
***ART MUSEUM SUBDISTRICT OF THE
METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY
OF ST. LOUIS AND ST. LOUIS COUNTY
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2013***

SAINT LOUIS ART MUSEUM

Contents

	Page
Independent Auditors' Report	1 - 2
Management's Discussion And Analysis (Unaudited)	3 - 7
 Basic Financial Statements	
Combined Statement Of Net Position	8 - 9
Combined Statement Of Revenues, Expenses And Changes In Net Position	10
Combined Statement Of Cash Flows	11
Notes To Combined Financial Statements	12 - 30



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Independent Auditors' Report

Board of Commissioners
Art Museum Subdistrict of the Metropolitan
Zoological Park and Museum District of the
City of St. Louis and St. Louis County
St. Louis, Missouri

Report On The Financial Statements

We have audited the accompanying combined financial statements of the business-type activities of the Art Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Subdistrict) and its blended component unit, the Saint Louis Art Museum Foundation (the Foundation), as of and for the year ended December 31, 2013, and the related notes to the combined financial statements, which collectively comprise the Subdistrict's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Subdistrict and the Foundation as of December 31, 2013, and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As discussed in Note 1 to the combined financial statements in 2013, the Subdistrict adopted the provisions of GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RubinBrown LLP

March 25, 2014

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (*Unaudited*)
For The Year Ended December 31, 2013**

Background Information

The Art Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (Subdistrict) and the Saint Louis Art Museum Foundation (Foundation) are included within these financial statements. Both entities are tax exempt under section 501(c)(3) of the Internal Revenue Code. The management's discussion and analysis relates to the total of both the activities of the Subdistrict and the Foundation.

The audited financial statements cover the one year ended December 31, 2013. However, the management's discussion and analysis does include comparisons to the prior year.

The management's discussion and analysis of the Museum's and Foundation's financial performance provides an overview of the financial activities for the year ended December 31, 2013. The management's discussion and analysis should not be taken as a replacement for the financial statements but should be read in conjunction with them to enhance understanding of the organization's financial performance.

Financial Highlights

- Tax revenue from the Metropolitan Zoological Park and Museum District (Zoo-Museum District) is a result of an allocation of property taxes levied by the Zoo-Museum District on behalf of the Subdistrict per \$100 of assessed valuation equal to 8.00 cents and 7.69 cents for the years ended December 31, 2013 and 2012, respectively.
- Support from the Zoo-Museum District under the accrual basis method was \$21,070,388 and \$21,093,877 for the years ended December 31, 2013 and 2012, respectively.
- The Foundation provided support to the Subdistrict in the amount of \$5,861,512 and \$34,797,379 for the years ended December 31, 2013 and 2012, respectively.

Financial Statements

The Statement of Net Position includes the assets, liabilities, and net position as of December 31, 2013. The statement is prepared under the accrual basis of accounting. The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year. The statement of cash flows' primary purpose is to provide information about the cash receipts and payments summarized by operating, noncapital financing, investing, and capital and related financing activities.

The Subdistrict meets the criterion for presenting its financial statements as a government.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Management's Discussion And Analysis *(Continued)*

The Foundation, although legally separate from the Subdistrict, is a blended component unit, reported as a separate business activity and major enterprise fund. Since the Foundation is blended, the two entities are combined and reported as one financial reporting entity.

The Foundation is incorporated under Missouri nonprofit law and its primary purpose is to raise funds for the benefit of the Subdistrict and then subsequently make gifts to the Subdistrict. Its other purpose is to manage the Foundation's endowment portfolio.

Notes To The Financial Statements

The notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed Combined Schedule Of Net Position

	<i>(In Thousands)</i>	
	2013	2012
Assets:		
Cash and cash equivalents	\$ 46,404	\$ 39,279
Due from the Sub-district by the Zoo-Museum District	10,613	14,479
Investments	159,945	143,573
Receivables:		
Tax revenue from the Zoo-Museum District	12,419	11,143
Contributions	10,819	12,524
Interest and investment proceeds	212	185
Grants	81	171
Accounts	156	156
Prepaid expenses	362	345
Inventory held for resale	232	237
Capital assets, net	146,170	147,379
Total assets	<u>387,413</u>	<u>369,471</u>
Liabilities:		
Current liabilities	3,288	7,961
Noncurrent liabilities	47,737	47,272
Total liabilities	<u>51,025</u>	<u>55,233</u>
Net Position:		
Net investment in capital assets	100,244	101,361
Restricted	125,110	115,114
Unrestricted	111,034	97,763
Total net position	<u>\$ 336,388</u>	<u>\$ 314,238</u>

