



FINANCIAL STATEMENTS

*For the years ended December 31, 2010 and 2009
(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, 2010 and 2009, 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, 2010 and 2009, 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 15, 2011

As of December 31, 2010 and 2009	2010	2009
CURRENT ASSETS		
Cash	\$1,176,645	\$1,266,742
Accrued Investment Income	127,964	158,330
Grants and Accounts Receivable	84,553	43,065
Pledges Receivable, Net of Allowance for Uncollectibles	54,941	247,484
Inventories	270,191	248,623
Short-Term Investments	1,024,708	1,481,976
Prepaid Expenses	533,542	397,329
Total Current Assets	<u>\$3,272,544</u>	<u>\$3,843,549</u>
NON-CURRENT ASSETS		
Investments (including Unrealized Gains/(Losses) of \$1,637,591 and (\$945,608) for 2010 and 2009, respectively)	\$31,247,714	\$27,934,290
Pledges Receivable, Net of Allowance for Uncollectibles	22,694	55,185
Leasehold Improvements, Net of Accumulated Amortization	23,593,266	24,103,388
Furniture, Fixtures and Equipment, Net of Accumulated Depreciation	1,305,431	676,204
Construction in Progress	0	207,345
Land	975,914	975,914
Total Non-Current Assets	<u>\$57,145,019</u>	<u>\$53,952,326</u>
TOTAL ASSETS	<u>\$60,417,563</u>	<u>\$57,795,875</u>
CURRENT LIABILITIES		
Accounts Payable	\$339,505	\$257,632
Accrued Salary, Accrued Vacation and Pension Expense	995,650	925,078
Deferred Revenue	12,396	5,880
Total Current Liabilities	<u>\$1,347,551</u>	<u>\$1,188,590</u>
NON-CURRENT LIABILITIES		
Obligations Under Split-Interest Agreements	\$307,194	\$471,367
Other	487,458	357,292
Total Non-Current Liabilities	<u>\$794,652</u>	<u>\$828,659</u>
TOTAL LIABILITIES	<u>\$2,142,203</u>	<u>\$2,017,249</u>
NET ASSETS		
Unrestricted	\$43,646,867	\$42,233,298
Temporarily Restricted	7,870,007	6,800,342
Permanently Restricted	6,758,486	6,744,986
Total Net Assets	<u>\$58,275,360</u>	<u>\$55,778,626</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$60,417,563</u>	<u>\$57,795,875</u>

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2010				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$9,802,161			\$9,802,161
Contributions and Bequests	1,029,253	\$632,391	\$13,500	1,675,144
Memberships	523,318			523,318
Volunteer Services and In-Kind Contributions	256,578			256,578
Total Public Support	\$11,611,310	\$632,391	\$13,500	\$12,257,201
Revenue:				
Investment Income	\$715,208	\$54,547		\$769,755
Gains from Investments, Net	924,897	1,537,022		2,461,919
Grant Income	58,235			58,235
Museum Shop, Net (Sales of \$457,805)	9,060			9,060
Facility Rental/Restaurant Income/Catering, Net	11,342			11,342
Special Exhibition Ticket Revenue	518,282			518,282
Other Income, Net	179,696			179,696
Net Revenue	\$2,416,720	\$1,591,569	\$13,500	\$4,008,289
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	\$1,154,295	(\$1,154,295)		\$0
Total Net Assets Released from Restrictions	\$1,154,295	(\$1,154,295)		\$0
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$15,182,325	\$1,069,665	\$13,500	\$16,265,490
DECREASES IN NET ASSETS				
Expenses:				
Program Services:				
Community Education and Events Programs	\$1,336,314			\$1,336,314
Library and Collections	3,496,439			3,496,439
Publications	341,313			341,313
Exhibitions and Research	4,035,216			4,035,216
Communications	1,212,765			1,212,765
Total Program Services	\$10,422,047			\$10,422,047
Supporting Services:				
Fund Raising	\$498,358			\$498,358
Membership	449,244			449,244
Management and General	1,799,362			1,799,362
Human Resources	283,689			283,689
Information Technology	140,154			140,154
Total Supporting Services	\$3,170,807			\$3,170,807
Change in Value of Split-Interest Agreements	\$24,427			\$24,427
Other Expenses	\$151,475			\$151,475
TOTAL EXPENSES — DECREASES IN NET ASSETS	\$13,768,756	\$0	\$0	\$13,768,756
Excess of Public Support and Revenue over Expenses	\$1,413,569	\$1,069,665	\$13,500	\$2,496,734
Net Assets Beginning of Year	42,233,298	6,800,342	6,744,986	55,778,626
NET ASSETS END OF YEAR	\$43,646,867	\$7,870,007	\$6,758,486	\$58,275,360

