

**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, 2018

**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, 2018 and 2017, and the related statements of activities, functional expenses, 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, 2018 and 2017, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, Mesa Verde Museum Association implemented the provisions of ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The summary of aid to the National Park Service is presented for purposes of additional analysis and is 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.



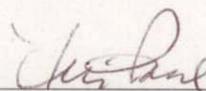
HintonBurdick, PLLC
St. George, Utah
April 16, 2019

MESA VERDE MUSEUM ASSOCIATION

OFFICER'S CERTIFICATION

April 16, 2019

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, 2018 and 2017

	<u>ASSETS</u>	
	2018	2017
Current assets		
Cash and cash equivalents	\$ 450,187	\$ 452,868
Accounts receivable	8,336	8,841
Inventories	206,049	213,677
Prepaid expense	8,964	1,100
Total current assets	673,536	676,486
Property and equipment		
Furniture, fixtures and equipment	195,153	187,684
Accumulated depreciation	(167,700)	(156,655)
Total property and equipment	27,453	31,029
Other assets		
Restricted cash and cash equivalents	90,336	109,165
Manuscript costs, net	13	2,716
Total other assets	90,349	111,881
Total assets	\$ 791,338	\$ 819,396

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Financial Position, Continued
December 31, 2018 and 2017

LIABILITIES AND NET ASSETS

	2018	2017
Current liabilities		
Accounts payable	\$ 11,194	\$ 3,343
Accrued compensated absences	19,004	17,082
Other accrued liabilities	354	1,048
Total current liabilities	30,552	21,473
Net assets		
Without donor restrictions	420,930	463,608
Without donor restrictions-board designated	249,520	225,150
With donor restrictions	90,336	109,165
Total net assets	760,786	797,923
Total liabilities and net assets	\$ 791,338	\$ 819,396

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Revenues, gains and other support:				
Sales	\$ 1,584,987	\$ -	\$ 1,584,987	\$ 1,784,497
Grants and contributions	-	17,875	17,875	24,500
Donations	50,801	26,059	76,860	119,460
Interest income	641	41	682	288
Membership dues	80,803	-	80,803	85,166
Program service income	1,410	-	1,410	1,320
Other	13,415	-	13,415	15,878
Net assets released from restrictions:				
Satisfaction of program restrictions	62,804	(62,804)	-	-
 Total revenues, gains and other support	 1,794,861	 (18,829)	 1,776,032	 2,031,109
Expenses and losses:				
Program - Sales	1,305,461	-	1,305,461	1,386,712
Program - Aid to National Park Service	357,096	-	357,096	189,536
Management and general	150,199	-	150,199	168,630
 Total expenses	 1,812,756	 -	 1,812,756	 1,744,878
 Net loss on disposal of fixed assets	 413	 -	 413	 -
 Total expenses and losses	 1,813,169	 -	 1,813,169	 1,744,878
 Change in net assets	 (18,308)	 (18,829)	 (37,137)	 286,231
 Net assets at beginning of year	 688,758	 109,165	 797,923	 511,692
 Net assets at end of year	 \$ 670,450	 \$ 90,336	 \$ 760,786	 \$ 797,923

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statement of Functional Expenses
For the Year Ended December 31, 2018

Expense category	Program A Sales	Program B Aid to National Park Service *	Management & General	Total
Advertising	\$ 969	\$ -	\$ -	\$ 969
Amortization of manuscripts	2,703	-	-	2,703
Cost of materials sold	790,463	-	-	790,463
Merchant credit card expense	43,744	-	-	43,744
Depreciation	-	-	11,349	11,349
Dues	-	-	2,420	2,420
Electronic bookstore expense	1,504	-	-	1,504
Employee benefits	81,754	9,934	23,178	114,866
Employee convention	-	-	2,336	2,336
Equipment expense	727	-	-	727
Grants and aid	-	249,321	-	249,321
Insurance	1,789	-	4,631	6,420
Joint membership expense	13,117	-	4,113	17,230
Lease expense	4,544	-	-	4,544
Legal and professional	-	-	19,182	19,182
Mail sale expense	6,283	-	-	6,283
Other	15,133	-	7,421	22,554
Supplies and uniforms	25,074	-	2,610	27,684
Travel	2,136	2,412	2,739	7,287
Vehicle operations	1,340	-	-	1,340
Utilities	2,900	-	2,900	5,800
Wages, salaries and payroll taxes	311,281	95,429	67,320	474,030
Total	\$ 1,305,461	\$ 357,096	\$ 150,199	\$ 1,812,756

