

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MESA VERDE MUSEUM ASSOCIATION
Statements of Financial Position
December 31, 2016 and 2015

	<u>ASSETS</u>	
	2016	2015
Current assets		
Cash and cash equivalents	\$ 287,690	\$ 110,044
Inventories	212,244	176,745
Prepaid expense	4,213	2,162
Total current assets	504,147	288,951
Property and equipment		
Furniture, fixtures and equipment	154,898	143,870
Accumulated depreciation	(142,291)	(137,216)
Total property and equipment	12,607	6,654
Other assets		
Restricted cash and cash equivalents	21,715	24,902
Manuscript costs, net	6,581	10,625
Total other assets	28,296	35,527
Total assets	\$ 545,050	\$ 331,132

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Financial Position, Continued
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 14,677	\$ 20,181
Accrued wages and benefits	-	1,487
Accrued compensated absences	13,493	16,026
Other accrued liabilities	5,188	3,251
Total current liabilities	<u>33,358</u>	<u>40,945</u>
Net assets		
Unrestricted	398,893	226,747
Unrestricted - designated	91,084	38,538
Temporarily restricted	21,715	24,902
Total net assets	<u>511,692</u>	<u>290,187</u>
Total liabilities and net assets	<u>\$ 545,050</u>	<u>\$ 331,132</u>

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Activities
For the Years Ended December 31, 2016 and 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Revenues, gains and other support:				
Sales	\$ 1,599,889	\$ -	\$ 1,599,889	\$ 1,365,932
Grants and contributions	4,850	-	4,850	8,435
Donations	59,217	3,575	62,792	66,851
Interest income	96	9	105	73
Membership dues	73,449	-	73,449	63,670
Program service income	1,830	-	1,830	1,234
Other	17,015	-	17,015	12,244
Net assets released from restrictions:				
Satisfaction of program restrictions	6,771	(6,771)	-	-
Total revenues, gains and other support	<u>1,763,117</u>	<u>(3,187)</u>	<u>1,759,930</u>	<u>1,518,439</u>
Expenses and losses:				
Program - Sales	1,140,288	-	1,140,288	1,055,798
Program - Aid to National Park Service	155,155	-	155,155	158,260
Management and general	242,982	-	242,982	264,155
Total expenses	<u>1,538,425</u>	<u>-</u>	<u>1,538,425</u>	<u>1,478,213</u>
Change in net assets	224,692	(3,187)	221,505	40,226
Net assets at beginning of year	<u>265,285</u>	<u>24,902</u>	<u>290,187</u>	<u>249,961</u>
Net assets at end of year	<u>\$ 489,977</u>	<u>\$ 21,715</u>	<u>\$ 511,692</u>	<u>\$ 290,187</u>

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Cash Flows
December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Cash received from sales	\$ 1,599,889	\$ 1,366,002
Cash received from fees and other	92,294	77,148
Cash received from donations and grants	67,642	75,286
Cash received from interest income	105	73
Cash paid for inventory and other selling expenses	(1,185,425)	(1,044,062)
Cash paid for aid to National Park Service	(155,155)	(158,260)
Cash paid for general and administrative expenses	(233,010)	(242,468)
Cash paid for interest expenses	(853)	(1,113)
Net cash flows from operating activities	185,487	72,606
Cash flows from investing activities:		
Acquisition of fixed assets	(11,028)	(6,104)
Net cash flows from investing activities	(11,028)	(6,104)
Change in cash and cash equivalents	174,459	66,502
Cash and cash equivalents, beginning of year	134,946	68,444
Cash and cash equivalents, end of year	\$ 309,405	\$ 134,946
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 221,505	\$ 40,226
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	5,075	5,284
Amortization of manuscript costs	4,044	15,290
Changes in operating assets and liabilities:		
Decrease/(increase) in accounts receivable	-	70
Decrease/(increase) in inventory	(35,499)	(18,580)
Decrease/(increase) in prepaids	(2,051)	15,329
Increase/(decrease) in accounts payable	(5,504)	15,528
Increase/(decrease) in accrued wages and benefits	(1,487)	(2,939)
Increase/(decrease) in accrued compensated absences	(2,533)	484
Increase/(decrease) in accrued liabilities	1,937	1,914
Net cash flows from operating activities	\$ 185,487	\$ 72,606

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2016

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 February 17, 2017, 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 generally accepted accounting principles, 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.

The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2013, 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

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, 2016

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, 2016 and 2015, the bank balance of the Association's deposits was \$318,576 and \$137,348 respectively. Of the bank balance, \$68,576 and \$0, respectively, was uninsured by the FDIC.