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2009				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$9,807,838			\$9,807,838
Contributions and Bequests	1,030,364	\$1,143,057	\$500	2,173,921
Memberships	478,516			478,516
Volunteer Services and In-Kind Contributions	193,486			193,486
Total Public Support	\$11,510,204	\$1,143,057	\$500	\$12,653,761
Revenue:				
Investment Income	\$383,370			\$383,370
Gains from Investments, Net	1,662,983	\$2,369,210		4,032,193
Grant Income	40,724			40,724
Museum Shop, Net (Sales of \$407,523)	(31,469)			(31,469)
Facility Rental/Restaurant Income/Catering, Net	119,580			119,580
Special Exhibition Ticket Revenue	73,609			73,609
Other Income, Net	266,943			266,943
Net Revenue	\$2,515,740	\$2,369,210		\$4,884,950
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	\$5,451	(\$5,451)		\$0
Satisfaction of Purpose Restrictions	918,399	(918,399)		0
Total Net Assets Released from Restrictions	\$923,850	(\$923,850)		\$0
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$14,949,794	\$2,588,417	\$500	\$17,538,711
DECREASES IN NET ASSETS				
Expenses:				
Program Services:				
Community Education and Events Programs	\$1,221,523			\$1,221,523
Library and Collections	3,692,489			3,692,489
Publications	316,441			316,441
Exhibitions and Research	3,137,327			3,137,327
Communications	1,072,842			1,072,842
Total Program Services	\$9,440,622			\$9,440,622
Supporting Services:				
Fund Raising	\$514,630			\$514,630
Membership	392,758			392,758
Management and General	1,832,435			1,832,435
Human Resources	280,383			280,383
Information Technology	107,079			107,079
Total Supporting Services	\$3,127,285			\$3,127,285
Change in Value of Split-Interest Agreements	\$66,858			\$66,858
TOTAL EXPENSES — DECREASES IN NET ASSETS	\$12,634,765	\$0	\$0	\$12,634,765
Excess of Public Support and Revenue over Expenses	\$2,315,029	\$2,588,417	\$500	\$4,903,946
Net Assets Reclassified upon Adoption of FASB ASC 958-205-55	(2,839,425)	3,553,248	(713,823)	0
Net Assets Beginning of Year	42,757,694	658,677	7,458,309	50,874,680
NET ASSETS END OF YEAR	\$42,233,298	\$6,800,342	\$6,744,986	\$55,778,626

	2010	2009
For the years ended December 31, 2010 and 2009		
Cash Flows from Operating Activities		
Public Support:		
Cash Received from the Missouri History Museum Subdistrict	\$9,802,161	\$9,807,838
Cash Received from Contributors	1,900,178	1,893,609
Cash Received for Memberships	523,318	478,516
Revenue:		
Investment Income	800,121	379,542
Grant Income Received	58,235	64,643
Cash Received by the Museum Shop	457,805	407,523
Other Cash Receipts	806,226	439,565
Cash Paid to Employees and Suppliers	(12,927,106)	(11,848,507)
Net Cash Provided by Operating Activities	\$1,420,938	\$1,622,729
Cash Flows Used in Investing Activities		
Purchases of Investments	(\$3,750,000)	(\$2,500,000)
Maturing of Investments	2,956,415	1,410,480
Additions to Construction in Progress and Leasehold Improvements and Purchase of Furniture and Equipment	(1,092,372)	(523,706)
Net Cash Used in Investing Activities	(\$1,885,957)	(\$1,613,226)
Cash Flows Used in Financing Activities		
Payments on Split-Interest Agreements	(\$82,346)	(\$89,592)
Net Cash Used in Financing Activities	(82,346)	(89,592)
Net Decrease in Cash and Short Term Investments	(547,365)	(80,089)
Cash and Short Term Investments December 31, 2009 and 2008	2,748,718	2,828,807
Cash and Short Term Investments December 31, 2010 and 2009	\$2,201,353*	\$2,748,718*
Excess of Public Support and Revenue over Expenses	\$2,496,734	4,903,946
Adjustments to Reconcile Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,180,612	936,246
Net (Increase)/Decrease in Receivables, Accruals and Prepaid Items	56,131	(291,083)
Gains on Investments, Net	(2,461,919)	(4,032,193)
Change in Value of Split-Interest Agreements	24,427	66,858
Net Increase in Liabilities	124,954	38,955
Net Cash Provided by Operating Activities	\$1,420,939	\$1,622,729
*Detail of Cash and Short-Term Investments December 31, 2010 and 2009 As Presented on the Statements of Financial Position:		
Cash	\$1,176,645	\$1,266,742
Short-Term Investments	1,024,708	1,481,976
Cash and Short Term Investments December 31, 2010 and 2009	\$2,201,353	\$2,748,718