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Management's Discussion And Analysis (*Continued*)

Analysis:

- Cash and cash equivalents increased in 2013 due to \$5 million restricted noncash contributions received in 2012 and sold in 2013.
- Reduced cash held at the Zoo Museum District in 2013 was due to additional expenses for operating the new East Building and installation and reinstallation of galleries in the East Building and Main Building, respectively. Some galleries were not available for use during the construction of the new building addition.
- Market value on investments for endowment funds increased by over \$17 million in 2013.
- Contribution Receivables continue to decline due to the completion of the capital campaign which helped fund the new building addition completed in 2013.
- Increases in Restricted and Unrestricted Net Position are due to the increase in market value of the investments.

Condensed Combined Schedule Of Changes In Net Position

	<i>(In Thousands)</i>	
	2013	2012
Operating revenues:		
Merchandise sales and admissions	\$ 981	\$ 934
Members' contributions	2,862	2,327
Proceeds from reacquisitions of collections	6	14
Contributions of art	563	1,189
Other earned revenue	343	102
Total operating revenues	<u>4,755</u>	<u>4,566</u>
Operating expenses:		
Program services	9,100	12,034
Gallery operations	11,746	6,720
Management and general	9,903	7,962
Fundraising	2,476	2,161
Total operating expenses	<u>33,225</u>	<u>28,877</u>
Non-operating revenue (expenses):		
Tax revenue from Zoo-Museum District	21,070	21,094
Contributions and bequests	2,362	6,933
Grants	108	194
Investment income	24,592	13,916
Interest expense	(574)	—
Total non-operating revenues	<u>47,558</u>	<u>42,137</u>
Capital contributions and bequests	1,314	206
Additions to permanent endowment	1,748	10,932
Increase in net position	22,150	28,964
Net position - beginning of year	314,238	285,274
Net position - end of year	<u>\$ 336,388</u>	<u>\$ 314,238</u>

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Management's Discussion And Analysis *(Continued)*

Analysis:

- Contributions of art decreased in 2013 by \$626,000. Gifts of art consist of objects which are accessioned into the collection. Their values fluctuate from year to year.
- Other earned revenue increased in 2013 due to increased event space rentals and parking fees for the new garage.
- In 2013, investment income of \$24.5 million includes favorable additional market gains over investment returns recorded in 2012.
- Contributions declined in 2013 primarily due to one restricted gift of over \$5 million as well as a bequest for endowment of \$10 million in 2012. Capital contributions continued to decline in 2013. The Capital Campaign goal was realized in 2012.
- Operating expenses increased in 2013 by \$4.3 million; primarily due to increased expenses due to the new building addition which opened in June of 2013. Depreciation expense increased \$2.3 million, new full time staff in gallery operations and visitors services for \$721,895. In addition, 2013 expenses included remodeling of the lower level auditorium at a cost of \$2.2 million.

Schedule Of Capital Assets, Net (Amounts In Thousands)

	2013	2012
Non-depreciable:		
Construction in process	\$ —	\$ 131,522
Depreciable:		
Buildings and building improvements	145,531	14,989
Furniture, fixtures and equipment	639	868
Total capital assets	\$ 146,170	\$ 147,379

The Subdistrict has invested \$146,170 in capital assets (net of accumulated depreciation) as of the close of the fiscal year. These capital assets consist of buildings and building improvements, furniture, fixtures, and equipment.

Construction in process decreased due to the completion of the new building addition which opened in June 2013.

Additional information on Capital Assets may be found in Note 4 of the financial statements.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Management's Discussion And Analysis (*Continued*)

Additional information on the Cultural Facilities Revenue Bonds may be found in Note 6 of the financial statements.

