



FINANCIAL STATEMENTS

*For the years ended December 31, 2008 and 2007
(with independent auditors' report thereon)*

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

Missouri History Museum:

We have audited the statements of financial position of the Missouri History Museum (the "Museum") as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Museum'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 History Museum as of December 31, 2008 and 2007, 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 27, 2009

As of December 31, 2008 and 2007	2008	2007
CURRENT ASSETS		
Cash and Cash Equivalents	\$1,328,068	\$1,246,982
Accrued Investment Income	154,502	181,724
Grants and Accounts Receivable	69,659	538,088
Pledges Receivable, Net of Allowance for Uncollectibles	16,906	65,129
Inventories	311,336	413,317
Short-Term Investments	1,500,739	573,188
Prepaid Expenses	301,079	348,345
Total Current Assets	<u>\$3,682,289</u>	<u>\$3,366,773</u>
NON-CURRENT ASSETS		
Investments (including Unrealized Gains/(Losses) of (\$4,734,428) and \$584,688 for 2008 and 2007, respectively)	\$22,789,844	\$27,093,387
Pledges Receivable, Net of Allowance for Uncollectibles	5,451	9,413
Leasehold Improvements, Net of Accumulated Amortization	24,749,006	25,584,138
Furniture, Fixtures and Equipment, Net of Accumulated Depreciation	498,997	425,806
Construction in Progress	151,475	233,805
Land	975,914	975,914
Total Non-Current Assets	<u>\$49,170,687</u>	<u>\$54,322,463</u>
TOTAL ASSETS	<u>\$52,852,976</u>	<u>\$57,689,236</u>
CURRENT LIABILITIES		
Accounts Payable	\$306,178	\$297,028
Accrued Salary, Accrued Vacation and Pension Expense	399,364	363,698
Deferred Revenue	28,090	17,250
Total Current Liabilities	<u>\$733,632</u>	<u>\$677,976</u>
NON-CURRENT LIABILITIES		
Obligations Under Split-Interest Agreements	\$494,100	\$493,633
Accrued Vacation	486,124	471,893
Other	264,438	226,639
Total Non-Current Liabilities	<u>\$1,244,662</u>	<u>\$1,192,165</u>
TOTAL LIABILITIES	<u>\$1,978,294</u>	<u>\$1,870,141</u>
NET ASSETS		
Unrestricted	\$42,757,695	\$47,322,781
Temporarily Restricted	658,677	767,218
Permanently Restricted	7,458,310	7,729,096
Total Net Assets	<u>\$50,874,682</u>	<u>\$55,819,095</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$52,852,976</u>	<u>\$57,689,236</u>

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2008				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$9,824,756			\$9,824,756
Contributions and Bequests	1,337,250	\$611,465	\$51,000	1,999,715
Memberships	522,078			522,078
Volunteer Services and In-Kind Contributions	170,983			170,983
Total Public Support	\$11,855,067	\$611,465	\$51,000	\$12,517,532
Revenue:				
Investment Income	\$664,556	\$98,033		\$762,589
Losses from Securities, Net	(5,355,338)	(307,373)	(\$321,786)	(5,984,497)
Grant Income	43,145			43,145
Museum Shop Loss, from Sales of \$472,617	(33,982)			(33,982)
Facility Rental/Restaurant Income	145,057			145,057
Special Exhibition Ticket Revenue	157,567			157,567
Net Revenue	(\$4,378,995)	(\$209,340)	(\$321,786)	(\$4,910,121)
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	\$3,962	(\$3,962)		\$0
Satisfaction of Purpose Restrictions	506,704	(506,704)		0
Total Net Assets Released from Restrictions	\$510,666	(\$510,666)		\$0
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$7,986,738	(\$108,541)	(\$270,786)	\$7,607,411
DECREASES IN NET ASSETS				
Expenses:				
Program Services:				
Community Education and Events Programs	\$1,242,336			\$1,242,336
Collections and Conservation	2,314,612			2,314,612
Library and Archives	1,691,229			1,691,229
Publications	303,719			303,719
Exhibitions	2,655,591			2,655,591
Communications	945,271			945,271
Total Program Services	\$9,152,758			\$9,152,758
Supporting Services:				
Fund Raising	\$543,900			\$543,900
Membership	335,663			335,663
Human Resources	265,215			265,215
Management and General	1,874,422			1,874,422
Information Technology	258,316			258,316
Total Supporting Services	\$3,277,516			\$3,277,516
Change in Value of Split-Interest Agreements	\$64,814			\$64,814
Other Expenses, Net	56,736			56,736
TOTAL EXPENSES — DECREASES IN NET ASSETS	\$12,551,824	\$0	\$0	\$12,551,824
Excess of Expenses over Public Support and Revenue	(\$4,565,086)	(\$108,541)	(\$270,786)	(\$4,944,413)
Net Assets Beginning of Year	47,322,781	767,218	7,729,096	55,819,095
NET ASSETS END OF YEAR	\$42,757,695	\$658,677	\$7,458,310	\$50,874,682

