

Missouri History Museum

FINANCIAL STATEMENTS

For the years ended December 31, 2011 and 2010
(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, 2011 and 2010, 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 Museum as of December 31, 2011 and 2010, 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 20, 2012

As of December 31, 2011 and 2010	2011	2010
CURRENT ASSETS		
Cash	\$1,752,598	\$1,176,645
Accrued Investment Income	89,613	127,964
Grants and Accounts Receivable	72,398	84,553
Pledges Receivable, Net	675,671	54,941
Inventories	265,078	270,191
Short-Term Investments	1,040,703	1,024,708
Prepaid Expenses	532,817	533,542
Total Current Assets	\$4,428,878	\$3,272,544
NON-CURRENT ASSETS		
Investments (including Unrealized Gains of \$1,089,913 and \$1,637,591 for 2011 and 2010, respectively)	\$31,158,110	\$31,247,714
Pledges Receivable, Net	619,867	22,694
Leasehold Improvements, Net	22,908,514	23,593,266
Furniture, Fixtures and Equipment, Net	1,453,518	1,305,431
Land and Buildings	1,405,424	975,914
Total Non-Current Assets	\$57,545,433	\$57,145,019
TOTAL ASSETS	\$61,974,311	\$60,417,563
CURRENT LIABILITIES		
Accounts Payable	\$327,789	\$339,505
Accrued Salary and Accrued Vacation	420,862	440,873
Deferred Revenue	3,540	12,396
Total Current Liabilities	\$752,191	\$792,774
NON-CURRENT LIABILITIES		
Obligations Under Split-Interest Agreements	\$292,374	\$307,194
Other	1,165,121	1,042,235
Total Non-Current Liabilities	\$1,457,495	\$1,349,429
TOTAL LIABILITIES	\$2,209,686	\$2,142,203
NET ASSETS		
Unrestricted	\$36,027,972	\$43,646,867
Unrestricted — Board Designated	8,127,135	0
Total Unrestricted	\$44,155,107	\$43,646,867
Temporarily Restricted	8,843,282	7,870,007
Permanently Restricted	6,766,236	6,758,486
Total Net Assets	\$59,764,625	\$58,275,360
TOTAL LIABILITIES AND NET ASSETS	\$61,974,311	\$60,417,563

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2011				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$9,955,601			\$9,955,601
Contributions and Bequests:				
Capital Campaign		\$2,876,610		2,876,610
Other	1,610,867	261,917	\$7,750	1,880,534
Memberships	544,635			544,635
Volunteer Services and In-Kind Contributions	222,210			222,210
Total Public Support	\$12,333,313	\$3,138,527	\$7,750	\$15,479,590
Revenue:				
Investment Income	\$738,666	\$52,983		\$791,649
Realized Gains/(Losses) from Sale of Securities	93,581	(220,398)		(126,817)
Unrealized Losses from Securities	(11,668)	(536,008)		(547,676)
Grant Income	116,378			116,378
Museum Shop, Net (Sales of \$397,013)	(11,918)			(11,918)
Facility Rental/Restaurant Income/Catering, Net	86,797			86,797
Special Exhibition Ticket Revenue	272,793			272,793
Other Income, Net	192,684			192,684
Net Revenue	\$1,477,313	(\$703,423)		\$773,890
Net Assets Released from Restrictions:				
Satisfaction of Purpose Restrictions	\$1,461,829	(\$1,461,829)		\$0
Total Net Assets Released from Restrictions	\$1,461,829	(\$1,461,829)		\$0
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$15,272,455	\$973,275	\$7,750	\$16,253,480
DECREASES IN NET ASSETS				
Expenses:				
Program Services:				
Community Education and Events Programs	\$1,399,323			\$1,399,323
Library and Collections	3,353,340			3,353,340
Publications	329,128			329,128
Exhibitions and Research	5,126,345			5,126,345
Communications	1,213,912			1,213,912
Total Program Services	\$11,422,048			\$11,422,048
Supporting Services:				
Development	\$606,231			\$606,231
Membership	406,233			406,233
Management and General	1,817,407			1,817,407
Human Resources	297,474			297,474
Information Technology	163,617			163,617
Total Supporting Services	\$3,290,962			\$3,290,962
Change in Value of Split-Interest Agreements	\$51,205			\$51,205
TOTAL EXPENSES — DECREASES IN NET ASSETS	\$14,764,215	\$0	\$0	\$14,764,215
Excess of Public Support and Revenue over Expenses	\$508,240	\$973,275	\$7,750	\$1,489,265
Net Assets Beginning of Year	43,646,867	7,870,007	6,758,486	58,275,360
NET ASSETS END OF YEAR	\$44,155,107	\$8,843,282	\$6,766,236	\$59,764,625