* See Attachment A for a summary of aid to cooperating agencies

The accompanying notes are an integral part of the financial statements

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

Expense category	Program A Sales	Program B Aid to National Park Service	Management & General	Total
Advertising	\$ 75	\$ -	\$ -	\$ 75
Amortization of manuscripts	3,865	-	-	3,865
Cost of materials sold	880,619	67,644	-	948,263
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	8,488	19,794	95,078
Employee convention	-	-	5,081	5,081
Equipment expense	1,563	-	-	1,563
Grants and aid	-	16,057	-	16,057
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	4,370	8,588	21,674
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	92,977	66,148	452,042
Total	\$ 1,386,712	\$ 189,536	\$ 168,630	\$ 1,744,878

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Statement of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Cash received from sales	\$ 1,585,492	\$ 1,775,656
Cash received from fees and other	95,628	102,364
Cash received from donations and grants	94,735	143,960
Cash received from interest income	682	288
Cash paid for inventory and other selling expenses	(1,296,618)	(1,396,917)
Cash paid for aid to National Park Service	(357,096)	(189,536)
Cash paid for general and administrative expenses	(136,148)	(150,315)
Cash paid for interest expenses	-	(86)
Net cash flows from operating activities	<u>(13,325)</u>	<u>285,414</u>
Cash flows from investing activities:		
Acquisition of fixed assets	(8,985)	(32,786)
Sale of fixed assets	800	
Net cash flows from investing activities	<u>(8,185)</u>	<u>(32,786)</u>
Change in cash and cash equivalents	(21,510)	252,628
Cash and cash equivalents, beginning of year (including restricted cash and cash equivalents)	<u>562,033</u>	<u>309,405</u>
Cash and cash equivalents, end of year (including restricted cash and cash equivalents)	<u>\$ 540,523</u>	<u>\$ 562,033</u>
Reconciliation of change in net assets to net cash flows from operating activities:		
Change in net assets	\$ (37,137)	\$ 286,231
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	11,348	14,364
Amortization of manuscript costs	2,703	3,865
Loss on disposal of fixed assets	413	-
Changes in operating assets and liabilities:		
Decrease/(increase) in accounts receivable	505	(8,841)
Decrease/(increase) in inventory	7,628	(1,433)
Decrease/(increase) in prepaids	(7,864)	3,113
Increase/(decrease) in accounts payable	7,851	(11,334)
Increase/(decrease) in accrued compensated absences	1,922	3,589
Increase/(decrease) in accrued liabilities	(694)	(4,140)
Net cash flows from operating activities	<u>\$ (13,325)</u>	<u>\$ 285,414</u>

The accompanying notes are an integral part of the financial statements

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 1. Significant Accounting Policies

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.

Description of Programs

The Association uses the revenues earned and the contributions received to cover operating costs and to provide capital improvements and other services for the benefit of the National Park Service. Aid to National Park Service is donated at cost or basis.

Date of Management's Review

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 16, 2019, 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

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence 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 2016, 2017, and 2018 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, 2018 and 2017

NOTE 1. Significant Accounting Policies, Continued

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, and membership expense which are allocated on the basis of estimates of time and effort, as well as insurance and telephone expense, which are allocated on the basis of estimates of use.

New Pronouncements

For the year ended December 31, 2018, the Association retroactively implemented the provisions of ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes the previous guidance for assets classification, governing board designations, investment return, underwater endowment funds, expenses, liquidity and presentation of operating cash flows.

ASU 2016-14 reduces the required number of classes of net assets from three to two: *net assets with donor restrictions* and *net assets without donor restrictions*. ASU 2016-14 also requires not-for-profit entities (NFPs) to provide enhanced disclosures about the amounts and purposes of governing board designations and appropriations. ASU 2016-14 requires NFPs to report investment return net of external and direct internal investment expenses. The requirement to disclose those netted expenses is eliminated. In the absence of explicit donor restrictions, ASU 2016-14 requires NFPs to use the placed-in-service approach to account for capital donations. The previous option to use the over-time approach has been eliminated. ASU 2016-14 requires expenses to be reported by nature in addition to function and include an analysis of expenses by both nature and function. The methods used by NFPs to allocate costs among program and support functions needs to be disclosed. ASU 2016-14 requires NFPs to provide both qualitative and quantitative information on management of liquid available resources and the ability to cover short-term cash needs within one year of the balance sheet date. Finally, previous standards allow NFPs to decide whether to present operating cash flows using either the direct method or the indirect method. ASU 2016-14 eliminates the requirement to present or disclose the indirect method of reconciliation if the entity decides to use the direct method.