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	\$11,281,418	\$410,177	\$5,000	\$11,696,595
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	\$2,674,086	\$101,837	\$16,717	\$2,792,640
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	\$566,347	(\$566,347)		\$0
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$14,521,851	(\$54,333)	\$21,717	\$14,489,235
DECREASES IN NET ASSETS				
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	\$9,889,741			\$9,889,741
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	\$3,516,727			\$3,516,727
Change in Value of Split-Interest Agreements	\$51,741			\$51,741
TOTAL EXPENSES — DECREASES IN NET ASSETS	\$13,458,209	\$0	\$0	\$13,458,209
Excess of Public Support and Revenue over 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	\$47,322,781	\$767,218	\$7,729,096	\$55,819,095

	2008	2007
For the years ended December 31, 2008 and 2007		
Cash Flows from Operating Activities		
Public Support:		
Cash Received from the Missouri History Museum Subdistrict	\$9,824,756	\$9,608,405
Cash Received from Contributors	2,051,900	1,351,947
Cash Received for Memberships	522,078	572,375
Revenue:		
Investment Income	789,811	954,706
Grant Income Received	496,944	1,226,929
Cash Received by the Museum Shop	475,759	426,507
Other Cash Receipts	522,253	424,053
Cash Paid to Employees and Suppliers	(11,819,475)	(12,715,876)
Net Cash Provided by Operating Activities	\$2,864,026	\$1,849,046
Cash Flows Used in Investing Activities		
Purchases of Investments	(3,100,000)	(11,789,945)
Maturing of Investments	1,545,251	3,700,970
Additions to Construction in Progress and Leasehold Improvements and Purchase of Furniture and Equipment	(214,981)	(405,771)
Net Cash Used in Investing Activities	(1,769,730)	(8,494,746)
Cash Flows Used in Financing Activities		
Payments on Split-Interest Agreements	(\$85,659)	(\$84,837)
Net Cash Used in Financing Activities	(85,659)	(84,837)
Net Increase/(Decrease) in Cash, Cash Equivalents and Short Term Investments	1,008,637	(6,730,537)
Cash, Cash Equivalents and Short Term Investments December 31, 2007 and 2006	1,820,170	8,550,707
Cash, Cash Equivalents and Short Term Investments December 31, 2008 and 2007	\$2,828,807*	\$1,820,170*
Excess of Expenses over Public Support and Revenue	(\$4,944,413)	\$1,031,026
Adjustments to Reconcile Net Cash Provided by Operating Activities		
Depreciation and Amortization	953,892	964,333
Net Decrease in Receivables, Accruals and Prepaid Items	697,083	196,788
(Gains)/Losses on Investments, Net	5,984,497	(462,894)
Change in Value of Split-Interest Agreements	64,814	51,741
Net Increase in Liabilities	108,153	68,052
Net Cash Provided by Operating Activities	\$2,864,026	\$1,849,046
*Detail of Cash, Cash Equivalents and Short-Term Investments December 31, 2008 and 2007 As Presented on the Statements of Financial Position:		
Cash and Cash Equivalents	\$1,328,068	\$1,246,982
Short-Term Investments	1,500,739	573,188
Cash, Cash Equivalents and Short Term Investments December 31, 2008 and 2007	\$2,828,807	\$1,820,170

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 financial statement presentation follows the recommendations of Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, 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.

