



FINANCIAL STATEMENTS

*For the years ended December 31, 2007 and 2006
(with independent auditors' report thereon)*

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

Missouri Historical Society:

We have audited the statements of financial position of the Missouri Historical Society (the "Society") as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Historical Society as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.
St. Louis, Missouri
March 25, 2008

STATEMENTS OF FINANCIAL POSITION

	2007	2006
As of December 31, 2007 and 2006		
CURRENT ASSETS		
Cash and Cash Equivalents	\$1,246,982	\$1,997,114
Accrued Investment Income	181,724	182,514
Grants and Accounts Receivable	538,088	765,685
Pledges Receivable, Net of Allowance for Uncollectibles	65,129	171,470
Inventories	413,317	407,959
Short-Term Investments	573,188	6,553,593
Prepaid Expenses	348,345	211,038
Total Current Assets	<u>\$3,366,773</u>	<u>\$10,289,373</u>
NON-CURRENT ASSETS		
Investments (including Unrealized Gains of \$584,688 and \$1,427,839 for 2007 and 2006, respectively)	\$27,093,387	\$18,522,722
Pledges Receivable, Net of Allowance for Uncollectibles	9,413	14,138
Leasehold Improvements, Net of Accumulated Amortization	25,584,138	26,394,687
Furniture, Fixtures and Equipment, Net of Accumulated Depreciation	425,806	326,544
Construction in Progress	233,805	81,080
Land	975,914	961,614
Total Non-Current Assets	<u>\$54,322,463</u>	<u>\$46,300,785</u>
TOTAL ASSETS	<u>\$57,689,236</u>	<u>\$56,590,158</u>
CURRENT LIABILITIES		
Accounts Payable	\$297,028	\$330,607
Accrued Salary, Accrued Vacation and Pension Expense	363,698	346,519
Deferred Revenue	17,250	13,245
Total Current Liabilities	<u>\$677,976</u>	<u>\$690,371</u>
NON-CURRENT LIABILITIES		
Obligations Under Split-Interest Agreements	\$493,633	\$526,730
Accrued Vacation	471,893	400,952
Other	226,639	184,036
Total Non-Current Liabilities	<u>\$1,192,165</u>	<u>\$1,111,718</u>
TOTAL LIABILITIES	<u>\$1,870,141</u>	<u>\$1,802,089</u>
NET ASSETS		
Unrestricted	\$47,322,781	\$46,259,139
Temporarily Restricted	767,218	821,551
Permanently Restricted	7,729,096	7,707,379
Total Net Assets	<u>\$55,819,095</u>	<u>\$54,788,069</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$57,689,236</u>	<u>\$56,590,158</u>