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). In June 2009, the FASB issued ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification (ASC), as the sole source of authoritative U.S. generally accepting accounting principles (GAAP). ASC 105 is effective for periods ending on or after September 1, 2009.

The financial statement presentation follows the recommendations of 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.

Fair Value Measurements

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 approximates carrying value due to the short-term nature of these accounts.

The Museum determines the fair value of certain assets and liabilities on a recurring basis through application of ASC 820, as disclosed in Note 7 to the financial statements.

There were no triggering events that required fair value measurements of the Museum's nonfinancial assets and liabilities at December 31, 2010 and 2009.

Cash

Cash consists of demand deposits. 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 3.52% to 4.85% at December 2010 and from 2.83% to 4.76% at December 2009). 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 \$155,046 and \$143,826 for the years ended December 31, 2010 and 2009, 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, 2010 and 2009 are \$65,644 and \$56,917, 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. In prior years, the Museum incurred and capitalized \$151,475 of engineering and design fees associated with the potential development of this property. As a result of the decision in 2010 to delay indefinitely further development of the property, the fees were expensed in 2010 as other expenses.

Museum Collections

The Missouri History Museum’s research collections contain unique regional history sources and objects documenting St. Louis, Missouri, the Mississippi and Missouri Valleys, the Louisiana Purchase Territory and the American West. An integrated and multi-format collection, it serves an audience of diverse local, national and international readers and researchers. Museum staff members work to share the collections in the galleries, through our various publications, online and through our community and educational programs. The value of the collections and library holdings cannot be determined, and therefore, is not capitalized in the accompanying financial statements. Each of the items in the collections is catalogued, preserved and cared for, and collections audits are performed regularly. Proceeds from deaccessions are used to acquire other objects for the collections.

Split-Interest Agreements

The Museum administers split-interest agreements subject to obligations to pay fixed amounts periodically to the respective donor or designated beneficiary during their lifetimes. At the inception of the split-interest agreement, an obligation is recorded at present value, 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 \$307,194 and \$471,367 at December 31, 2010 and 2009, 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 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 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.

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 2009 financial statements to conform to the presentation of the 2010 financial statements.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2010 and 2009 are available for the following purpose or periods:

	2010	2009
Capital Campaign	\$2,050	\$0
Community Education and Events Programs	219,778	279,072
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	66,928	62,706
Publication of Books	26,934	7,109
Exhibit Production, Maintenance and Research	346,698	384,858
Realized Gains on Endowment Investments	6,129,747	6,370,469
Unrealized Gains/(Losses) on Endowment Investments	1,077,872	(303,872)
	<u>\$7,870,007</u>	<u>\$6,800,342</u>

3. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2010 and 2009 are summarized below based on the types of activities the income is available to support:

	2010	2009
Acquisition of Items for Library and Collections	\$82,040	\$82,040
Exhibits, Research and Conservation	10,000	10,000
Salaries	517,901	517,901
Publication of Books and Magazines	137,285	137,285
Internship Program	246,715	243,215
General Museum Operations	5,764,545	5,754,545
	<u>\$6,758,486</u>	<u>\$6,744,986</u>

4. Pledges Receivable

At December 31, 2010 and 2009, pledges receivable were expected to be collected as follows:

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2011	\$55,496		\$555	\$54,941
2012-2016	\$22,981	\$312	\$227	\$22,442
2017 and beyond	371	116	3	252
	<u>\$23,352</u>	<u>\$428</u>	<u>\$230</u>	<u>\$22,694</u>