Fair Value of Financial Instruments

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

Beginning December 31, 2008, the Museum has determined the fair value of certain assets and liabilities on a recurring basis through application of Statements of Financial Accounting Standards No. 157, *Fair Value Measurements*, as disclosed in Note 7 to the financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and overnight sweep repurchase agreements with original maturities of three months or less. Money market funds and highly liquid investments are included in short term investments.

Grants Receivable

Grants receivable consists of amounts due to the Museum related to work performed under grant agreements.

Pledges Receivable

Legally enforceable pledges are recorded as receivables in the year made. Pledges for support of current operations are recorded as public support. Pledges made and received beyond one year are discounted to present value using the 30

year Treasury Bond rate at the date of pledge. (ranging from 2.3% to 4.78% at December 2008 and from 4.55% to 5.12% at December 2007). For pledges made and received within one year, the net realizable value is a reasonable estimate of the fair value. If restricted by 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 market value, 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 market value on the date of receipt. 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 \$150,623 and \$136,207 for the years ended December 31, 2008 and 2007, 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, 2008 and 2007 are \$57,275 and \$46,153, 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. Property and equipment are recorded at cost, if purchased, or at estimated fair market value, if donated. 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. The Museum owns a parcel of undeveloped land which is held for the development of future facilities.

Museum Collections

The Museum’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 Mississippi Indian mounds, materials from the French and Spanish periods) as well as materials reflecting a broad cross-section of life from the eighteenth through twentieth centuries. The curatorial, conservation, library and research staff work to interpret and present the collections both in the museum galleries and through the 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.

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, 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 \$494,100 and \$493,633 at December 31, 2008 and 2007, respectively.

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, 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 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 contributed time and 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.

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 has elected to defer the adoption of Financial Accounting Standards Board Interpretation FAS No. 48 (“FIN 48”), *Accounting for Uncertainty in Income Taxes — An Interpretation of FASB No. 109*, under the guidance of Financial Accounting Standards Board Staff Position No. 48-3 (“FSP 48-3”), *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*. The Museum’s policy is to evaluate uncertain tax positions under the guidance of FAS 5 *Accounting for Contingencies*, which requires recognition of loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimated.

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.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2008 and 2007 are available for the following purpose or periods:

	2008	2007
Community Education and Events Programs	\$163,151	\$88,571
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	82,682	54,074
Communications	4,000	2,575
Publication of Books	22,109	10,459
Exhibit Production and Maintenance	209,685	94,566
Research Programs	27,460	56,049
Realized Gains on Endowment Investments	272,286	349,037
Unrealized Gains/(Losses) on Endowment Investments	(128,147)	102,474
Due in Future Years	5,451	9,413
	<u>\$658,677</u>	<u>\$767,218</u>

3. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2008 and 2007 are summarized below based on the types of activities the income is available to support:

	2008	2007
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	\$202,311	\$212,047
Salaries	576,428	576,428
Publication of Books and Quarterly Magazine	598,861	651,544
Exhibit Production and Maintenance	58,118	68,885
Internship Program	120,823	77,054
Endowment Gains/(Losses)	(193,076)	48,293
General Museum Operations	6,094,845	6,094,845
	<u>\$7,458,310</u>	<u>\$7,729,096</u>

4. Pledges Receivable

At December 31, 2008 and 2007, pledges receivable were expected to be collected as follows:

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2009	\$17,076		\$170	\$16,906
2010-2014	\$5,417	\$406	\$50	\$4,961
2015 and beyond	763	268	5	490
	<u>\$6,180</u>	<u>\$674</u>	<u>\$55</u>	<u>\$5,451</u>

Years ending December 31
2008

	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
	\$67,767		\$2,638	\$65,129
2009–2013	\$9,853	\$950	\$89	\$8,814
2014 and beyond	959	354	6	599
	\$10,812	\$1,304	\$95	\$9,413

