



For the years ended December 31, 2013 and 2012
(with independent auditors' report thereon)

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Missouri History Museum:

We have audited the accompanying financial statements of the Missouri History Museum (the "Museum"), which comprise the statements of financial position as of December 31, 2013 and 2012, 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.

Auditors' 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 from 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 auditors' 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 the Museum as of December 31, 2013 and 2012, 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.

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.

St. Louis, Missouri

March 26, 2014

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2013 and 2012	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash	\$649,285	\$2,048,061
Accrued Investment Income	93,450	97,375
Grants and Accounts Receivable	138,411	166,922
Pledges Receivable, Net	1,766,997	1,397,087
Inventories	204,197	222,671
Short-Term Investments	1,969,198	1,071,292
Prepaid Expenses	431,157	488,029
Total Current Assets	<u>\$5,252,695</u>	<u>\$5,491,437</u>
NON-CURRENT ASSETS		
Investments (including Unrealized Gains of \$7,046,860 and \$3,416,245 for 2013 and 2012, respectively)	\$40,712,470	\$34,955,099
Pledges Receivable, Net	3,302,049	4,066,228
Leasehold Improvements, Net	21,882,164	22,183,326
Furniture, Fixtures and Equipment, Net	1,785,215	1,682,485
Construction in Progress	0	125,000
Land and Buildings	661,510	661,510
Total Non-Current Assets	<u>\$68,343,408</u>	<u>\$63,673,648</u>
TOTAL ASSETS	<u>\$73,596,103</u>	<u>\$69,165,085</u>
CURRENT LIABILITIES		
Accounts Payable	\$611,720	\$478,732
Accrued Salary and Accrued Vacation	518,515	478,190
Deferred Revenue	23,365	18,480
Total Current Liabilities	<u>\$1,153,600</u>	<u>\$975,402</u>
NON-CURRENT LIABILITIES		
Obligations Under Split-Interest Agreements	\$265,508	\$279,732
Other	496,281	420,660
Total Non-Current Liabilities	<u>\$761,789</u>	<u>\$700,392</u>
TOTAL LIABILITIES	<u>\$1,915,389</u>	<u>\$1,675,794</u>
NET ASSETS		
Unrestricted	\$38,006,019	\$37,126,722
Unrestricted — Board Designated	8,613,151	8,354,321
Total Unrestricted	<u>\$46,619,170</u>	<u>\$45,481,043</u>
Temporarily Restricted	13,216,920	10,497,022
Permanently Restricted	11,844,624	11,511,226
Total Net Assets	<u>\$71,680,714</u>	<u>\$67,489,291</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$73,596,103</u>	<u>\$69,165,085</u>

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2013				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$10,000,008			\$10,000,008
Contributions:				
Capital Campaign		\$992,613	25,834	\$1,018,447
Other	877,061	289,129	307,564	1,473,754
Memberships	417,763			417,763
In-Kind Contributions	41,095			41,095
Total Public Support	<u>\$11,335,927</u>	<u>\$1,281,742</u>	<u>\$333,398</u>	<u>\$12,951,067</u>
Revenue:				
Investment Income	\$989,085	\$73,311		\$1,062,396
Realized Gains from Sale of Securities	342,726	412,096		754,822
Unrealized Gains from Securities	1,785,822	1,844,792		3,630,614
Grant Income	11,405			11,405
Museum Shop, Net (Sales of \$394,783)	(16,395)			(16,395)
Facility Rental/Restaurant Income/Catering, Net	96,947			96,947
Special Exhibition Ticket Revenue	205,865			205,865
Other Income, Net	340,165			340,165
Net Revenue	<u>\$3,755,620</u>	<u>\$2,330,199</u>		<u>\$6,085,819</u>
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	\$892,043	(\$892,043)		\$0
Total Net Assets Released from Restrictions	<u>\$892,043</u>	<u>(\$892,043)</u>		<u>\$0</u>
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	<u>\$15,983,590</u>	<u>\$2,719,898</u>	<u>\$333,398</u>	<u>\$19,036,886</u>
DECREASES IN NET ASSETS				
Expenses:				
Program Services:				
Community Education and Events Programs	\$1,926,386			\$1,926,386
Library and Collections	3,924,750			3,924,750
Publications	387,238			387,238
Exhibitions and Research	4,188,750			4,188,750
Communications	1,069,650			1,069,650
Total Program Services	<u>\$11,496,774</u>			<u>\$11,496,774</u>
Supporting Services:				
Development	\$362,412			\$362,412
Membership	365,691			365,691
Management and General	2,037,367			2,037,367
Human Resources	303,645			303,645
Information Technology	214,039			214,039
Total Supporting Services	<u>\$3,283,154</u>			<u>\$3,283,154</u>
Change in Value of Split-Interest Agreements	\$65,535			\$65,535
TOTAL EXPENSES — DECREASES IN NET ASSETS	<u>\$14,845,463</u>			<u>\$14,845,463</u>
Excess of Public Support and Revenue over Expenses	\$1,138,127	\$2,719,898	\$333,398	\$4,191,423
Net Assets Beginning of Year	45,481,043	10,497,022	11,511,226	67,489,291
NET ASSETS END OF YEAR	<u>\$46,619,170</u>	<u>\$13,216,920</u>	<u>\$11,844,624</u>	<u>\$71,680,714</u>