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 2. Liquidity and Availability of Financial Assets

The following reflects the Association's financial assets available within one year of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts available for general use include the board-designated reserves the Association could be drawn upon if the governing board approves that action.

	2018	2017
Financial Assets:		
Cash	\$ 450,187	\$ 452,868
Accounts receivable	8,336	8,841
Restricted cash and cash equivalents	90,336	109,165
Subtotal	548,859	570,874
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions (see Note 12)	(90,336)	(109,165)
Financial assets available to meet cash needs for general expenditures within one year	\$ 458,523	\$ 461,709

As part of the Association's liquidity management, it invests cash in excess of daily requirements in short-term investments, typically savings accounts. In addition, as disclosed in Note 13, the Association has board-designated reserves to fill unexpected liquidity needs that may arise in addition to general expenditures. The Association also has a \$200,000 line of credit if a liquidity need arises.

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 3. 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, 2018 and 2017, the bank balance of the Association's deposits was \$573,506 and \$556,215, respectively. Of the bank balance, \$0 and \$81,064, respectively, was uninsured by the FDIC.

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

	2018	2017
Cash on hand	\$ 4,475	\$ 8,936
Carrying amounts of deposits	536,048	553,097
Total	\$ 540,523	\$ 562,033
Cash and cash equivalents	\$ 450,187	\$ 452,868
Restricted cash and cash equivalents	90,336	109,165
Total	\$ 540,523	\$ 562,033

NOTE 4. 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 accounts is not considered necessary.

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 5. 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, 2018:

	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Furniture, fixtures and equipment	\$ 187,684	\$ 8,985	\$ (1,516)	\$ 195,153
	<u>\$ 187,684</u>	<u>\$ 8,985</u>	<u>\$ (1,516)</u>	<u>\$ 195,153</u>

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>

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 6. 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 \$2,703 and \$3,865 in 2018 and 2017, respectively. The balances of manuscript costs and accumulated amortization as of December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Manuscript costs	\$ 213,653	\$ 213,653
Accumulated amortization	<u>(213,640)</u>	<u>(210,937)</u>
	<u>\$ 13</u>	<u>\$ 2,716</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, 2018 and 2017 are \$0.

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 they become eligible to participate. Employees attain 100% vesting immediately. Contributions to the plan are 6% of the participants' salaries. Pension expense was \$15,837 and \$12,345 in 2018 and 2017, respectively.

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2018 and 2017

Note 9. Compensated Absences

The Association has a policy for compensated absences for full-time employees. The accrued liability was \$19,004 and \$17,082 at December 31, 2018 and 2017, respectively and is included in accrued compensated absences 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.

Note 12. Restrictions on Net Assets

As of December 31, 2018 and 2017, the Association had the following net assets with donor restrictions available for the following purposes:

	2018	2017
Four Corners Lecture Series	\$ -	\$ 1,795
Grants for National Park Service - Educators' Guide	4,809	4,797
SEPAS	11,011	11,576
Module 440	2,574	2,574
Grants for National Park Service - Ticket to Ride	1,202	6,347
Colorado State Historical Fund Grant	1,755	15,500
National Park Foundation - Guest Donation Program	63,052	59,576
Mesa Verde Voices Podcast	5,933	7,000
Total	\$ 90,336	\$ 109,165

MESA VERDE MUSEUM ASSOCIATION
Notes to the Financial Statements
December 31, 2018 and 2017

Note 13. Net Assets Without Donor Restrictions – Board-Designated

Net assets without donor restrictions-board designated consist of funds reserved by the Board of Directors of the Association to be used for operating periods with severe downturns in sales, government shutdowns, and unforeseen emergencies. The Association had board-designated net assets of \$249,520 and \$225,150 as of December 31, 2018 and 2017, respectively.

SUPPLEMENTARY INFORMATION

MESA VERDE MUSEUM ASSOCIATION
Summary of Aid to the National Park Service
Attachment A
For the Year Ended December 31, 2018

	Current Year
Interpretation	\$ 332,215
Research	880
Administrative support	<u>24,001</u>
Total	<u><u>\$ 357,096</u></u>