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
Realized Gains/(Losses) from Sale of Securities	(278,397)	155,277		(123,120)
Unrealized Gains from Securities	1,203,294	1,381,745		2,585,039
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		\$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:				
Development	\$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

	2011	2010
For the years ended December 31, 2011 and 2010		
Cash Flows from Operating Activities		
Public Support:		
Cash Received from the Missouri History Museum Subdistrict	\$9,955,601	\$9,802,161
Cash Received from Contributors	3,539,221	1,900,178
Cash Received for Memberships	544,635	523,318
Revenue:		
Investment Income	830,000	800,121
Grant Income Received	116,378	58,235
Cash Received by the Museum Shop	397,013	457,805
Other Cash Receipts	613,967	806,226
Cash Paid to Employees and Suppliers	(13,786,573)	(12,927,106)
Net Cash Provided by Operating Activities	2,210,242	1,420,938
Cash Flows Used in Investing Activities		
Purchases of Investments	(5,700,000)	(\$3,750,000)
Maturing of Investments	5,129,921	2,956,415
Additions to Leasehold Improvements, Land, Buildings, and Purchase of Furniture and Equipment	(982,190)	(1,092,372)
Net Cash Used in Investing Activities	(1,552,269)	(1,885,957)
Cash Flows Used in Financing Activities		
Payments on Split-Interest Agreements	(66,025)	(82,346)
Net Cash Used in Financing Activities	(66,025)	(82,346)
Net Increase/(Decrease) in Cash and Short Term Investments	591,948	(547,365)
Cash and Short Term Investments December 31, 2010 and 2009	2,201,353	2,748,718
Cash and Short Term Investments December 31, 2011 and 2010	\$2,793,301*	\$2,201,353*
Excess of Public Support and Revenue over Expenses	\$1,489,265	\$2,496,734
Adjustments to Reconcile Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,089,345	1,180,612
Net (Increase)/Decrease in Receivables, Accruals and Prepaid Items	(1,161,559)	56,131
(Gains)/Losses on Investments, Net	659,683	(2,461,919)
Change in Value of Split-Interest Agreements	51,205	24,427
Net Increase in Liabilities	82,303	124,954
Net Cash Provided by Operating Activities	\$2,210,242	\$1,420,939
*Detail of Cash and Short-Term Investments December 31, 2011 and 2010 As Presented on the Statements of Financial Position:		
Cash	\$1,752,598	\$1,176,645
Short-Term Investments	1,040,703	1,024,708
Cash and Short Term Investments December 31, 2011 and 2010	\$2,793,301	\$2,201,353

1. Summary of Significant Accounting Policies

Museum Operations

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

Basis of Presentation

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

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

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, 2011 and 2010.

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

In 2011 the Museum began the early stages of a Capital Campaign and received initial pledges and contributions designated for the campaign. Pledges for the Capital Campaign, along with other legally enforceable pledges, less an allowance for uncollectible amounts, 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 a risk adjusted rate at the date of pledge (ranging from 2.76% to 4.76% at December 2011 and from 3.52% to 4.85% at December 2010). For pledges made and received within one year, the net realizable value is a reasonable estimate of the fair value. If restricted by the donor for endowment, the amount is reported as public support of the permanently restricted net asset class. If restricted by donor for particular purposes or for capital acquisition, the amount is reported as public support of temporarily restricted net assets.

Inventories

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

Investments

Investments are carried at 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 \$176,662 and \$155,046 for the years ended December 31, 2011 and 2010, 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, 2011 and 2010 are \$74,438 and \$65,644, 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 purchased a parcel of undeveloped land in 2006 which is held for possible development of future facilities. In December of 2011 the Museum purchased a second property which is also being held for the possible development of future facilities.

