



For the years ended December 31, 2014 and 2013
(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, 2014 and 2013, 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, 2014 and 2013, 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 30, 2015

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2014 and 2013	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash	\$2,564,816	\$649,285
Accrued Investment Income	86,844	93,450
Grants and Accounts Receivable	957,501	138,411
Pledges Receivable, Net	2,337,258	1,766,997
Inventories	202,541	204,197
Short-Term Investments	1,012,504	1,969,198
Prepaid Expenses	419,562	431,157
Total Current Assets	<u>\$7,581,026</u>	<u>\$5,252,695</u>
NON-CURRENT ASSETS		
Investments (including Unrealized Gains of \$6,884,961 and \$7,046,860 for 2014 and 2013, respectively)	\$42,997,462	\$40,712,470
Pledges Receivable, Net	2,026,309	3,302,049
Leasehold Improvements, Net	21,360,324	21,882,164
Furniture, Fixtures and Equipment, Net	1,685,831	1,785,215
Construction in Progress	823,348	0
Land and Buildings	661,510	661,510
Other	32,866	0
Total Non-Current Assets	<u>\$69,587,650</u>	<u>\$68,343,408</u>
TOTAL ASSETS	<u>\$77,168,676</u>	<u>\$73,596,103</u>
CURRENT LIABILITIES		
Accounts Payable	\$590,559	\$611,720
Accrued Salary and Accrued Vacation	592,793	518,515
Deferred Revenue	35,760	23,365
Total Current Liabilities	<u>\$1,219,112</u>	<u>\$1,153,600</u>
NON-CURRENT LIABILITIES		
Obligations Under Split-Interest Agreements	\$251,743	\$265,508
Other	297,838	496,281
Total Non-Current Liabilities	<u>\$549,581</u>	<u>\$761,789</u>
TOTAL LIABILITIES	<u>\$1,768,693</u>	<u>\$1,915,389</u>
NET ASSETS		
Unrestricted	\$39,668,358	\$38,006,019
Unrestricted — Board Designated	8,935,264	8,613,151
Total Unrestricted	<u>\$48,603,622</u>	<u>\$46,619,170</u>
Temporarily Restricted	14,797,998	13,216,920
Permanently Restricted	11,998,363	11,844,624
Total Net Assets	<u>\$75,399,983</u>	<u>\$71,680,714</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$77,168,676</u>	<u>\$73,596,103</u>