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2012				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$10,354,452			\$10,354,452
Contributions:				
Capital Campaign		\$1,387,926	\$4,744,990	6,132,916
Other	621,760	413,011		1,034,771
Memberships	538,071			538,071
Volunteer Services and In-Kind Contributions	43,550			43,550
Total Public Support	\$11,557,833	\$1,800,937	\$4,744,990	\$18,103,760
Revenue:				
Investment Income	\$857,043	\$38,719		\$895,762
Realized Gains/(Losses) from Sale of Securities	604,423	(63,237)		541,186
Unrealized Gains from Securities	1,153,279	1,174,007		2,327,286
Grant Income	77,457			77,457
Museum Shop, Net (Sales of \$448,729)	8,938			8,938
Facility Rental/Restaurant Income/Catering, Net	78,371			78,371
Special Exhibition Ticket Revenue	373,529			373,529
Other Income, Net	319,985			319,985
Net Revenue	\$3,473,025	\$1,149,489		\$4,622,514
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	\$1,296,686	(\$1,296,686)		\$0
Total Net Assets Released from Restrictions	\$1,296,686	(\$1,296,686)		\$0
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$16,327,544	\$1,653,740	\$4,744,990	\$22,726,274
DECREASES IN NET ASSETS				
Expenses:				
Program Services:				
Community Education and Events Programs	\$1,540,848			\$1,540,848
Library and Collections	3,384,368			3,384,368
Publications	365,622			365,622
Exhibitions and Research	3,831,964			3,831,964
Communications	1,345,563			1,345,563
Total Program Services	\$10,468,365			\$10,468,365
Supporting Services:				
Development	\$878,601			\$878,601
Membership	369,999			369,999
Management and General	2,013,047			2,013,047
Human Resources	305,501			305,501
Information Technology	170,397			170,397
Total Supporting Services	\$3,737,545			\$3,737,545
Change in Value of Split-Interest Agreements	\$51,784			\$51,784
Revaluation of Land	\$743,914			\$743,914
TOTAL EXPENSES — DECREASES IN NET ASSETS	\$15,001,608			\$15,001,608
Excess of Public Support and Revenue over Expenses	\$1,325,936	\$1,653,740	\$4,744,990	\$7,724,666
Net Assets Beginning of Year	44,155,107	8,843,282	6,766,236	59,764,625
NET ASSETS END OF YEAR	\$45,481,043	\$10,497,022	\$11,511,226	\$67,489,291