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2007				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$9,608,405			\$9,608,405
Contributions and Bequests	825,704	\$410,177	\$5,000	1,240,881
Memberships	572,375			572,375
Volunteer Services and In-Kind Contributions	274,934			274,934
Total Public Support	<u>\$11,281,418</u>	<u>\$410,177</u>	<u>\$5,000</u>	<u>\$11,696,595</u>
Revenue:				
Investment Income	\$868,310	\$85,606		\$953,916
Gains from Securities, Net	429,946	16,231	\$16,717	462,894
Grant Income	1,046,876			1,046,876
Museum Shop Gain, from Sales of \$426,819	3,070			3,070
Facility Rental/Restaurant Income	126,134			126,134
Special Exhibition Ticket Revenue	18,349			18,349
Other Income, Net	181,401			181,401
Net Revenue	<u>\$2,674,086</u>	<u>\$101,837</u>	<u>\$16,717</u>	<u>\$2,792,640</u>
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	\$3,790	(\$3,790)		0
Satisfaction of Purpose Restrictions	562,557	(562,557)		0
Total Net Assets Released from Restrictions	<u>\$566,347</u>	<u>(\$566,347)</u>		<u>0</u>
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	<u>\$14,521,851</u>	<u>(\$54,333)</u>	<u>\$21,717</u>	<u>\$14,489,235</u>
DECREASES IN NET ASSETS				
Operating Expenses:				
Program Services:				
Community Education and Events Programs	\$1,388,642			\$1,388,642
Collections and Conservation	2,155,886			2,155,886
Library and Archives	2,361,814			2,361,814
Publications	281,531			281,531
Exhibitions	2,942,803			2,942,803
Communications	759,065			759,065
Total Program Services	<u>\$9,889,741</u>			<u>\$9,889,741</u>
Supporting Services:				
Fund Raising	\$656,021			\$656,021
Membership	402,656			402,656
Human Resources	290,109			290,109
Management and General	1,890,220			1,890,220
Information Technology	277,721			277,721
Total Supporting Services	<u>\$3,516,727</u>			<u>\$3,516,727</u>
Change in Value of Split-Interest Agreements	\$51,741			\$51,741
TOTAL OPERATING EXPENSES — DECREASES IN NET ASSETS	<u>\$13,458,209</u>	<u>\$0</u>	<u>\$0</u>	<u>\$13,458,209</u>
Excess of Public Support and Revenue over Operating Expenses	\$1,063,642	(\$54,333)	\$21,717	\$1,031,026
Net Assets Beginning of Year	46,259,139	821,551	7,707,379	54,788,069
NET ASSETS END OF YEAR	<u>\$47,322,781</u>	<u>\$767,218</u>	<u>\$7,729,096</u>	<u>\$55,819,095</u>

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2006				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$9,402,068			\$9,402,068
Contributions and Bequests	830,931	\$3,474,743	\$26,000	4,331,674
Memberships	734,237			734,237
Volunteer Services and In-Kind Contributions	181,369			181,369
Total Public Support	\$11,148,605	\$3,474,743	\$26,000	\$14,649,348
Revenue:				
Investment Income	\$928,139	\$55,568		\$983,707
Gains from Securities, Net	999,276	75,180	\$76,071	1,150,527
Grant Income	732,976			732,976
Museum Shop Gain, from Sales of \$566,622	37,264			37,264
Facility Rental/Restaurant Income	135,672			135,672
Special Exhibition Ticket Revenue	134,588			134,588
Exhibition Rental Revenue	333,939			333,939
Other Income, Net	74,433			74,433
Net Revenue	\$3,376,287	\$130,748	\$76,071	\$3,583,106
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	\$3,631	(\$3,631)		0
Satisfaction of Purpose Restrictions	4,161,990	(4,161,990)		0
Total Net Assets Released from Restrictions	\$4,165,621	(\$4,165,621)		0
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$18,690,513	(\$560,130)	\$102,071	\$18,232,454
DECREASES IN NET ASSETS				
Operating Expenses:				
Program Services:				
Community Education and Events Programs	\$1,363,601			\$1,363,601
Collections and Conservation	2,217,656			2,217,656
Library and Archives	2,217,169			2,217,169
Publications	339,529			339,529
Exhibitions	2,836,942			2,836,942
Lewis and Clark Exhibition	2,785,041			2,785,041
Communications	908,483			908,483
Total Program Services	\$12,668,421			\$12,668,421
Supporting Services:				
Fund Raising	\$480,941			\$480,941
Membership	522,972			522,972
Human Resources	260,354			260,354
Management and General	2,324,842			2,324,842
Information Technology	220,147			220,147
Total Supporting Services	\$3,809,256			\$3,809,256
Change in Value of Split-Interest Agreements	\$64,901			\$64,901
TOTAL OPERATING EXPENSES — DECREASES IN NET ASSETS	\$16,542,578	\$0	\$0	\$16,542,578
Excess of Public Support and Revenue over Operating Expenses	\$2,147,935	(\$560,130)	\$102,071	\$1,689,876
Net Assets Beginning of Year	44,111,204	1,381,681	7,605,308	53,098,193
NET ASSETS END OF YEAR	\$46,259,139	\$821,551	\$7,707,379	\$54,788,069