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2014				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$10,449,994			\$10,449,994
Contributions:				
Capital Campaign			142,010	142,010
Other	1,246,404	2,338,911	11,729	3,597,044
Memberships	401,352			401,352
In-Kind Contributions	5,732	5,887		11,619
Total Public Support	<u>\$12,103,482</u>	<u>\$2,344,798</u>	<u>\$153,739</u>	<u>\$14,602,019</u>
Revenue:				
Investment Income	\$1,352,285	\$150,895		\$1,503,180
Realized Gains from Sale of Securities	514,250	613,407		1,127,657
Unrealized Losses from Securities	(121,685)	(40,213)		(161,898)
Museum Shop, Net (Sales of \$535,252)	63,926			63,926
Facility Rental/Restaurant Income/Catering, Net	104,456			104,456
Special Exhibition Ticket Revenue	84,134			84,134
Other Income, Net	1,685,993			1,685,993
Net Revenue	<u>\$3,683,359</u>	<u>\$724,089</u>		<u>\$4,407,448</u>
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	\$1,487,809	(\$1,487,809)		\$0
Total Net Assets Released from Restrictions	<u>\$1,487,809</u>	<u>(\$1,487,809)</u>		<u>\$0</u>
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	<u>\$17,274,650</u>	<u>\$1,581,078</u>	<u>\$153,739</u>	<u>\$19,009,467</u>
DECREASES IN NET ASSETS				
Expenses:				
Program Services:				
Community Education and Events Programs	\$2,246,381			\$2,246,381
Library and Collections	4,500,542			4,500,542
Publications	404,439			404,439
Exhibitions and Research	3,992,164			3,992,164
Communications	1,061,289			1,061,289
Soldiers Memorial	254,510			254,510
Total Program Services	<u>\$12,459,325</u>			<u>\$12,459,325</u>
Supporting Services:				
Development	\$324,726			\$324,726
Membership	332,228			332,228
Management and General	1,543,672			1,543,672
Human Resources	372,866			372,866
Information Technology	217,955			217,955
Total Supporting Services	<u>\$2,791,447</u>			<u>\$2,791,447</u>
Change in Value of Split-Interest Agreements	<u>\$39,426</u>			<u>\$39,426</u>
TOTAL EXPENSES — DECREASES IN NET ASSETS	<u>\$15,290,198</u>			<u>\$15,290,198</u>
Excess of Public Support and Revenue over Expenses	\$1,984,452	\$1,581,078	\$153,739	\$3,719,269
Net Assets Beginning of Year	46,619,170	13,216,920	11,844,624	71,680,714
NET ASSETS END OF YEAR	<u>\$48,603,622</u>	<u>\$14,797,998</u>	<u>\$11,998,363</u>	<u>\$75,399,983</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	\$11,335,927	\$1,281,742	\$333,398	\$12,951,067
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
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	351,570			351,570
Net Revenue	\$3,755,620	\$2,330,199		\$6,085,819
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	\$892,043	(\$892,043)		\$0
Total Net Assets Released from Restrictions	\$892,043	(\$892,043)		\$0
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$15,983,590	\$2,719,898	\$333,398	\$19,036,886
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	\$11,496,774			\$11,496,774
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	\$3,283,154			\$3,283,154
Change in Value of Split-Interest Agreements	\$65,535			\$65,535
TOTAL EXPENSES — DECREASES IN NET ASSETS	\$14,845,463			\$14,845,463
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	\$46,619,170	\$13,216,920	\$11,844,624	\$71,680,714

STATEMENTS OF CASH FLOWS

	2014	2013
For the years ended December 31, 2014 and 2013		
Cash Flows from Operating Activities		
Change in Net Assets	\$3,719,269	\$4,191,423
Adjustments to Reconcile Change in Net Assets to Net Cash from Operating Activities		
Depreciation	1,301,575	1,212,339
Contributions Restricted for Endowment	(153,739)	(333,398)
Net Realized Gains on Investments	(1,127,657)	(754,822)
Net Unrealized (Gains)/Losses on Investments	161,898	(3,630,614)
Change in Assets and Liabilities		
Receivables	(107,005)	426,705
Inventories, Prepaid Expenses, and Other	(19,615)	75,346
Accounts Payable and Accrued Liabilities	53,117	173,313
Deferred Revenue	12,395	4,885
Obligations Under Split-Interest Agreements	(13,765)	(14,224)
Other Liabilities	(198,443)	75,621
Net Cash from Operating Activities	\$3,628,030	\$1,426,574
Cash Flows from Investing Activities		
Proceeds from Sales of Investments	\$23,674,299	\$25,117,605
Purchases of Investments	(24,036,838)	(27,387,446)
Purchases of Property	(1,503,699)	(888,907)
Net Cash from Investing Activities	(\$1,866,238)	(\$3,158,748)
Cash Flows from Financing Activities		
Proceeds from Contributions Restricted for Endowment	\$153,739	\$333,398
Net Cash from Financing Activities	\$153,739	\$333,398
Net Change in Cash	\$1,915,531	(\$1,398,776)
Cash, Beginning of Year	649,285	2,048,061
CASH, END OF YEAR	\$2,564,816	\$649,285

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, inventories, 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.

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, 2014 and 2013.