STATEMENTS OF CASH FLOWS

	2013	2012
For the years ended December 31, 2013 and 2012		
Cash Flows from Operating Activities		
Change in Net Assets	\$4,191,423	\$7,724,666
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	1,212,339	1,128,548
Revaluation of Land	0	743,914
Contributions Restricted for Endowment	(333,398)	(4,744,990)
Net Realized Gains on Investments	(754,822)	(541,186)
Net Unrealized Gains on Investments	(3,630,614)	(2,327,286)
Change in Assets and Liabilities		
Receivables	426,705	(4,270,063)
Inventories and Prepaid Expenses	75,346	87,195
Accounts Payable and Accrued Liabilities	173,313	208,271
Deferred Revenue	4,885	14,940
Obligations Under Split-Interest Agreements	(14,224)	(12,642)
Other Liabilities	75,621	(744,461)
Net Cash from Operating Activities	\$1,426,574	(\$2,733,094)
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	\$25,117,605	\$8,298,700
Purchases of Investments	(27,387,446)	(9,257,806)
Purchases of Property	(888,907)	(757,327)
Net Cash from Investing Activities	(\$3,158,748)	(\$1,716,433)
Cash Flows from Financing Activities		
Proceeds from Contributions Restricted for Endowment	\$333,398	\$4,744,990
Net Cash from Financing Activities	\$333,398	\$4,744,990
Net Change in Cash	(\$1,398,776)	\$295,463
Cash, Beginning of Year	2,048,061	1,752,598
CASH, END OF YEAR	\$649,285	\$2,048,061

1. Summary of Significant Accounting Policies

Museum Operations

The Missouri History Museum (Museum) is a not-for-profit charitable trust whose primary functions are educational and community programs; collections and conservation; library and research; and exhibitions. The Museum's mission is to deepen the understanding of past choices, present circumstances and future possibilities; strengthen the bonds of community; and facilitate solutions to common problems.

Basis of Presentation

The Museum follows accounting standards set by the Financial Accounting Standards Board (FASB).

The financial statement presentation follows the recommendations of FASB Accounting Standards Codification (ASC) 958-205. Under ASC 958-205, the Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets:

Unrestricted Net Assets include all resources which are not subject to donor-imposed restrictions of a more specific nature than those which only obligate the Museum to utilize funds in furtherance of its mission.

Unrestricted-Board Designated Net Assets include net assets restricted by the Board of Trustees for specified purposes.

Temporarily Restricted Net Assets carry specific, donor-imposed restrictions on the expenditure or other use of contributed funds or limitations imposed by law. Temporary restrictions may expire either because of the passage of time or because certain actions are taken by the Museum which fulfill the restriction.

Permanently Restricted Net Assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the funds be retained permanently.

Fair Value Measurements

The fair value of financial instruments classified as current assets or current liabilities, including cash, receivables, prepaid expenses, accounts payable, accrued expenses and deferred revenue approximates carrying value due to the short-term nature of these accounts.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 — Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Level 2 — Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with lock-up periods of 90 days or less. Level 2 methods are also used in measuring the initial fair value of long-term pledges.

Level 3 — Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with lock-up periods in excess of 90 days.

The Museum determines the fair value of certain assets and liabilities on a recurring basis through application of ASC 820. As disclosed in Note 8 to the financial statements, there were triggering events during 2013 and 2012 that required fair value measurements of the Museum's nonfinancial assets and liabilities at December 31, 2013 and 2012.

NOTES TO FINANCIAL STATEMENTS

Cash

Cash consists of demand deposits. Money market funds and highly liquid investments are included in short term investments.

Grants and Accounts Receivable

Grants and accounts receivable consist of amounts due to the Museum related to work performed under grant agreements. Grants and accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts based on its assessment of individual accounts. Accordingly, no allowance was considered necessary at December 31, 2013 and 2012.

Pledges Receivable

In 2013 the Museum received pledges and contributions designated for the Capital Campaign. Unconditional pledges for the Capital Campaign, along with other legally enforceable pledges, less an allowance for uncollectible amounts, are recorded as receivables at fair value in the year made. Pledges made and received beyond one year are discounted to present value using a risk adjusted rate at the date of pledge (from 2.82% to 3.96% at December 2013 and 2.95% at December 2012). The initially recorded fair value is considered a Level 2 fair value approach. For pledges made and received within one year, the net realizable value is a reasonable estimate of the fair value. If restricted by the donor for endowment, the amount is reported as public support of the permanently restricted net asset class. If restricted by donor for particular purposes or for capital acquisition, the amount is reported as public support of temporarily restricted net assets.

Inventories

Inventories consist of Museum Shop items held for resale. Inventories are recorded at the lower of cost or market, determined by the retail method.

Investments

Investments are carried at fair value as determined per the fair value policy described in this section, and net realized and unrealized gains and (losses) are reflected in the Statements of Activities. The classification of investment balances as current or non-current is based on the intent of the use of the underlying investment. Contributed securities are stated at their fair value on the date of receipt using a Level 1, 2 or 3 fair value approach depending on the type of contributed security. It is the policy of the Museum to sell all contributed securities as soon as they are received.