STATEMENTS OF CASH FLOWS

	2007	2006
For the years ended December 31, 2007 and 2006		
Cash Flows from Operating Activities		
Public Support:		
Cash Received from the Missouri History Museum Subdistrict	\$9,608,405	\$9,402,068
Cash Received from Contributors	1,351,947	4,600,483
Cash Received for Memberships	572,375	734,237
Revenue:		
Investment Income	954,706	927,646
Grant Income Received	1,226,929	288,683
Cash Received by the Museum Shop	426,507	565,395
Other Cash Receipts	424,053	591,738
Cash Paid to Employees and Suppliers	(12,715,876)	(15,667,494)
Net Cash Provided by Operating Activities	\$1,849,046	\$1,442,756
Cash Flows Used in Investing Activities		
Purchases of Investments	(11,789,945)	(\$8,343,695)
Maturing of Investments	3,700,970	9,273,549
Proceeds of Note Receivable Provided from Borrower	0	999,329
Additions to Construction in Progress and Leasehold Improvements and Purchase of Furniture and Equipment	(405,771)	(1,292,995)
Net Cash Provided by/(Used in) Investing Activities	(8,494,746)	636,188
Cash Flows (Used in) Financing Activities		
Payments on Split-Interest Agreements	(\$84,837)	(\$85,659)
Net Cash (Used in) Financing Activities	(84,837)	(85,659)
Net Increase/(Decrease) in Cash, Cash Equivalents and Short Term Investments	(6,730,537)	1,993,285
Cash, Cash Equivalents and Short Term Investments December 31, 2006 and 2005	8,550,707	6,557,422
Cash, Cash Equivalents and Short Term Investments December 31, 2007 and 2006	\$1,820,170*	\$8,550,707*
Excess of Public Support and Revenue over Operating Expenses	\$1,031,026	\$1,689,876
Adjustments to Reconcile Net Cash Provided by Operating Activities		
Depreciation and Amortization	964,333	1,219,116
Net Decrease/(Increase) in Receivables, Accruals and Prepaid Items	196,788	(130,440)
Gains on Investments, Net	(462,894)	(1,150,527)
Change in Value of Split-Interest Agreements	51,741	64,901
Net Increase/(Decrease) in Liabilities	68,052	(250,170)
Net Cash Provided by Operating Activities	\$1,849,046	\$1,442,756
*Detail of Cash and Cash Equivalents December 31, 2007 and 2006 As Presented on the Statements of Financial Position:		
Cash and Cash Equivalents	\$1,246,982	\$1,997,114
Short-Term Investments	573,188	6,553,593
Cash, Cash Equivalents and Short Term Investments December 31, 2007 and 2006	\$1,820,170	\$8,550,707

1. Summary of Significant Accounting Policies

The Missouri Historical Society (Society) is a not-for-profit charitable trust whose primary functions are educational and community programs; collections and conservation; library and archives; and exhibitions. The Society'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.

The financial statements of the Society have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of financial statements to the reader.

Basis of Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Society, the accounts of the Society are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, for financial statement purposes, funds that have similar characteristics have been combined into fund groups, which are reported in self-balancing classes of net assets, as follows:

- Unrestricted net assets — net assets and contributions not subject to donor-imposed stipulations. Unrestricted net assets include accumulated gains and losses on permanently restricted endowments which are not stipulated by the donor or law for permanent investment.
- Temporarily restricted net assets — net assets and contributions subject to donor-imposed stipulations that will be met by actions of the Society and/or the passage of time.
- Permanently restricted net assets — net assets and contributions subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

Contributions

The Society reports contributions, including unconditional promises to give due 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 Statement 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 Society reports gifts of land, buildings 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 Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed securities are stated at their fair market value on the date of the receipt. It is the policy of the Society to sell all contributed securities as soon as they are received.