Requests for Information

These basic financial statements are designed to provide a general overview of the Subdistrict's and Foundation's finances. Questions concerning any information provided in this report should be addressed to the Finance Department, Saint Louis Art Museum, One Fine Arts Drive, Forest Park, St. Louis, Missouri 63110-1380.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

COMBINED STATEMENT OF NET POSITION

Page 1 Of 2

December 31, 2013

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Museum Subdistrict</u>	<u>Foundation</u>	
Assets			
Current Assets			
Cash and cash equivalents:			
Unrestricted	\$ 13,674,657	\$ 1,211,046	\$ 14,885,703
Restricted	3,676,781	27,841,878	31,518,659
Due from the Metropolitan Zoological Park and Museum District	10,612,619	—	10,612,619
Investments:			
Unrestricted	178,464	2,281,842	2,460,306
Restricted	—	20,770,039	20,770,039
Receivables:			
Tax revenue from the Metropolitan Zoological Park and Museum District, net of an allowance of \$850,316	12,419,092	—	12,419,092
Unrestricted contributions	—	24,750	24,750
Restricted contributions	240,550	1,637,176	1,877,726
Unrestricted interest and investment proceeds	66,536	68,775	135,311
Restricted interest and investment proceeds	23,770	52,890	76,660
Grants	80,980	—	80,980
Accounts:			
Unrestricted	155,809	—	155,809
Prepaid expenses	361,820	—	361,820
Inventory held for resale	232,372	—	232,372
Total Current Assets	41,723,450	53,888,396	95,611,846
Noncurrent Assets			
Receivables:			
Restricted contributions	98,250	8,818,503	8,916,753
Investments:			
Unrestricted	18,176,625	56,587,390	74,764,015
Restricted	6,662,529	55,287,857	61,950,386
Capital assets, net:			
Depreciable:			
Buildings and building improvements	145,531,009	—	145,531,009
Furniture, fixtures, and equipment	639,303	—	639,303
Total Noncurrent Assets	171,107,716	120,693,750	291,801,466
Total Assets	212,831,166	174,582,146	387,413,312

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

COMBINED STATEMENT OF NET POSITION

Page 2 Of 2
December 31, 2013

	Business-Type Activities		Total
	Museum Subdistrict	Foundation	
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,752,339	\$ —	\$ 1,752,339
Accrued expenses	1,123,993	—	1,123,993
Interest payable	78,355	—	78,355
Obligations under split-interest agreements	—	85,916	85,916
Other liabilities	196,992	50,000	246,992
Total Current Liabilities	3,151,679	135,916	3,287,595
Noncurrent Liabilities			
Obligations under split-interest agreements	—	429,906	429,906
Bonds payable due in more than one year	—	45,925,992	45,925,992
Other liabilities	1,381,196	—	1,381,196
Total Noncurrent Liabilities	1,381,196	46,355,898	47,737,094
Total Liabilities	4,532,875	46,491,814	51,024,689
Net Position			
Net investment in capital assets	146,170,312	(45,925,992)	100,244,320
Restricted:			
Expendable:			
Art acquisition and other	6,339,106	38,202,143	44,541,249
Capital campaign	—	31,196,451	31,196,451
Nonexpendable:			
Endowment principal	4,362,776	45,009,745	49,372,521
Unrestricted	51,426,097	59,607,985	111,034,082
Total Net Position	\$ 208,298,291	\$ 128,090,332	\$ 336,388,623

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For The Year Ended December 31, 2013**