Investment activities and results on the financial statements are shown net of investment advisory and asset management fees of \$198,044 and \$187,529 for the years ended December 31, 2013 and 2012, respectively. Included in these fees are advisory and asset custodian fees paid to a financial institution for which a Trustee is an officer. The amounts paid to this financial institution during the years ended December 31, 2013 and 2012 are \$77,375 and \$77,051, respectively.

Property and Equipment

The land and buildings that comprise the facilities of the Museum are leased from the Missouri History Museum Subdistrict (Subdistrict) of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (ZMD). Property and equipment are recorded at cost, if purchased. Expenditures greater than \$5,000 are reviewed for capitalization. Expenditures for repairs and maintenance are charged to expense as incurred, additions and improvements that significantly extend the lives of assets are capitalized. Leasehold improvements are amortized over the estimated life of the assets of seven to forty years. Furniture, fixtures and equipment are depreciated on the straight-line basis over the estimated life of the assets of three to ten years.

Museum Collections

The Museum's research collections contain unique regional history sources and objects documenting St. Louis, Missouri, the Mississippi and Missouri Valleys, the Louisiana Purchase Territory and the American West. An integrated and multi-format collection, it serves an audience of diverse local, national and international readers and researchers. Museum staff members work to share the collections in the galleries, through our various publications, online and through our community and educational programs. The value of the collections and library holdings cannot be determined, and

therefore, is not capitalized in the accompanying financial statements. Each of the items in the collections is catalogued, preserved and cared for, and collections audits are performed regularly. Proceeds from deaccessions are used to acquire other objects for the collections.

Split-Interest Agreements

The Museum administers split-interest agreements subject to obligations to pay fixed amounts periodically to the respective donor or designated beneficiary during their lifetimes. At the inception of the split-interest agreement, an obligation is recorded at present value, which is a Level 2 fair value approach, using discount rates ranging from 4.2% to 9.5%, for estimated future payments. The obligations under the split-interest agreements are adjusted over the term of the agreement for changes in the fair value of assets, accretion of the discount and other changes in estimates of future benefits. Obligations under split-interest agreements were \$265,508 and \$279,732 at December 31, 2013 and 2012, respectively. The assets are included in the Museum's long-term investment portfolio.

Public Support and Revenues

The Museum reports contributions, including unconditional promises to give in future periods, as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Contributions received with donor-imposed stipulations that are satisfied in the same year as the contributions are used are initially reported in temporarily restricted net assets and released to unrestricted net assets as the restrictions are met.

The Museum reports gifts of land and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Volunteer Service and In-Kind Contributions

The value of in-kind contributions is recorded in the Statements of Activities as public support and included in expenses within the function for which these services were performed or the in-kind contributions were applicable.

The Museum recognizes the value of volunteer services in accordance with FASB ASC 958-605-25-16. In accordance with applicable guidance, the value of these contributions is not recognized in the financial statements. A substantial number of volunteers make significant contributions to the Museum enhancing its activities and programs. The Museum wishes to acknowledge these services and values such at approximately \$173,000 and \$161,000 for the years ended December 31, 2013 and 2012, respectively. In fiscal years 2013 and 2012, these services include approximately 123 and 125 volunteers, respectively, who contributed approximately 10,790 and 11,435 hours of service, respectively, to the Museum.

Income Taxes

The Museum qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and therefore, there is no provision for income taxes.

The Museum follows the provisions of ASC 740-10-25 requiring disclosure of uncertain tax positions. There has been no interest or penalties recognized in the Statements of Activities nor in the Statements of Financial Position related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Museum evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles requires the Museum to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified in the 2012 financial statements to conform to the presentation of the 2013 financial statements.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2013 and 2012 are available for the following purpose:

	2013	2012
Capital Campaign	\$2,994,059	\$2,668,138
Community Education and Events Programs	77,122	54,843
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	237,944	168,537
Publication of Books	8,258	13,944
Exhibit Production, Maintenance and Research	80,666	29,577
Realized Gains on Endowment Investments	6,258,205	5,846,112
Unrealized Gains on Endowment Investments	3,560,666	1,715,871
	<u>\$13,216,920</u>	<u>\$10,497,022</u>