Property and Equipment

The land and buildings that comprise the facilities of the Society are leased from the Missouri History Museum Subdistrict (Subdistrict) of the Metropolitan Zoological Park and Museum District. Leasehold improvements are stated at original cost and amortized on the straight line basis over the estimated life of the assets of forty years. Furniture, fixtures and equipment are stated at original cost or fair market value at date of donation. Depreciation is computed on the straight-line basis over the estimated life of the assets of three to ten years. Construction in progress on leased properties is capitalized

as leasehold improvements. The Society owns a parcel of undeveloped land which is held for the development of future facilities.

Museum Collections

The Society's extensive collections are made up of artifacts of historical significance, specimens and objects that are held for educational, research and curatorial purposes. The collections include materials from virtually every period of the region's history (e.g. artifacts from the Mississippian Indian mounds, materials from the French and Spanish Colonial periods) as well as materials reflecting a broad cross-section of life from the eighteenth through the twentieth centuries. The curatorial, conservation, library and research staff work to interpret and present the collections both in the museum galleries and through community and educational outreach 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 collection is cataloged, preserved and cared for, and activities verifying their existence and their condition are performed continuously. Proceeds from deaccessions are used to acquire other objects for the collections.

Cash, Cash Equivalents and Short Term Investments

For purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash deposits, money market funds and all highly liquid investments with an original maturity of three months or less. Short Term Investments include financial instruments with a maturity of one year or less.

Investments and Related Income

Investments in marketable securities are carried at fair value in accordance with Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. Fair value is established as readily determinable current market values for equity and debt securities. Gains or losses arising from sales of permanently restricted investments are accounted for in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations. Ordinary income derived

from investments of permanently restricted net assets, if unrestricted, is accounted for as revenues of the unrestricted net asset class, or if restricted, as temporarily restricted net assets until the terms of the restriction have been met.

Pledges Receivable

Pledges receivable less an allowance for uncollectible amounts are recorded at discounted present value as public support. Pledges made and received beyond one year are discounted to present value using the 30-Year Treasury Bond rate at the pledge date. If restricted by the donor for endowment, the amount is reported as public support of the permanently restricted net asset class. If restricted by the 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 inventory method.

Volunteer Service and In-Kind Contributions

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

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Society 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2007 and 2006 are available for the following purpose or periods:

	2007	2006
Community Education and Events Programs	\$88,571	\$45,648
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	54,074	46,540
Communications	2,575	1,977
Publication of Books	10,459	6,459
Exhibit Production and Maintenance	94,566	56,951
Research Programs	56,049	214,558
Realized Gains on Endowment Investments	349,037	285,905
Unrealized Gains on Endowment Investments	102,474	149,375
Due in Future Years	9,413	14,138
	<u>\$767,218</u>	<u>\$821,551</u>

3. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2007 and 2006 are summarized below based on the types of activities the income is available to support:

	2007	2006
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	\$212,047	\$204,326
Salaries	576,428	576,428
Publication of Books and Quarterly Magazine	651,544	608,209
Exhibit Production and Maintenance	68,885	54,192
Internship Program	77,054	71,928
Endowment Gains	48,293	97,451
General Museum Operations	6,094,845	6,094,845
	<u>\$7,729,096</u>	<u>\$7,707,379</u>

4. Pledges Receivable

At December 31, 2007 and 2006, pledges receivable were expected to be collected as follows:

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2008	\$67,767		\$2,638	\$65,129
2009-2013	9,853	950	89	8,814
2014 and beyond	959	354	6	599
	<u>\$10,812</u>	<u>\$1,304</u>	<u>\$95</u>	<u>\$9,413</u>

Years ending December 31
2007

2008-2012
2013 and beyond

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2007	\$173,202		\$1,732	\$171,470
2008-2012	\$15,289	\$1,717	\$136	\$13,436
2013 and beyond	1,155	446	7	702
	<u>\$16,444</u>	<u>\$2,163</u>	<u>\$143</u>	<u>\$14,138</u>

5. Investments

Investments shown on the accompanying statement of financial position as of December 31, 2007 are comprised of the following:

NET ASSET CLASS	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$257,481	\$18,912,780	\$19,170,261
Temporarily Restricted Funds	315,707	451,511	767,218
Permanently Restricted Funds	0	7,729,096	7,729,096
	<u>\$573,188</u>	<u>\$27,093,387</u>	<u>\$27,666,575</u>

NET ASSET CLASS

Unrestricted Funds:	MARKET	COST
Money Market Funds and Cash Equivalents	\$2,205,804	\$2,198,650
Certificates of Deposit	435,631	435,631
U.S. Government Obligations	4,713,242	4,640,997
Corporate Bonds and Debentures	2,917,315	2,882,884
Mutual Fund	7,107,737	7,161,310
Real Estate	75,897	75,897
Corporate Stock	1,714,635	1,507,881
Total Unrestricted Funds	<u>\$19,170,261</u>	<u>\$18,903,250</u>

Temporarily Restricted Funds:

Money Market Funds and Cash Equivalents	\$27,447	\$27,440
U.S. Government Obligations	366,917	366,523
Corporate Bonds and Debentures	30,543	30,791
Corporate Stock	105,228	226,450
Mutual Fund	237,083	92,417
Total Temporarily Restricted Funds	<u>\$767,218</u>	<u>\$743,621</u>

Permanently Restricted Funds:

Money Market Funds and Cash Equivalents	\$469,848	\$476,771
U.S. Government Obligations	876,622	882,926
Corporate Bonds and Debentures	522,839	534,994
Corporate Stock	4,058,449	3,934,577
Mutual Fund	1,801,338	1,605,748
Total Permanently Restricted Funds	<u>\$7,729,096</u>	<u>\$7,435,016</u>

TOTAL INVESTMENTS

\$27,666,575 \$27,081,887

5. Investments

Investments shown on the accompanying statement of financial position as of December 31, 2006 are comprised of the following:

NET ASSET CLASS	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$6,468,122	\$10,079,263	\$16,547,385
Temporarily Restricted Funds	85,471	736,080	821,551
Permanently Restricted Funds	0	7,707,379	7,707,379
	<u>\$6,553,593</u>	<u>\$18,522,722</u>	<u>\$25,076,315</u>

NET ASSET CLASS	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$530,847	\$530,847
Certificates of Deposit	435,630	435,630
U.S. Government Obligations	5,774,668	5,861,857
Corporate Bonds and Debentures	392,259	407,674
Corporate Papers	4,368,197	4,368,197
Mutual Fund	3,476,225	3,094,520
Real Estate	63,956	63,956
Corporate Stock	1,505,603	1,267,312
Total Unrestricted Funds	<u>\$16,547,385</u>	<u>\$16,029,993</u>
Temporarily Restricted Funds:		
Money Market Funds and Cash Equivalents	\$33,779	\$33,779
U.S. Government Obligations	440,194	440,589
Corporate Bonds and Debentures	25,802	26,072
Corporate Stock	92,029	74,151
Mutual Fund	229,747	198,812
Total Temporarily Restricted Funds	<u>\$821,551</u>	<u>\$773,403</u>
Permanently Restricted Funds:		
Money Market Funds and Cash Equivalents	\$597,262	\$597,262
U.S. Government Obligations	954,917	960,426
Corporate Bonds and Debentures	456,919	460,992
Corporate Stock	1,629,728	1,311,107
Mutual Fund	4,068,553	3,515,293
Total Permanently Restricted Funds	<u>\$7,707,379</u>	<u>\$6,845,080</u>
TOTAL INVESTMENTS	<u>\$25,076,315</u>	<u>\$23,648,476</u>

6. Property and Equipment

A summary of property and equipment at December 31, 2007 and 2006 is as follows:

	2007	2006
Leasehold Improvements	\$36,975,327	\$36,892,724
Furniture, Fixtures and Equipment	1,096,256	939,980
	<u>38,071,583</u>	<u>37,832,704</u>
Less Accumulated Depreciation and Amortization	(12,061,639)	(11,111,473)
Construction in Progress	233,805	81,080
Land	975,914	961,614
	<u>\$27,219,663</u>	<u>\$27,763,925</u>

Depreciation and amortization expense was \$964,333 and \$1,219,116 for the years ended December 31, 2007 and 2006, respectively.