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

	2016	2015
Cash on hand	\$ 3,005	\$ 5,405
Carrying amounts of deposits	306,400	129,541
Total	\$ 309,405	\$ 134,946
Cash and cash equivalents	\$ 287,690	\$ 110,044
Restricted cash and cash equivalents	21,715	24,902
Total	\$ 309,405	\$ 134,946

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.

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2016

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.

The following is a summary of property and equipment activity for the year ended December 31, 2016:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016
Furniture, fixtures and equipment	\$ 143,870	\$ 11,028	\$ -	\$ 154,898
	<u>\$ 143,870</u>	<u>\$ 11,028</u>	<u>\$ -</u>	<u>\$ 154,898</u>

The following is a summary of property and equipment activity for the year ended December 31, 2015:

	Balance December 31, 2014	Additions	Deletions	Balance December 31, 2015
Furniture, fixtures and equipment	\$ 137,766	\$ 6,104	\$ -	\$ 143,870
	<u>\$ 137,766</u>	<u>\$ 6,104</u>	<u>\$ -</u>	<u>\$ 143,870</u>

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2016

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 \$4,044 and \$15,290 in 2016 and 2015, respectively. The balances of manuscript costs and accumulated amortization as of December 31, 2016 and 2015 are as follows:

	2016	2015
Manuscript costs	\$ 213,653	\$ 213,653
Accumulated amortization	(207,072)	(203,028)
	\$ 6,581	\$ 10,625

Note 6. 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, 2016 and 2015 consisted of the following:

	2016	2015
Prepaid royalties and other	\$ -	\$ -
	\$ -	\$ -

Note 7. 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 they become eligible to participate. Employees attain 100% vesting immediately. Contributions to the plan are 6% of the participants' salaries. Pension expense was \$11,717 and \$13,644 in 2016 and 2015, respectively.

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2016

Note 8. Compensated Absences

The Association has a policy for compensated absences for full-time employees. The accrued liability was \$13,493 and \$16,026 at December 31, 2016 and 2015, respectively and is included in accrued compensated absences in the accompanying balance sheets.

Note 9. 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 10. Concentrations

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

Note 11. Temporarily Restricted Net Assets

As of December 31, 2016 and 2015, the Association had the following temporarily restricted net assets:

	2016	2015
Four Corners Lecture Series	\$ 2,780	\$ 1,425
Grants for National Park Service - Educators' Guide	4,789	4,787
SEPAS	11,558	11,552
Module 440	2,574	2,574
Grants for National Park Service - Ticket to Ride	14	4,564
Total	\$ 21,715	\$ 24,902

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2016

Note 12. Unrestricted – Designated Net Assets

Unrestricted – Designated Net Assets consist of funds reserved by the Board of Directors of the Association. The Association had unrestricted-designated net assets of \$91,084 and \$38,538 as of December 31, 2016 and 2015, respectively.

SUPPLEMENTARY INFORMATION

MESA VERDE MUSEUM ASSOCIATION
Schedule of Functional Expenses
For the Year Ended December 31, 2016

<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)	\$ -	\$ 155,155	\$ -	\$ 155,155
Advertising	751	-	-	751
Amortization of manuscripts	4,044	-	-	4,044
Cost of materials sold	791,192	-	-	791,192
Merchant credit card expense	40,838	-	-	40,838
Depreciation	-	-	5,075	5,075
Dues	-	-	2,210	2,210
Electronic bookstore expense	2,453	-	-	2,453
Employee benefits	31,968	-	36,098	68,066
Employee convention	-	-	8,203	8,203
Equipment expense	1,695	-	-	1,695
Insurance	1,567	-	4,181	5,748
Interest	-	-	853	853
Joint membership expense	18,513	-	6,171	24,684
Lease expense	6,247	-	-	6,247
Legal and professional	-	-	16,035	16,035
Mail sale expense	5,132	-	-	5,132
Other	6,461	-	5,336	11,797
Royalty	4,066	-	-	4,066
Supplies and uniforms	15,254	-	6,607	21,861
Travel	844	-	4,862	5,706
Vehicle operations	4,891	-	-	4,891
Utilities	2,676	-	2,676	5,352
Wages, salaries and payroll taxes	201,696	-	144,675	346,371
Total	<u>\$ 1,140,288</u>	<u>\$ 155,155</u>	<u>\$ 242,982</u>	<u>\$ 1,538,425</u>

MESA VERDE MUSEUM ASSOCIATION
Summary of Aid to the National Park Service
Attachment A
For the Year Ended December 31, 2016

	Current Year
Interpretation	\$ 150,943
Research	491
Administrative support	<u>3,721</u>
Total	<u><u>\$ 155,155</u></u>