

**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, 2017

**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, 2017 and 2016, 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, 2017 and 2016, 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
April 6, 2018

MESA VERDE MUSEUM ASSOCIATION

OFFICER'S CERTIFICATION

April 6, 2018

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

Officer: Teri Paul
Title: Executive Director

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MESA VERDE MUSEUM ASSOCIATION
Statements of Financial Position
December 31, 2017 and 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 452,868	\$ 287,690
Accounts receivable	8,841	-
Inventories	213,677	212,244
Prepaid expense	<u>1,100</u>	<u>4,213</u>
Total current assets	<u>676,486</u>	<u>504,147</u>
Property and equipment		
Furniture, fixtures and equipment	187,684	154,898
Accumulated depreciation	<u>(156,655)</u>	<u>(142,291)</u>
Total property and equipment	<u>31,029</u>	<u>12,607</u>
Other assets		
Restricted cash and cash equivalents	109,165	21,715
Manuscript costs, net	<u>2,716</u>	<u>6,581</u>
Total other assets	<u>111,881</u>	<u>28,296</u>
Total assets	<u><u>\$ 819,396</u></u>	<u><u>\$ 545,050</u></u>

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Financial Position, Continued
December 31, 2017 and 2016

<u>LIABILITIES AND NET ASSETS</u>		
	2017	2016
Current liabilities		
Accounts payable	\$ 3,343	\$ 14,677
Accrued compensated absences	17,082	13,493
Other accrued liabilities	1,048	5,188
Total current liabilities	21,473	33,358
Net assets		
Unrestricted	463,608	398,893
Unrestricted - designated	225,150	91,084
Temporarily restricted	109,165	21,715
Total net assets	797,923	511,692
Total liabilities and net assets	\$ 819,396	\$ 545,050

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Activities
For the Years Ended December 31, 2017 and 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Revenues, gains and other support:				
Sales	\$ 1,784,497	\$ -	\$ 1,784,497	\$ 1,599,889
Grants and contributions	-	24,500	24,500	4,850
Donations	52,884	66,576	119,460	62,792
Interest income	262	26	288	105
Membership dues	85,166	-	85,166	73,449
Program service income	1,320	-	1,320	1,830
Other	15,878	-	15,878	17,015
Net assets released from restrictions:				
Satisfaction of program restrictions	3,652	(3,652)	-	-
Total revenues, gains and other support	<u>1,943,659</u>	<u>87,450</u>	<u>2,031,109</u>	<u>1,759,930</u>
Expenses and losses:				
Program - Sales	1,386,712	-	1,386,712	1,140,288
Program - Aid to National Park Service	189,536	-	189,536	155,155
Management and general	168,630	-	168,630	242,982
Total expenses	<u>1,744,878</u>	<u>-</u>	<u>1,744,878</u>	<u>1,538,425</u>
Change in net assets	198,781	87,450	286,231	221,505
Net assets at beginning of year	<u>489,977</u>	<u>21,715</u>	<u>511,692</u>	<u>290,187</u>
Net assets at end of year	<u>\$ 688,758</u>	<u>\$ 109,165</u>	<u>\$ 797,923</u>	<u>\$ 511,692</u>

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Cash Flows
December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Cash received from sales	\$ 1,775,656	\$ 1,599,889
Cash received from fees and other	102,364	92,294
Cash received from donations and grants	143,960	67,642
Cash received from interest income	288	105
Cash paid for inventory and other selling expenses	(1,396,917)	(1,185,425)
Cash paid for aid to National Park Service	(189,536)	(155,155)
Cash paid for general and administrative expenses	(150,315)	(233,010)
Cash paid for interest expenses	(86)	(853)
Net cash flows from operating activities	<u>285,414</u>	<u>185,487</u>
Cash flows from investing activities:		
Acquisition of fixed assets	(32,786)	(11,028)
Net cash flows from investing activities	<u>(32,786)</u>	<u>(11,028)</u>
Change in cash and cash equivalents	252,628	174,459
Cash and cash equivalents, beginning of year (including restricted cash and cash equivalents)	<u>309,405</u>	<u>134,946</u>
Cash and cash equivalents, end of year (including restricted cash and cash equivalents)	<u>\$ 562,033</u>	<u>\$ 309,405</u>
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ 286,231	\$ 221,505
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	14,364	5,075
Amortization of manuscript costs	3,865	4,044
Changes in operating assets and liabilities:		
Decrease/(increase) in accounts receivable	(8,841)	-
Decrease/(increase) in inventory	(1,433)	(35,499)
Decrease/(increase) in prepaids	3,113	(2,051)
Increase/(decrease) in accounts payable	(11,334)	(5,504)
Increase/(decrease) in accrued wages and benefits	-	(1,487)
Increase/(decrease) in accrued compensated absences	3,589	(2,533)
Increase/(decrease) in accrued liabilities	(4,140)	1,937
Net cash flows from operating activities	<u>\$ 285,414</u>	<u>\$ 185,487</u>

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2017

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 April 6, 2018, 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 2015, 2016, and 2017 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, 2017

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, 2017 and 2016, the bank balance of the Association's deposits was \$351,194 and \$318,576 respectively. Of the bank balance, \$81,064 and \$68,576, respectively, was uninsured by the FDIC.