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 \$292,374 and \$307,194 at December 31, 2011 and 2010, 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 2010 financial statements to conform to the presentation of the 2011 financial statements.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2011 and 2010 are available for the following purpose or periods:

	2011	2010
Capital Campaign	\$2,032,857	\$2,050
Community Education and Events Programs	168,956	219,778
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	69,131	66,928
Publication of Books	25,529	26,934
Exhibit Production, Maintenance and Research	95,596	346,698
Realized Gains on Endowment Investments	5,909,349	6,129,747
Unrealized Gains on Endowment Investments	541,864	1,077,872
	<u>\$8,843,282</u>	<u>\$7,870,007</u>

3. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2011 and 2010 are summarized below based on the types of activities the income is available to support:

	2011	2010
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	246,715
General Museum Operations	5,772,295	5,764,545
	<u>\$6,766,236</u>	<u>\$6,758,486</u>

4. Pledges Receivable

At December 31, 2011 and 2010, pledges receivable were expected to be collected as follows:

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2012	\$682,496		\$6,825	\$675,671
2013-2017	\$660,980	\$34,645	\$6,605	\$619,730
2018 and beyond	174	36	1	137
	<u>\$1,343,650</u>	<u>\$34,681</u>	<u>\$13,431</u>	<u>\$1,295,538</u>

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
	\$78,848	\$428	\$785	\$77,635

5. Investments

Investments shown on the accompanying statement of financial position as of December 31, 2011 are comprised of the following:

NET ASSET CLASS	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$431,368	\$17,940,661	\$18,372,029
Temporarily Restricted Funds	609,335	6,451,213	7,060,548
Permanently Restricted Funds	0	6,766,236	6,766,236
	\$1,040,703	\$31,158,110	\$32,198,813

NET ASSET CLASS	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$998,268	\$998,268
U.S. Government Obligations	1,776,704	1,690,030
Corporate Bonds and Debentures	3,861,526	3,709,865
Corporate Stock	2,622,034	2,447,187
Mutual Funds — Equities	5,959,714	5,795,800
Mutual Funds — Fixed Income	2,946,496	2,975,545
Real Estate	207,287	207,287
Total Unrestricted Funds	\$18,372,029	\$17,823,982
Temporarily Restricted Funds:		
Money Market Funds and Cash Equivalents	\$276,125	\$276,125
U.S. Government Obligations	416,785	306,209
Corporate Bonds and Debentures	914,874	810,803
Corporate Stock	1,485,447	1,186,993
Mutual Funds — Equities	3,056,487	3,117,724
Mutual Funds — Fixed Income	774,914	718,970
Real Estate	135,916	101,858
Total Temporarily Restricted Funds	\$7,060,548	\$6,518,682
Permanently Restricted Funds:		
Money Market Funds and Cash Equivalents	\$316,165	\$316,165
U.S. Government Obligations	350,611	350,611
Corporate Bonds and Debentures	667,389	667,389
Corporate Stock	1,273,307	1,273,307
Mutual Funds — Equities	3,416,569	3,416,569
Mutual Funds — Fixed Income	625,567	625,567
Real Estate	116,628	116,628
Total Permanently Restricted Funds	\$6,766,236	\$6,766,236
TOTAL INVESTMENTS	\$32,198,813	\$31,108,900

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
Certificates of Deposit	474,120	442,442
U.S. Government Obligations	1,050,918	1,006,575
Corporate Bonds and Debentures	1,809,859	1,493,368
Corporate Stock	3,601,191	2,951,643
Mutual Funds — Equities	815,367	802,280
Mutual Funds — Fixed Income	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
Certificates of Deposit	487,823	487,823
U.S. Government Obligations	704,789	704,789
Corporate Bonds and Debentures	1,506,132	1,506,132
Corporate Stock	3,008,068	3,008,068
Mutual Funds — Equities	700,289	700,289
Mutual Funds — Fixed Income	135,595	135,595
Total Permanently Restricted Funds	\$6,758,486	\$6,758,486
TOTAL INVESTMENTS	\$32,272,422	\$30,634,831

6. Endowment

The endowment consists of 22 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.