Years ending December 31

	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2010	\$249,984		\$2,500	\$247,484
2011-2015	\$55,981	\$629	\$554	\$54,798
2016 and beyond	567	175	5	387
	\$56,548	\$804	\$559	\$55,185

5. Investments

Investments shown on the accompanying statement of financial position as of December 31, 2010 are comprised of the following:

NET ASSET CLASS

	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$132,269	\$17,281,609	\$17,413,878
Temporarily Restricted Funds	892,439	7,207,619	8,100,058
Permanently Restricted Funds	0	6,758,486	6,758,486
	\$1,024,708	\$31,247,714	\$32,272,422

NET ASSET CLASS

	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$357,525	\$357,525
U.S. Government Obligations	3,661,713	3,500,407
Corporate Bonds and Debentures	5,457,961	5,159,571
Corporate Stock	1,977,531	1,878,868
Mutual Funds — Equities	3,379,347	3,367,471
Mutual Funds — Fixed Income	2,418,022	2,400,918
Real Estate	161,779	189,402
Total Unrestricted Funds	\$17,413,878	\$16,854,162
Temporarily Restricted Funds:		
Money Market Funds and Cash Equivalents	\$195,714	\$195,714
U.S. Government Obligations	474,120	442,442
Corporate Bonds and Debentures	1,050,918	1,006,575
Corporate Stock	1,809,859	1,493,368
Mutual Funds — Equities	3,601,191	2,951,643
Mutual Funds — Fixed Income	815,367	802,280
Real Estate	152,889	130,161
Total Temporarily Restricted Funds	\$8,100,058	\$7,022,183
Permanently Restricted Funds:		
Money Market Funds and Cash Equivalents	\$215,790	\$215,790
U.S. Government Obligations	487,823	487,823
Corporate Bonds and Debentures	704,789	704,789
Corporate Stock	1,506,132	1,506,132
Mutual Funds — Equities	3,008,068	3,008,068
Mutual Funds — Fixed Income	700,289	700,289
Real Estate	135,595	135,595
Total Permanently Restricted Funds	\$6,758,486	\$6,758,486
TOTAL INVESTMENTS	\$32,272,422	\$30,634,831

Investments shown on the accompanying statement of financial position as of December 31, 2009 are comprised of the following:

NET ASSET CLASS

	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$576,797	\$15,122,708	\$15,699,505
Temporarily Restricted Funds	905,179	6,066,596	6,971,775
Permanently Restricted Funds	0	6,744,986	6,744,986
	\$1,481,976	\$27,934,290	\$29,416,266

NET ASSET CLASS

	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$206,781	\$206,781
U.S. Government Obligations	4,378,747	4,282,732
Corporate Bonds and Debentures	5,743,091	5,615,088
Corporate Stock	132,899	160,550
Mutual Funds — Equities	3,789,238	4,638,125
Mutual Funds — Fixed Income	1,399,306	1,388,523
Real Estate	49,443	49,443
Total Unrestricted Funds	\$15,699,505	\$16,341,242
Temporarily Restricted Funds:		
Money Market Funds and Cash Equivalents	\$216,065	\$216,065
Certificates of Deposit	52,811	48,572
U.S. Government Obligations	407,451	388,950
Corporate Bonds and Debentures	1,007,156	952,565
Corporate Stock	1,488,891	1,401,912
Mutual Funds — Equities	3,049,338	3,546,193
Mutual Funds — Fixed Income	750,063	721,389
Total Temporarily Restricted Funds	\$6,971,775	\$7,275,646
Permanently Restricted Funds:		
Money Market Funds and Cash Equivalents	\$228,768	\$228,768
Certificates of Deposit	51,428	51,428
U.S. Government Obligations	411,816	411,816
Corporate Bonds and Debentures	657,154	657,154
Corporate Stock	1,482,282	1,482,282
Mutual Funds — Equities	3,237,259	3,237,259
Mutual Funds — Fixed Income	676,279	676,279
Total Permanently Restricted Funds	\$6,744,986	\$6,744,986
TOTAL INVESTMENTS	\$29,416,266	\$30,361,874

6. Endowment

The endowment consists of 21 individual funds established for a variety of purposes. As required by 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 SPMIFA (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 SPMIFA.