Net assets were released from donor restrictions as the Museum incurred expenses satisfying the restricted purposes as follows for the years ended December 31, 2013 and 2012:

	2013	2012
Capital Campaign	\$666,690	\$752,647
Community Education and Events Programs	83,221	273,465
Collections and Conservation	73,755	39,329
Publication of Books	22,300	25,000
Exhibit Production, Maintenance and Research	46,077	206,245
Net Assets Released from Restrictions	<u>\$892,043</u>	<u>\$1,296,686</u>

3. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2013 and 2012 are summarized below based on the types of activities the income is available to support:

	2013	2012
Acquisition of Items for Library and Collections	\$82,040	\$82,040
Exhibits, Research and Conservation	4,780,825	4,754,990
Salaries	517,901	517,901
Publication of Books and Magazines	137,285	137,285
Internship Program	246,715	246,715
General Museum Operations	6,079,858	5,772,295
	<u>\$11,844,624</u>	<u>\$11,511,226</u>

4. Pledges Receivable

At December 31, 2013, pledges receivable were expected to be collected as follows:

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2014	\$1,784,845		\$17,848	\$1,766,997
2015-2019	3,637,380	\$301,977	33,354	3,302,049
	<u>\$5,422,225</u>	<u>\$301,977</u>	<u>\$51,202</u>	<u>\$5,069,046</u>

NOTES TO FINANCIAL STATEMENTS

5. Investments

Investments as of December 31, 2013 are comprised of the following:

NET ASSET CLASS	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$1,306,700	\$22,060,363	\$23,367,063
Temporarily Restricted Funds	662,498	9,605,628	10,268,126
Permanently Restricted Funds	0	9,046,479	9,046,479
	<u>\$1,969,198</u>	<u>\$40,712,470</u>	<u>\$42,681,668</u>

NET ASSET CLASS	FAIR VALUE	COST
Unrestricted Funds:		
Money Market Funds	\$498,880	\$498,880
U.S. Government Obligations	1,114,332	1,088,795
Corporate Bonds and Debentures	3,989,748	3,947,192
Corporate Stock	4,617,544	2,705,441
Mutual Funds — Equities	9,676,103	6,201,068
Mutual Funds — Fixed Income	2,974,498	3,248,457
Mutual Funds — Real Estate	495,958	475,163
Total Unrestricted Funds	<u>\$23,367,063</u>	<u>\$18,164,996</u>
Temporarily Restricted Funds:		
Money Market Funds	\$338,502	\$338,502
U.S. Government Obligations	472,081	469,897
Corporate Bonds and Debentures	1,162,641	1,158,900
Corporate Stock	2,012,874	1,479,302
Mutual Funds — Equities	5,181,711	4,094,463
Mutual Funds — Fixed Income	863,049	658,422
Mutual Funds — Real Estate	237,268	223,848
Total Temporarily Restricted Funds	<u>\$10,268,126</u>	<u>\$8,423,334</u>
Permanently Restricted Funds:		
Money Market Funds	\$1,691,189	\$1,691,189
U.S. Government Obligations	465,653	465,653
Corporate Bonds and Debentures	979,727	979,727
Corporate Stock	1,356,805	1,356,805
Mutual Funds — Equities	3,850,767	3,850,767
Mutual Funds — Fixed Income	491,390	491,390
Mutual Funds — Real Estate	210,948	210,948
Total Permanently Restricted Funds	<u>\$9,046,479</u>	<u>\$9,046,479</u>
TOTAL INVESTMENTS	<u>\$42,681,668</u>	<u>\$35,634,809</u>

Investments as of December 31, 2012 are comprised of the following:

NET ASSET CLASS	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$538,752	\$19,642,158	\$20,180,910
Temporarily Restricted Funds	532,540	7,561,984	8,094,524
Permanently Restricted Funds	0	7,750,957	7,750,957
	\$1,071,292	\$34,955,099	\$36,026,391