Pledges Receivable

Unconditional 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 of 3.96% at both December 31, 2014 and 2013. 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 \$195,483 and \$198,044 for the years ended December 31, 2014 and 2013, respectively. Included in these fees are advisory and asset custodian fees paid to a financial institution for which a non-voting Trustee is an officer. The amounts paid to this financial institution during the years ended December 31, 2014 and 2013 are \$68,692 and \$77,375, 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.

Deferred Revenue

Deferred revenue represents cash received for restaurant and facility rentals prior to performance by the Museum.

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 a discount rate of 3.4%, 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 \$251,743 and \$265,508 at December 31, 2014 and 2013, 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.

Other income includes insurance proceeds for claims filed, publication sales, and other items.

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 \$153,200 and \$173,000 for the years ended December 31, 2014 and 2013, respectively. In fiscal years 2014 and 2013, these services include approximately 141 and 123 volunteers, respectively, who contributed approximately 9,570 and 10,790 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 2013 financial statements to conform to the presentation of the 2014 financial statements.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2014 and 2013 are available for the following purpose:

	2014	2013
Capital Campaign	\$2,162,419	\$2,994,059
Community Education and Events Programs	205,085	77,122
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	735,112	237,944
Publication of Books	33,364	8,258
Exhibit Production, Maintenance and Research	382,526	80,666
Innovation Fund	200,000	0
Soldiers Memorial	687,427	0
Realized Gains on Endowment Investments	6,871,612	6,258,205
Unrealized Gains on Endowment Investments	3,520,453	3,560,666
	<u>\$14,797,998</u>	<u>\$13,216,920</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, 2014 and 2013:

	2014	2013
Capital Campaign	\$772,138	\$666,690
Community Education and Events Programs	154,537	83,221
Collections and Conservation	354,595	73,755
Publication of Books	0	22,300
Exhibit Production, Maintenance and Research	206,539	46,077
Net Assets Released from Restrictions	<u>\$1,487,809</u>	<u>\$892,043</u>

3. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2014 and 2013 are summarized below based on the types of activities the income is available to support:

	2014	2013
Acquisition of Items for Library and Collections	\$82,040	\$82,040
Exhibits, Research and Conservation	4,780,825	4,780,825
Salaries	517,901	517,901
Publication of Books and Magazines	137,285	137,285
Internship Program	246,715	246,715
General Museum Operations	6,233,597	6,079,858
	<u>\$11,998,363</u>	<u>\$11,844,624</u>

4. Pledges Receivable

At December 31, 2014, pledges receivable were expected to be collected as follows:

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2015	\$2,360,867		\$23,609	\$2,337,258
2016-2018	2,241,092	\$194,315	20,468	2,026,309
	<u>\$4,601,959</u>	<u>\$194,315</u>	<u>\$44,077</u>	<u>\$4,363,567</u>

NOTES TO FINANCIAL STATEMENTS

5. Investments

Investments as of December 31, 2014 are comprised of the following:

	FAIR VALUE	COST
Money Market Funds	\$668,511	\$718,511
U.S. Government Obligations	919,447	897,173
Corporate Bonds and Debentures	8,598,027	8,467,489
Corporate Stock	3,568,412	2,002,599
Mutual Funds — Equities	24,173,432	19,121,097
Mutual Funds — Fixed Income	4,340,288	4,322,440
Mutual Funds — Real Estate	1,317,943	1,194,077
Mutual Funds — Hedge Funds	423,906	401,619
TOTAL INVESTMENTS	\$44,009,966	\$37,125,005

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

	FAIR VALUE	COST
Money Market Funds	\$2,528,569	\$2,528,569
U.S. Government Obligations	2,052,068	2,024,347
Corporate Bonds and Debentures	6,132,116	6,085,819
Corporate Stock	7,987,223	4,668,245
Mutual Funds — Equities	18,708,581	11,629,603
Mutual Funds — Fixed Income	4,328,937	7,788,267
Mutual Funds — Real Estate	944,174	909,959
TOTAL INVESTMENTS	\$42,681,668	\$35,634,809

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 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 \$931,858 was disbursed in 2014. In addition, the Museum intends to appropriate \$1,165,121 of endowment for 2015 operations.