5. Investments

Investments shown on the accompanying statement of financial position as of December 31, 2008 are comprised of the following:

NET ASSET CLASS

	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$986,200	\$15,187,396	\$16,173,596
Temporarily Restricted Funds	514,539	144,138	658,677
Permanently Restricted Funds	0	7,458,310	7,458,310
	\$1,500,739	\$22,789,844	\$24,290,583

NET ASSET CLASS

	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$2,072,892	\$2,072,892
Certificates of Deposit	27,737	27,193
U.S. Government Obligations	4,946,600	4,687,750
Corporate Bonds and Debentures	4,340,669	4,667,364
Corporate Stock	734,690	962,754
Mutual Funds — Equities	3,647,553	5,972,078
Mutual Funds — Fixed Income	336,977	356,356
Real Estate	66,478	66,478
Total Unrestricted Funds	\$16,173,596	\$18,812,865
Temporarily Restricted Funds:		
Money Market Funds and Cash Equivalents	\$3,587	\$3,587
Certificates of Deposit	1,408	1,380
U.S. Government Obligations	35,592	15,190
Corporate Bonds and Debentures	309,527	335,497
Corporate Stock	35,104	47,585
Mutual Funds — Equities	256,353	426,937
Mutual Funds — Fixed Income	17,106	18,090
Total Temporarily Restricted Funds	\$658,677	\$848,266
Permanently Restricted Funds:		
Money Market Funds and Cash Equivalents	\$185,582	\$185,582
Certificates of Deposit	72,860	71,427
U.S. Government Obligations	816,733	785,976
Corporate Bonds and Debentures	675,080	695,121
Corporate Stock	1,704,449	2,222,881
Mutual Funds — Equities	3,118,470	4,466,852
Mutual Funds — Fixed Income	885,136	936,041
Total Permanently Restricted Funds	\$7,458,310	\$9,363,880
TOTAL INVESTMENTS	\$24,290,583	\$29,025,011

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
	\$573,188	\$27,093,387	\$27,666,575

NET ASSET CLASS

	MARKET	COST
Unrestricted Funds:		
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 Funds — Equities	6,455,278	6,524,692
Mutual Funds — Fixed Income	652,459	636,618
Real Estate	75,897	75,897
Corporate Stock	1,714,635	1,507,881
Total Unrestricted Funds	\$19,170,261	\$18,903,250
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	92,417
Mutual Funds — Equities	193,826	183,512
Mutual Funds — Fixed Income	43,257	42,938
Total Temporarily Restricted Funds	\$767,218	\$743,621
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	1,801,338	1,605,748
Mutual Funds — Equities	3,317,964	3,188,537
Mutual Funds — Fixed Income	740,485	746,040
Total Permanently Restricted Funds	\$7,729,096	\$7,435,016
TOTAL INVESTMENTS	\$27,666,575	\$27,081,887

6. Endowment

The endowment consists of 21 individual funds established for a variety of purposes. Endowment funds include 13 donor-restricted and eight Board-designated. In accordance with Financial Accounting Standards Board Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations*, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The fair value of the endowment funds was \$10,441,873 and \$14,990,914 at December 31, 2008 and 2007 and is included in non-current investments in the Statements of Financial Position. Permanently restricted endowment balances include the original value at the date of the gift.

For the years ended December 31, 2008 and 2007, the organization had the following endowment-related activities:

2008 Endowment Funds

	DONOR-RESTRICTED		BOARD-DESIGNATED	TOTAL
	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	UNRESTRICTED	
INVESTMENT LOSS				
Investment Income and Realized Losses, Net	\$18,966	(\$80,417)	(\$385,357)	(\$446,808)
Net, Unrealized Depreciation	(274,570)	(241,369)	(2,935,394)	(3,451,333)
Total Investment Loss	(\$255,604)	(\$321,786)	(\$3,320,751)	(\$3,898,141)
Contributions to Perpetual Endowment	\$0	\$51,000	\$0	\$51,000
Amounts Appropriated for Expenditure	(95,718)	0	(606,182)	(701,900)
TOTAL CHANGE IN ENDOWMENT FUNDS	(\$351,322)	(\$270,786)	(\$3,926,933)	(\$4,549,041)