NET ASSET CLASS	FAIR VALUE	COST
Unrestricted Funds:		
Money Market Funds	\$488,603	\$488,603
U.S. Government Obligations	1,493,263	1,329,700
Corporate Bonds and Debentures	6,337,392	5,928,606
Corporate Stock	2,922,808	2,447,914
Mutual Funds — Equities	6,876,681	5,801,738
Mutual Funds — Fixed Income	1,688,486	1,589,697
Mutual Funds — Real Estate	373,677	352,414
Total Unrestricted Funds	\$20,180,910	\$17,938,672
Temporarily Restricted Funds:		
Money Market Funds	\$266,694	\$266,695
U.S. Government Obligations	399,079	324,274
Corporate Bonds and Debentures	914,327	935,720
Corporate Stock	1,742,591	1,202,431
Mutual Funds — Equities	3,949,938	3,419,353
Mutual Funds — Fixed Income	636,840	646,006
Mutual Funds — Real Estate	185,055	126,038
Total Temporarily Restricted Funds	\$8,094,524	\$6,920,517
Permanently Restricted Funds:		
Money Market Funds	\$323,599	\$323,599
U.S. Government Obligations	393,463	393,463
Corporate Bonds and Debentures	867,709	867,709
Corporate Stock	1,383,267	1,383,267
Mutual Funds — Equities	4,004,435	4,004,435
Mutual Funds — Fixed Income	634,219	634,219
Mutual Funds — Real Estate	144,265	144,265
Total Permanently Restricted Funds	\$7,750,957	\$7,750,957
TOTAL INVESTMENTS	\$36,026,391	\$32,610,146

6. Endowment

The endowment consists of 25 individual funds established for a variety of purposes. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted UPMIFA (Uniform Prudent Management of Institutional Funds Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Museum considers the

NOTES TO FINANCIAL STATEMENTS

following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Museum and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Museum
- 7) The investment policies of the Museum

The Museum has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Museum must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that provide a rate of return over a rolling 36 month period greater than or equal to a "Policy Index" created by combining various indices in the proportion as the endowment funds target allocation. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Museum relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Museum targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Museum has a policy of appropriating for distribution each year between 3 and 5 percent of its endowment fund's average fair value over the 13 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. Accordingly, over the long-term, the Museum expects the fund to achieve a real annualized rate of return that is 5% over the trailing 12 month Consumer Price Index. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. An appropriation of \$564,000 was disbursed in 2013. In addition, the Museum intends to appropriate \$931,858 of endowment for 2014 operations.

The changes in endowment net assets for the year ended December 31, 2013 are as follows:

	UNRESTRICTED	UNRESTRICTED BOARD DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment Net Assets, January 1, 2013	\$0	\$8,354,321	\$7,561,983	\$11,511,226	\$27,427,530
Contributions				333,398	333,398
Amounts Appropriated for Expenditures	564,000	(213,243)	(350,757)		0
Net Appreciation		472,073	2,607,645		3,079,718
Amounts Disbursed	(564,000)				(564,000)
Endowment Net Assets, December 31, 2013	\$0	\$8,613,151	\$9,818,871	\$11,844,624	\$30,276,646

The changes in endowment net assets for the year ended December 31, 2012 are as follows:

	UNRESTRICTED	UNRESTRICTED BOARD DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment Net Assets, January 1, 2012	\$3,000	\$8,127,135	\$6,448,214	\$6,766,236	\$21,344,585
Contributions				4,744,990	4,744,990
Amounts Appropriated for Expenditures	430,000		(430,000)		0
Net Appreciation		227,186	1,543,769		1,770,955
Amounts Disbursed	(433,000)				(433,000)
Endowment Net Assets, December 31, 2012	\$0	\$8,354,321	\$7,561,983	\$11,511,226	\$27,427,530

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2013 and 2012.

7. Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2013 and 2012 are as follows:

Fair Value Measurements at Reported Date Using:

	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT OTHER UNOBSERVABLE INPUTS (LEVEL 3)
December 31, 2013				
Money Market Funds	\$2,528,571	\$2,528,571		
U.S. Government Obligations	2,052,066	2,052,066		
Corporate Bond and Debentures	6,132,116		\$6,132,116	
Corporate Stock	7,987,223	7,987,223		
Mutual Funds — Equities:				
Large Cap Funds	5,366,474	5,366,474		
Foreign Funds	900,167	900,167		
Mid Cap Funds	2,561,290	2,561,290		
Small Cap Funds	3,334,484	3,334,484		
Other	1,986,247	1,986,247		
World Stock Funds	4,559,919	4,559,919		
Total Mutual Funds — Equities	18,708,581	18,708,581		
Mutual Funds — Fixed Income	4,328,937	4,328,937		
Mutual Funds — Real Estate	944,174	944,174		
Total Investments	\$42,681,668	\$36,549,552	\$ 6,132,116	\$0
December 31, 2012				
Money Market Funds	\$1,078,896	\$1,078,896		
U.S. Government Obligations	2,285,805	2,285,805		
Corporate Bond and Debentures	8,119,428		\$8,119,428	
Corporate Stock	6,048,666	6,048,666		
Mutual Funds — Equities:				
Large Cap Funds	5,559,379	5,559,379		
Foreign Funds	778,177	778,177		
Mid Cap Funds	1,974,750	1,974,750		
Small Cap Funds	1,319,907	1,319,907		
Other	1,878,857	1,878,857		
World Stock Funds	3,319,984	3,319,984		
Total Mutual Funds — Equities	14,831,054	14,831,054		
Mutual Funds — Fixed Income	2,959,545	2,959,545		
Mutual Funds — Real Estate	702,997	702,997		
Total Investments	\$36,026,391	\$27,906,963	\$8,119,428	\$0

Fair value for investments valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Fair value for investments valued using level 2 inputs are based primarily on available quoted prices for similar assets in active or inactive markets.

8. Property and Equipment

A summary of property and equipment at December 31, 2013 and 2012 is as follows:

	2013	2012
Leasehold Improvements	\$38,332,877	\$37,820,489
Furniture, Fixtures and Equipment	3,482,525	3,063,951
	<u>41,815,402</u>	<u>40,884,440</u>
Less Accumulated Depreciation and Amortization	(18,148,023)	(17,018,629)
Construction in Progress	0	125,000
Land and Buildings	661,510	661,510
	<u>\$24,328,889</u>	<u>\$24,652,321</u>

Depreciation expense was \$1,212,339 and \$1,128,548 for the years ended December 31, 2013 and 2012, respectively.

During 2012, the Museum made a financial determination that a one acre unimproved parcel of land (known as the Delmar Site) was no longer intended for development as a museum building and received a real estate appraisal performed at the request of the Metropolitan Zoological Park and Museum District (ZMD). There were charges of \$0 and \$743,914 to impairment expense for the years ended December 31, 2013 and 2012, respectively. Accordingly, the Delmar Site is recorded at appraised value at December 31, 2013 and 2012 and is included in land and buildings in the accompanying Statement of Financial Position.

At December 31, 2013, the Museum was committed for certain equipment under noncancelable operating leases and certain warehouse and temporary storage location leases which expire at various dates through 2018. Additionally, the Museum leases the land and buildings that comprise facilities of the Museum from the Subdistrict. The lease agreement for these facilities is coterminous with the term of the Agreement the Museum has with the Subdistrict to provide history museum services. This agreement renews on December 31 each year as more fully discussed in footnote 12 hereafter.

Years ending December 31	<u>AMOUNT</u>
2014	\$113,734
2015	113,734
2016	111,430
2017	74,934
2018	20
	<u>\$413,852</u>
Total Minimum Rental Payments Required	<u>\$413,852</u>

Rental expense was \$120,485 and \$86,900 for the years ended December 31, 2013 and 2012, respectively.

9. Employee Benefit Plans

The Museum has a defined contribution plan for all employees with at least two years of service. The plan provides for the Museum to contribute 5% of the participants' salaries with no employee contributions permitted. The Museum also has a 403(b) salary reduction plan, which provides for the Museum to match employee contributions at the maximum of \$500 or 1% of annual participants' salaries. Expenses for the two plans were \$287,056 and \$311,779 for the years ended December 31, 2013 and 2012, respectively.

10. Employee Deferred Compensation Plan

The Museum maintains a voluntary 457(b) Plan for employees who wish to defer a portion of their salary to future years. The investment is presented in the Statement of Financial Position as a non-current asset and liability. The value of this plan asset was \$496,281 and \$420,660 at December 31, 2013 and 2012, respectively.