7. Employee Benefit Plan

The Society has a defined contribution plan for all employees with at least two years of service. The plan provided for the Society to contribute 5% of the participants' salaries with no employee contributions permitted. The Society also has a 403(b) salary reduction plan, which provides for the Society to match employee contributions at the maximum of \$500 or 1% of annual participants' salaries. Plan expenses were \$274,640 and \$281,056 for the years ended December 31, 2007 and 2006, respectively.

8. Employee Deferred Compensation Plan

The Society has a 457(b) Deferred Compensation Plan for certain employees. Participation in the plan for this employee group is voluntary and allows them to defer a portion of their salary to future years. The investments for the deferred compensation plan are presented in the financial statements as non-current assets and liabilities. The value of these plan assets was \$226,639 and \$184,036 at December 31, 2007 and 2006, respectively.

9. Commitments

At December 31, 2007, the Society was committed for certain equipment under noncancelable operating leases and certain warehouse and temporary storage location leases which expire at various dates through 2011. Additionally, the Society leases the Missouri History Museum and the Library and Research Center from the Subdistrict. The lease agreement for these facilities is coterminous with the term of the Agreement the Society has with the Subdistrict to provide history museum services. This agreement renews automatically December 31 each year unless either party gives ninety days notice prior to the expiration date. The annual lease payment is \$10 for each facility. The following is a schedule by years of future minimum rental payments required under these leases:

Years ending December 31	AMOUNT
2008	\$57,253
2009	7,788
2010	453
2011	20
2012	20
Total Minimum Rental Payments Required	<u>\$65,534</u>

The total lease payments were \$113,090 and \$96,102 for the years ended December 31, 2007 and 2006, respectively.

10. 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.

11. Federal Income Taxes

The Society is exempt from Federal Income taxes under Section 501(c)(3) of the Internal Revenue Code.

12. Contract with the Missouri History Museum Subdistrict

The Subdistrict is a part of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County. The Subdistrict was established to receive tax revenues from the tax collectors' offices and to pay for history museum services provided to benefit the public. In 1988, the Subdistrict and the Society entered into a contract which renews automatically for one year each April 21 unless either party gives written notice regarding their desire to terminate the agreement 90 days prior to renewal. The contract provides for history museum facilities and services to be provided to the public by the Society in exchange for compensation from the Subdistrict. Amounts available to the Subdistrict are based on a maximum rate of 4.0 cents on each \$100 of assessed valuation. The annual public support under this contract is determined each year based upon an annual budget submitted by the Society to the Subdistrict. In accordance with the contract, the Society records revenue based upon the services provided. The Society is included as a discretely presented component unit within the Subdistrict's basic financial statements.

13. Split Interest Agreements

The Society administers gift annuities subject to obligations to pay fixed amounts periodically to the respective donor or designated beneficiary during their lifetimes. At the inception of a split-interest agreement, an obligation is recorded at present value, utilizing discount rates ranging between 4.2% and 7.8%, for estimated future payments to be made to the donors or designated beneficiaries during their lifetimes. The obligations under split-interest agreements are adjusted over the term of the agreements for changes in the fair value of assets, accretion of the discount and other changes in estimates of future benefits. Gift annuity obligations payable were \$493,633 and \$526,730 at December 31, 2007 and 2006, respectively.

14. Concentrations of Credit Risk

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash deposits in banks and other financial institutions, investment securities and pledge receivables. The Society maintains cash and cash equivalents and short- and long-term investments with major banks and financial institutions. Accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Protection Corporation (SIPC) up to \$100,000 at each institution, as applicable. At times, the Society may have cash balances with banks in excess of the FDIC coverage. Concentrations of credit risk with respect to pledge receivables are limited due to the large number of donors comprising the Society's donor base.



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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