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

	<u>2017</u>	<u>2016</u>
Cash on hand	\$ 8,936	\$ 3,005
Carrying amounts of deposits	<u>553,097</u>	<u>306,400</u>
Total	<u>\$ 562,033</u>	<u>\$ 309,405</u>
Cash and cash equivalents	\$ 452,868	\$ 287,690
Restricted cash and cash equivalents	<u>109,165</u>	<u>21,715</u>
Total	<u>\$ 562,033</u>	<u>\$ 309,405</u>

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, 2017

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, 2017:

	Balance December 31, 2016	Additions	Deletions	Balance December 31, 2017
Furniture, fixtures and equipment	\$ 154,898	\$ 32,786	\$ -	\$ 187,684
	<u>\$ 154,898</u>	<u>\$ 32,786</u>	<u>\$ -</u>	<u>\$ 187,684</u>

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>

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2017

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 \$3,865 and \$4,044 in 2017 and 2016, respectively. The balances of manuscript costs and accumulated amortization as of December 31, 2017 and 2016 are as follows:

	2017	2016
Manuscript costs	\$ 213,653	\$ 213,653
Accumulated amortization	(210,937)	(207,072)
	\$ 2,716	\$ 6,581

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, 2017 and 2016 consisted of the following:

	2017	2016
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 \$12,345 and \$11,717 in 2017 and 2016, respectively.

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2017

Note 8. Compensated Absences

The Association has a policy for compensated absences for full-time employees. The accrued liability was \$17,082 and \$13,493 at December 31, 2017 and 2016, 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, 2017 and 2016, the Association had the following temporarily restricted net assets:

	2017	2016
Four Corners Lecture Series	\$ 1,795	\$ 2,780
Grants for National Park Service - Educators' Guide	4,797	4,789
SEPAS	11,576	11,558
Module 440	2,574	2,574
Grants for National Park Service - Ticket to Ride	6,347	14
Colorado State Historical Fund Grant	15,500	-
National Park Foundation - Guest Donation Program	59,576	-
Mesa Verde Voices Podcast	7,000	-
Total	\$ 109,165	\$ 21,715

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2017

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 \$225,150 and \$91,084 as of December 31, 2017 and 2016, respectively.

SUPPLEMENTARY INFORMATION

MESA VERDE MUSEUM ASSOCIATION
Schedule of Functional Expenses
For the Year Ended December 31, 2017

<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)	\$ -	\$ 189,536	\$ -	\$ 189,536
Advertising	75	-	-	75
Amortization of manuscripts	3,865	-	-	3,865
Cost of materials sold	880,619	-	-	880,619
Merchant credit card expense	47,141	-	-	47,141
Depreciation	-	-	14,364	14,364
Dues	-	-	1,871	1,871
Electronic bookstore expense	1,953	-	-	1,953
Employee benefits	66,796	-	19,794	86,590
Employee convention	-	-	5,081	5,081
Equipment expense	1,563	-	-	1,563
Insurance	1,744	-	4,540	6,284
Interest	-	-	86	86
Joint membership expense	47,907	-	15,969	63,876
Lease expense	5,536	-	-	5,536
Legal and professional	-	-	17,191	17,191
Mail sale expense	7,072	-	-	7,072
Other	8,716	-	8,588	17,304
Supplies and uniforms	13,652	-	6,060	19,712
Technology support	1,777	-	1,715	3,492
Travel	1,879	-	4,580	6,459
Vehicle operations	857	-	-	857
Utilities	2,643	-	2,643	5,286
Wages, salaries and payroll taxes	292,917	-	66,148	359,065
Total	<u>\$ 1,386,712</u>	<u>\$ 189,536</u>	<u>\$ 168,630</u>	<u>\$ 1,744,878</u>

MESA VERDE MUSEUM ASSOCIATION
Summary of Aid to the National Park Service
Attachment A
For the Year Ended December 31, 2017

	Current Year
Interpretation	\$ 184,086
Research	1,080
Administrative support	4,370
Total	\$ 189,536