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

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

The Museum has a policy of appropriating for distribution each year between 3 and 5 percent of its endowment fund's average fair value over the 13 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. Accordingly, over the long-term, the Museum expects the fund to achieve a real annualized rate of return that is 5% over the trailing 12 month Consumer Price Index. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. An appropriation of \$375,000 was disbursed in 2011. In addition, the Museum has appropriated \$430,000 of endowment for 2012 operations.

During 2011 the Board of Trustees approved a resolution to transfer approximately \$8,000,000 from the operating funds to the endowment fund defined as a Board designated contribution and classified as an unrestricted fund of the endowment.

The changes in endowment net assets for the year ended December 31, 2011 are as follows:

	UNRESTRICTED	UNRESTRICTED BOARD DESIGNATED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment Net Assets, January 1, 2011	\$378,000	\$0	\$6,829,621	\$6,758,486	\$13,966,107
Contributions	0	8,127,135	0	7,750	8,134,885
Net Depreciation	0	0	(756,406)	0	(756,406)
Amounts Disbursed	(375,000)	0	0	0	(375,000)
Endowment Net Assets, December 31, 2011	\$3,000	\$8,127,135	\$6,073,215	\$6,766,236	\$20,969,586

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, 2011 and 2010.

7. Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2011 and 2010 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, 2011				
Money Market Funds and Cash Equivalents	\$1,590,557	\$1,590,557		
U.S. Government Obligations	2,544,100	2,544,100		
Corporate Bond and Debentures	5,443,789		\$5,443,789	
Corporate Stock	5,380,790	5,380,790		
Mutual Funds — Equities:				
Large Cap Funds	3,785,057	3,785,057		
Foreign Funds	2,592,029	2,592,029		
Mid Cap Funds	1,431,069	1,431,069		
Small Cap Funds	2,436,172	2,436,172		
Other	1,557,539	1,557,539		
World Stock Funds	630,904	630,904		
Total Mutual Funds — Equities	12,432,770	12,432,770		
Mutual Funds — Fixed Income	4,346,976	4,346,976		
Real Estate	459,831	459,831		
Total Investments	\$32,198,813	\$26,755,024	\$5,443,789	
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	

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, 2011 and 2010 is as follows:

	2011	2010
Leasehold Improvements	\$37,691,860	\$37,529,075
Furniture, Fixtures and Equipment	2,601,659	2,315,637
	40,293,519	39,844,712
Less Accumulated Depreciation and Amortization	(15,931,487)	(14,946,015)
Land and Buildings	1,405,424	975,914
	<u>\$25,767,456</u>	<u>\$25,874,611</u>

Depreciation and amortization expense was \$1,089,345 and \$1,029,137 for the years ended December 31, 2011 and 2010, respectively.

At December 31, 2011, 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
2012	\$66,160
2013	6,750
2014	20
2015	20
2016	20
	<u>\$72,970</u>
Total Minimum Rental Payments Required	

The total lease payments were \$63,526 and \$59,091 for the years ended December 31, 2011 and 2010, 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 \$310,218 and \$295,901 for the years ended December 31, 2011 and 2010, 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 \$531,213 and \$487,458 at December 31, 2011 and 2010, 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 2011, non-interest bearing accounts at banks insured by the Federal Deposit Insurance Corporation (FDIC) have an insurance level that is unlimited. Interest bearing accounts are insured to a level of \$250,000. At times, the Museum may have cash balances with banks and securities with financial institutions in excess of the FDIC coverage. Concentrations of credit risk with respect to pledge receivables are limited due to the large number and credit worthiness of donors comprising the Museum's donor base.

12. Contract with the Missouri History Museum Subdistrict

The Subdistrict is 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 20, 2012, which is the date the financial statements were available to be issued.

Missouri History Museum



MISSOURI HISTORICAL SOCIETY

MISSOURI HISTORY MUSEUM

in Forest Park (DeBaliviere and Lindell Blvd.)

LIBRARY AND RESEARCH CENTER

225 South Skinker Blvd. (across from Forest Park)

Mailing Address:

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