11. Concentrations of Credit Risk

Financial instruments that potentially subject the Museum to concentrations of credit risk consist of cash deposits in banks and other financial institutions, investment securities and pledge receivables. The Museum maintains cash and short- and long-term investments with major banks and financial institutions. In 2013, non-interest bearing accounts at banks insured by the Federal Deposit Insurance Corporation (FDIC) have an insurance level that is unlimited. Interest bearing accounts are insured to a level of \$250,000. At times, the Museum may have cash balances with banks and securities with financial institutions in excess of the FDIC coverage. Concentrations of credit risk with respect to pledge receivables are limited due to the large number and credit worthiness of donors comprising the Museum's donor base.

12. Contract with the Missouri History Museum Subdistrict

The Subdistrict is part of the ZMD. The Subdistrict was established to receive tax revenues from the tax collector's offices and to pay for history museum services provided to benefit the public. The ZMD tax generated revenue is subject to annual review and approval. Amounts available to the Subdistrict are based on a rate which may not exceed 4.0 cents on each \$100 of assessed valuation. In 1988, the Subdistrict and the Museum entered into a contract, which, after renegotiation in the fall of 2012 and amended on November 13, 2013, renews for one year each December 31, unless the Subdistrict, upon recommendation of its committee on renewal, votes not to renew the contract. Upon giving written notice of its intent not to renew the contract, the Museum and the Subdistrict are required to meet for a period of six months to resolve their differences. If those differences are not resolved the contract terminates at the end of the calendar year in which such final determination is made. The contract provides for history museum facilities and services to be provided to the public by the Museum in exchange for compensation from the Subdistrict. The public support under this contract is determined each year based upon an annual budget. The Agreement created new joint budget and executive compensation committees composed of equal numbers of trustees from the Museum and the Subdistrict. The Agreement also requires prior Subdistrict approval for the purchase of any real estate, or any expenditure of an amount in excess of \$10,000, if not previously approved in the annual budget. The Museum shall comply with the provisions of the Open Meeting Law, sections 610.010 et. al., as from time to time amended. In accordance with the contract, the Museum records revenue in the period in which services are provided. The Museum is included as a discretely presented component unit within the Subdistrict's financial statements.

13. Related Entities

The Museum serves as the fiscal agent and leases employees to two nonprofit entities through written agreements: the Association for Midwest Museums and stl250. In accordance with ASC 958-810-15, the accounts of these organizations have not been included in the accompanying financial statements.

Association for Midwest Museums

The Association for Midwest Museums (AMM) is a not-for-profit corporation that has served the Midwest museum community for over 85 years. Through its programs and services, AMM encourages professional standards for all areas of

museum administration and provides information and resources to museums and cultural institutions in the Midwest. The Museum provides office space without charge, but is reimbursed by AMM for all compensation costs for AMM employees and administrative expenses on a quarterly basis.

stl250
stl250 is a not-for-profit corporation that was created to coordinate the 250th anniversary of the founding of St. Louis. stl250 provides overall coordination and hosts certain signature events and partners with citizens, institutions, and businesses that plan and produce activities commemorating the 250th anniversary. The Museum provides office space without charge, but is reimbursed by stl250 for all compensation costs for stl250 employees and administrative expenses on a monthly basis.

14. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

15. Risks and Uncertainties

The Museum's investments are exposed to various risks, such as interest rate, market and credit risks. Due to potential changes in economic conditions, it is at least reasonably possible that changes in the value of the Museum's investments could occur in the near term and those changes could materially affect the amounts reported in the Museum's financial statements.

The Museum is involved in various claims, legal actions and regulatory proceedings arising in the ordinary course of business. In the opinion of the Museum's management, the resolution of these matters will not have a material adverse effect on the Museum's financial statements.

16. Consulting Agreement

On December 21, 2012, the Museum entered into a consulting agreement with its former president. The consulting agreement required the former president to assist the Chairman of the Museum's Board of Trustees and the Museum's Senior management with fund raising and transition services for a period of six months from January 1, 2013 through June 30, 2013. The monthly fee of \$45,000 is included as management and general expense in the Statement of Activities.

17. Subsequent Events

In accordance with ASC 855, the Museum has evaluated subsequent events through March 26, 2014, which is the date the financial statements were available to be issued.

Missouri History Museum



MISSOURI HISTORICAL SOCIETY

MISSOURI HISTORY MUSEUM

in Forest Park (DeBaliviere and Lindell Blvd.)

LIBRARY AND RESEARCH CENTER

225 South Skinker Blvd. (across from Forest Park)

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