Consistent with ASC 958-205, the change in law prompted a change in the net asset classification of the Museum's endowments as of January 1, 2009.

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. In light of the realized and unrealized losses experienced in 2008, the decision was made for no appropriation for distribution to be made in 2009. An appropriation of \$396,000 was made and disbursed in 2010. In addition, the Museum has appropriated \$378,000 of endowment for 2011 operations.

The changes in endowment net assets for the year ended December 31, 2010 are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment Net Assets, January 1, 2010	\$0	\$6,066,598	\$6,744,986	\$12,811,584
Contributions	0	0	13,500	13,500
Net Appreciation	0	1,537,023	0	1,537,023
Amounts Appropriated for Expenditures	774,000	(774,000)	0	0
Amounts Disbursed	(396,000)	0	0	(396,000)
Endowment Net Assets, December 31, 2010	\$378,000	\$6,829,621	\$6,758,486	\$13,966,107

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 SPMIFA requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2010 and 2009.

7. Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2010 and 2009 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, 2010				
Money Market Funds and Cash Equivalents	\$769,030	\$769,030		
U.S. Government Obligations	4,623,655	4,623,655		
Corporate Bond and Debentures	7,213,668		\$7,213,668	
Corporate Stock	5,293,521	5,293,521		
Mutual Funds — Equities:				
Large Cap Funds	3,253,145	3,253,145		
Foreign Funds	2,636,946	2,636,946		
Mid Cap Funds	1,698,867	1,698,867		
Small Cap Funds	1,419,542	1,419,542		
Other	666,044	666,044		
World Stock Funds	314,064	314,064		
Total Mutual Funds — Equities	9,988,608	9,988,608		
Mutual Funds — Fixed Income	3,933,678	3,933,678		
Real Estate	450,262	450,262		
Total Investments	\$32,272,422	\$25,058,754	\$7,213,668	
December 31, 2009				
Money Market Funds and Cash Equivalents	\$651,614	\$651,614		
Certificates of Deposit	104,239	104,239		
U.S. Government Obligations	5,198,014	5,198,014		
Corporate Bonds and Debentures	7,407,401		\$7,407,401	
Corporate Stock	3,104,072	3,104,072		
Mutual Funds — Equities:				
Large Cap Funds	3,373,672	3,373,672		
Foreign Funds	2,569,307	2,569,307		
Mid Cap Funds	1,834,797	1,834,797		
Small Cap Funds	1,660,926	1,660,926		
Other	258,066	258,066		
World Stock Funds	379,067	379,067		
Total Mutual Funds — Equities	10,075,835	10,075,835		
Mutual Funds — Fixed Income	2,825,648	2,825,648		
Real Estate	49,443	49,443		
Total Investments	\$29,416,266	\$22,008,865	\$7,407,401	

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, 2010 and 2009 is as follows:

	2010	2009
Leasehold Improvements	\$37,529,075	\$37,194,189
Furniture, Fixtures and Equipment	2,315,637	1,502,281
	<u>39,844,712</u>	<u>38,696,470</u>
Less Accumulated Depreciation and Amortization	(14,946,015)	(13,916,878)
Construction in Progress	0	207,345
Land	975,914	975,914
	<u>\$25,874,611</u>	<u>\$25,962,851</u>

Depreciation and amortization expense was \$1,029,137 and \$936,246 for the years ended December 31, 2010 and 2009, respectively.

At December 31, 2010, 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
2011	\$18,674
2012	9,957
2013	20
2014	20
2015	20
	<u>28,691</u>
Total Minimum Rental Payments Required	<u>\$28,691</u>

The total lease payments were \$59,091 and \$62,253 for the years ended December 31, 2010 and 2009, 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 \$295,901 and \$271,683 for the years ended December 31, 2010 and 2009, 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 \$487,458 and \$357,292 at December 31, 2010 and 2009, 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. In 2010, 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 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 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.

15. Subsequent Events

In accordance with ASC 855, the Museum has evaluated subsequent events through March 15, 2011, which is the date the financial statements were available to be issued.

Missouri History Museum



MISSOURI HISTORICAL SOCIETY

MISSOURI HISTORY MUSEUM

in Forest Park (DeBaliviere and Lindell Blvd.)

LIBRARY AND RESEARCH CENTER

225 South Skinker Blvd. (across from Forest Park)

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