	Business-Type Activities		Total
	Museum Subdistrict	Foundation	
Operating Revenues			
Merchandise sales and admissions	\$ 980,122	\$ 750	\$ 980,872
Members' contributions	—	2,861,832	2,861,832
Proceeds from deaccessions of collections	5,663	—	5,663
Contributions of art	562,830	—	562,830
Other earned revenue	336,986	6,388	343,374
Total Operating Revenues	1,885,601	2,868,970	4,754,571
Operating Expenses			
Program services:			
Curatorial and conservation	3,725,107	—	3,725,107
Exhibitions	1,871,942	—	1,871,942
Education and library	1,680,771	—	1,680,771
Accessions of art for collections	1,821,560	—	1,821,560
Gallery operations:			
Building operations and maintenance	9,151,512	9,653	9,161,165
Protective services	2,584,619	—	2,584,619
Management and general:			
Administration	8,922,769	213,519	9,136,288
Museum shop	766,262	—	766,262
Fundraising:			
Development	2,324,507	151,660	2,476,167
Total Operating Expenses	32,849,049	374,832	33,223,881
Operating Income (Loss)	(30,963,448)	2,494,138	(28,469,310)
Nonoperating Revenues (Expenses)			
Tax revenue from the Metropolitan Zoological Park and Museum District	21,070,388	—	21,070,388
Contributions and bequests	1,557,593	804,662	2,362,255
Grants	107,974	—	107,974
Investment income	323,222	24,090,216	24,413,438
Change in value of split-interest agreements	—	178,349	178,349
Interest expense	(574,211)	—	(574,211)
Payments from the Foundation (payments to the Subdistrict)	5,861,512	(5,861,512)	—
Total Nonoperating Revenues (Expenses)	28,346,478	19,211,715	47,558,193
Income (Loss) Before Capital Contributions And Bequests And Additions To Permanent Endowment	(2,616,970)	21,705,853	19,088,883
Capital Contributions And Bequests	229,893	1,084,332	1,314,225
Additions To Permanent Endowment	125	1,747,427	1,747,552
Increase (Decrease) In Net Position	(2,386,952)	24,537,612	22,150,660
Net Position - Beginning Of Year, As Restated	210,685,243	103,552,720	314,237,963
Net Position - End Of Year	\$ 208,298,291	\$ 128,090,332	\$ 336,388,623

See the accompanying notes to financial statements.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2013**

	Business-Type Activities		
	Museum		Total
	Subdistrict	Foundation	
Cash Flows From Operating Activities			
Receipts from patrons	\$ 980,122	\$ 2,838,082	\$ 3,818,204
Receipts from deaccessions of collections	5,663	—	5,663
Other operating cash receipts	537,633	—	537,633
Payments to suppliers of goods and services	(16,249,236)	(215,703)	(16,464,939)
Payments to employees	(12,806,280)	—	(12,806,280)
Net Cash Provided By (Used In) Operating Activities	(27,532,098)	2,622,379	(24,909,719)
Cash Flows From Noncapital Financing Activities			
Cash collections of support from Zoo Museum District	23,648,756	—	23,648,756
Payments to (from) the Foundation	3,886,903	(3,886,903)	—
Proceeds from contributions	1,434,712	2,371,163	3,805,875
Investment subject to split-interest agreements	—	170,176	170,176
Net payments received for split-interest agreements	—	89,805	89,805
Net Cash Provided By (Used In) Noncapital Financing Activities	28,970,371	(1,255,759)	27,714,612
Cash Flows From Investing Activities			
Purchase of investments	(4,782,555)	(17,635,630)	(22,418,185)
Investment income	919,372	1,456,813	2,376,185
Proceeds from sale of investments	4,991,818	23,276,726	28,268,544
Net Cash Provided By Investing Activities	1,128,635	7,097,909	8,226,544
Cash Flows From Capital And Related Financing Activities			
Cash collections of grant support	198,141	—	198,141
Payments to (from) the Foundation	1,974,609	(1,974,609)	—
Proceeds from capital contributions	229,893	2,907,256	3,137,149
Payments on bonds payable	—	(100,000)	(100,000)
Interest paid	(1,145,635)	(78,355)	(1,223,990)
Purchase of property and equipment	(5,917,661)	—	(5,917,661)
Net Cash Provided By (Used In) Capital And Related Financing Activities	(4,660,653)	754,292	(3,906,361)
Net Increase (Decrease) In Cash And Cash Equivalents	(2,093,745)	9,218,821	7,125,076
Cash And Cash Equivalents - Beginning Of Year	19,445,183	19,834,103	39,279,286
Cash And Cash Equivalents - End Of Year	\$ 17,351,438	\$ 29,052,924	\$ 46,404,362
Reconciliation Of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities			
Operating income (loss)	\$ (30,963,448)	\$ 2,494,138	\$ (28,469,310)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,644,906	7,667	3,652,573
Write off of contributions receivable	—	151,660	151,660
Provision for uncollectible taxes	11,415	—	11,415
Changes in assets and liabilities:			
Accounts receivable	(25,197)	25,500	303
Prepaid expenses	(16,573)	—	(16,573)
Inventory held for resale	4,601	—	4,601
Accounts payable	(733,176)	(6,586)	(739,762)
Interest payable	78,355	—	78,355
Accrued expenses	163,734	—	163,734
Other liabilities	303,285	(50,000)	253,285
Total adjustments	3,431,350	128,241	3,559,591
Net Cash Provided By (Used In) Operating Activities	\$ (27,532,098)	\$ 2,622,379	\$ (24,909,719)
Supplemental Disclosure Of Cash Flow Information			
Unrealized gain (loss) on investments	\$ (364,930)	\$ 17,544,359	\$ 17,179,429
Noncash contributions held at year end	5,341	29,266	34,607