The changes in endowment net assets for the year ended December 31, 2014 are as follows:

	UNRESTRICTED	UNRESTRICTED BOARD DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment Net Assets, January 1, 2014	\$0	\$8,613,151	\$9,818,871	\$11,844,624	\$30,276,646
Contributions				153,739	153,739
Amounts Appropriated for Expenditures	931,858	(335,617)	(596,241)		0
Net Appreciation		657,730	1,169,435		1,827,165
Amounts Disbursed	(931,858)				(931,858)
Endowment Net Assets, December 31, 2014	\$0	\$8,935,264	\$10,392,065	\$11,998,363	\$31,325,692

NOTES TO FINANCIAL STATEMENTS

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

	<u>UNRESTRICTED</u>	<u>UNRESTRICTED BOARD DESIGNATED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
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	<u>\$0</u>	<u>\$8,613,151</u>	<u>\$9,818,871</u>	<u>\$11,844,624</u>	<u>\$30,276,646</u>

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, 2014 and 2013.

7. Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2014 and 2013 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, 2014				
Money Market Funds	\$668,511	\$668,511		
U.S. Government Obligations	919,447	919,447		
Corporate Bond and Debentures	8,598,027		\$ 8,598,027	
Corporate Stock	3,568,412	3,568,412		
Mutual Funds — Equities:				
Large Cap Funds	11,055,151	11,055,151		
International Funds	5,442,820	5,442,820		
Mid Cap Funds	3,301,632	3,301,632		
Small Cap Funds	3,532,884	3,532,884		
Other	840,945	840,945		
Total Mutual Funds — Equities	24,173,432	24,173,432		
Mutual Funds — Fixed Income	4,340,288	4,340,288		
Mutual Funds — Real Estate	1,317,943	1,317,943		
Mutual Funds — Hedge Funds	423,906	423,906		
Total Investments	\$44,009,966	\$35,411,939	\$8,598,027	\$0
December 31, 2013				
Money Market Funds	\$2,528,569	\$2,528,571		
U.S. Government Obligations	2,052,068	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		
International Funds	5,460,086	5,460,086		
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		
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

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, 2014 and 2013 is as follows:

	2014	2013
Leasehold Improvements	\$38,718,935	\$38,332,877
Furniture, Fixtures and Equipment	3,740,009	3,482,525
	<u>42,458,944</u>	<u>41,815,402</u>
Less Accumulated Depreciation and Amortization	(19,412,789)	(18,148,023)
Construction in Progress	823,348	0
Land and Buildings	661,510	661,510
	<u>\$24,531,013</u>	<u>\$24,328,889</u>

Depreciation expense was \$1,301,575 and \$1,212,339 for the years ended December 31, 2014 and 2013, respectively.

At December 31, 2014, 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 2019. 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	AMOUNT
2015	\$115,734
2016	115,734
2017	88,462
2018	2,020
2019	2,020
	<u>\$323,970</u>
Total Minimum Rental Payments Required	<u>\$323,970</u>

Rental expense was \$118,827 and \$120,485 for the years ended December 31, 2014 and 2013, 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 \$307,609 and \$287,056 for the years ended December 31, 2014 and 2013, 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 \$297,637 and \$496,281 at December 31, 2014 and 2013, 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. 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. The certified rate for 2014 was 0.399. 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, and renewal on December 16, 2014, 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 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. At December 31, 2014 and 2013, the Museum had a receivable from AMM totaling \$24,109 and \$270, respectively.

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. Through May 2014, the Museum provided office space without charge, and was reimbursed by stl250 for all compensation costs for stl250 employees and administrative expenses on a monthly basis. Effective June 1, 2014, stl250 had no paid employees.

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, for the year ended December 31, 2013.

17. Subsequent Events

In accordance with ASC 855, the Museum has evaluated subsequent events through March x, 2015, 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)

Mailing Address:

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