2007 Endowment Funds

	DONOR-RESTRICTED		BOARD-DESIGNATED	TOTAL
	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	UNRESTRICTED	
INVESTMENT LOSS				
Investment Income and Realized Losses, Net	\$151,375	\$65,874	\$1,375,239	\$1,592,488
Net, Unrealized Depreciation	(46,836)	(49,157)	(605,986)	(701,979)
Total Investment Loss	\$104,539	\$16,717	\$769,253	\$890,509
Contributions to Perpetual Endowment	\$25,000	\$5,000	\$0	\$30,000
Amounts Appropriated for Expenditure	(88,368)	0	(559,632)	(648,000)
TOTAL CHANGE IN ENDOWMENT FUNDS	\$41,171	\$21,717	\$209,621	\$272,509

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2008.

Spending Policy

The Museum has a policy of appropriating for distribution each year between 3.5 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. In establishing this policy, the Museum considered the long-term expected return on its endowment. 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.

7. Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2008 and 2007 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, 2008				
Short-Term Investments	\$1,500,739	\$1,182,526	\$318,213	\$0
Investments	22,789,844	15,308,538	7,481,306	0
Total	\$24,290,583	\$16,491,064	\$7,799,519	\$0
Split-Interest Agreements	\$494,100	\$0	\$494,100	\$0
Total	\$494,100	\$0	\$494,100	\$0
December 31, 2007				
Short-Term Investments	\$573,188	\$573,188	\$0	\$0
Investments	27,093,387	19,459,013	7,634,374	0
Total	\$27,666,575	\$20,032,201	\$7,634,374	\$0
Split-Interest Agreements	\$493,633	\$0	\$493,633	\$0
Total	\$493,633	\$0	\$493,633	\$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. Fair value for split-interest agreements is determined by calculating the present value of the charitable gift annuity using published life expectancy tables and certain calculated payout rates.

8. Property and Equipment

A summary of property and equipment at December 31, 2008 and 2007 is as follows:

	2008	2007
Leasehold Improvements	\$37,012,765	\$36,975,327
Furniture, Fixtures and Equipment	1,238,735	1,096,256
	<u>38,251,500</u>	<u>38,071,583</u>
Less Accumulated Depreciation and Amortization	(13,003,497)	(12,061,639)
Construction in Progress	151,475	233,805
Land	975,914	975,914
	<u>\$26,375,392</u>	<u>\$27,219,663</u>

Depreciation and amortization expense was \$953,892 and \$964,333 for the years ended December 31, 2008 and 2007, respectively.

At December 31, 2008, 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 2012. Additionally, the Museum 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 Museum 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 of future minimum rental payments required under these leases:

Years ending December 31	AMOUNT
2009	\$53,364
2010	12,463
2011	11,944
2012	9,957
2013	<u>20</u>
Total Minimum Rental Payments Required	<u>\$87,748</u>

The total lease payments were \$77,841 and \$113,090 for the years ended December 31, 2008 and 2007, 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 \$266,733 and \$279,251 for the years ended December 31, 2008 and 2007, respectively.

10. Employee Deferred Compensation Plan

The Museum maintains a 457(b) and a 457(f) Deferred Compensation Plan for certain employees. Participation in these plans 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 \$264,438 and \$226,639 at December 31, 2008 and 2007, 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 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) to a level of \$250,000. The Securities Investor Protection Corporation (SIPC) provides protection on securities up to \$500,000 at each institution. At times, the Museum may have cash balances with banks in excess of the FDIC coverage and securities with financial institutions in excess of SIPC coverage. Concentrations of credit risk with respect to pledge receivables are limited due to the large number of donors comprising the Museum's donor base.

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 Museum entered into a contract which renews automatically for one year each December 31 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 Museum 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 Museum to the Subdistrict. In accordance with the contract, the Museum records revenue based upon the services provided. The Museum is included as a discretely presented component unit within the Subdistrict's financial statements.

13. 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.

14. Risks and Uncertainties

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

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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