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2013

1. Summary Of Significant Accounting Policies

The Art Museum Subdistrict (the Subdistrict) was established by an act of the Missouri State Legislature in 1971. The Subdistrict operates the Saint Louis Art Museum, and is supported by tax revenue from the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Zoo-Museum District). Support from the Zoo-Museum District represents a continuous appropriation of an allocation of property tax revenues from the City of St. Louis and St. Louis County, which are levied on behalf of the Sub-district by the Zoo-Museum District. The Sub-district has no authority to levy taxes on its own.

The following is a summary of the more significant accounting policies:

Reporting Entity

The Subdistrict's financial reporting entity has been determined in accordance with governmental accounting standards for defining the reporting entity and identifying entities to be included in its basic financial statements. The Subdistrict's financial reporting entity consists of the Subdistrict (the primary government) and its blended component unit, the Saint Louis Art Museum Foundation (the Foundation).

The Foundation, a separate legal entity, was incorporated as a Missouri not-for-profit organization to act as an organization for certain of the Saint Louis Art Museum's fundraising activities. Members of the Board of Commissioners for the subdistrict appoint the members of the Board of Directors for the Foundation. In addition, the Foundation manages the endowment of the Subdistrict and the income and resources generated by the Foundation support the efforts of the Subdistrict. Consequently, the Foundation is included as a blended component unit of the Subdistrict. The financial activity of the Foundation is presented as a separate enterprise fund and in a separate column in the accompanying basic financial statements to emphasize that it is legally separate from the Subdistrict. Separate financial statements of the Foundation are not prepared.

Basis Of Accounting

The Subdistrict and Foundation prepare their financial statements in accordance with accounting principles generally accepted in the United States of America for business-type activities, as prescribed by The Governmental Accounting Standards Board (GASB). Accordingly, the economic resource measurement focus and the accrual basis of accounting are used. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from nonexchange transactions (principally tax revenue from the Metropolitan Zoological Park and Museum District, grants and contributions) are recognized when all applicable eligibility requirements are met.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

Business-type activities distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with business-type activities ongoing operations. Revenues from merchandise sales and admissions, proceeds from deaccessions of collections, and members' contributions are reported as operating revenues. All expenses related to operating the Subdistrict or Foundation are reported as operating expenses. Transactions which are capital, financing, or investing related are reported as nonoperating revenues and expenses in its own category in the Statement of Revenues, Expenses and Changes in the Net Position.

Revenue Recognition

The Subdistrict recognizes merchandise sales as revenue at the point of sale. The Subdistrict and Foundation recognize members' contributions as revenue when received.

Tax revenue from the Zoo-Museum District represents a continuous appropriation to the Subdistrict by the Zoo-Museum District. Accordingly, the Subdistrict recognizes support from the Zoo-Museum District based on an allocation of property taxes which are levied by the Zoo-Museum District, net of the Zoo-Museum District management fee and an allowance for uncollectible accounts.

The Subdistrict and Foundation recognize contributions, including contributions receivable due in future periods, when the contribution is received and all eligibility requirements, including time requirements, are met.

Cash And Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents consist of cash on hand and in banks, and overnight sweep repurchase agreements.

Investments

The Subdistrict and Foundation's investments are stated at fair value. Fair value of all debt and equity securities with a readily determinable fair value is based on quotations obtained from national securities exchanges.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

The Subdistrict and Foundation invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

Capital Assets

Capital assets of the Subdistrict are recorded at original cost or, if donated, at fair value at date of donation. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and building improvements need to increase the value of the building or asset. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years for furniture, fixtures, and equipment, 10 years for certain building improvements, and 30 to 75 years for buildings.

Prepaid Expenses

At December 31, 2013, prepaid expenses represent \$318,952 of payments to vendors for insurance costs and \$42,868 of other payments to vendors and contractors applicable to future accounting periods.

Inventory Held For Resale

Inventory held for resale by the Subdistrict's Museum Shop is stated at the lower of cost (determined on a first-in, first-out basis) or market.

Collections

The Subdistrict collects works of art representing many periods and cultures. The Subdistrict's collections, as permitted by accounting principles generally accepted in the United States of America, are not capitalized in the accompanying financial statements because they meet all of the following criteria:

- The collections are held for public exhibition.
- The collection is cataloged, preserved, and cared for, with activities verifying the existence and condition of the collection performed annually.
- The Subdistrict's collections' policy requires the proceeds from the sales of deaccessioned items, which are items removed from the collection, to be used to acquire other objects for the collections.

The Subdistrict preserves, collects and interprets the collection through curatorial research and educational outreach. The Subdistrict's curatorial, conservation, library and registrarial staff work to interpret and present the permanent collections in the historic galleries of the Beaux Art building and the new East Building.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

Objects can be acquired, or accessioned, by purchase or by outright gift. Items acquired by outright gift are recorded as operating revenue and accessions of art for collections at their estimated fair value in the year of donation.

A summary of the Subdistrict's deaccessions and accessions for the year ended December 31, 2013 are as follows:

Proceeds from de-accessions of collections	\$ 5,663
Accessions of art for collections:	
Value of objects acquired by gift	\$ 562,830
Purchase of accessions of art for collections	1,258,730
	<u>\$ 1,821,560</u>

Accrued Expenses

The Subdistrict's accrued expenses balance of as of December 31, 2013 represents \$541,084 of accrued salaries due to employees, \$64,851 of accrued contributions to the Employee Retirement System of the City of St. Louis, and \$518,058 of benefit time due to employees. Benefit time is granted to all full-time employees based on years of continuous service. No employee shall be allowed to exceed the maximum carryover of days, based on the employee's years of service, past December 31 of any given year without the written approval of the Director.

Other Liabilities

The Subdistrict's other liabilities as of December 31, 2013 represent \$1,541,993 of amounts due under deferred compensation plans, \$4,853 of withholdings from employees and \$31,342 of unearned income to be recognized in future periods. Other liabilities for the Foundation include \$50,000 of unearned income.

Deferred Outflows Of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then.

Deferred Inflows Of Resources

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

Net Position

The Subdistrict and Foundation's net position is classified for financial reporting purposes in the following categories:

Net investment in capital assets - This component of net position reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended bond proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted - Expendable - This component of net position includes net position whose use by the Subdistrict or the Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the Subdistrict or the Foundation.

Restricted - Nonexpendable - This component of net position includes amounts subject to externally imposed stipulations that the assets be maintained permanently by the Subdistrict or the Foundation. Such assets include the Subdistrict or the Foundation's permanent endowment fund. The current spending rate has been set at 4.5% of the trailing five-year (20 quarter) average account balance. If, due to market conditions or other issues, the Director and/or Controller deem it inadvisable to withdraw the entire 4.5% amount during any one year, they will have the authority to either take less than the 4.5%, or to withhold taking any withdrawal from the account during that year. The net amount of appreciation available for authorization of expenditure as of December 31, 2013 was \$2,337,264 and \$31,887,890 reported in restricted expendable net position of the Subdistrict and Foundation, respectively. Depending on the presence or absence of donor stipulations as to use, the amount harvested is recorded as a part of unrestricted or restricted - expendable net positions.

Unrestricted - For the Subdistrict, this component of net position includes net positions that are not subject to externally imposed stipulations. For the Foundation, this component of net position includes amounts that are for the support of the Subdistrict, but that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board of Commissioners of the Subdistrict or the Board of Directors of the Foundation. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Subdistrict and the Foundation's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

New Accounting Standard Adopted

During the year, the Subdistrict and Foundation adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. The objective of this statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as deferred inflows of resources, deferred outflows of resources, or as outflows of resources. As a result of implementing this statement, the unamortized portion of bond issue costs that were previously reported as an asset in the Foundation's financial statements have been retroactively reclassified to an outflow of resources and a restatement of net position, in the amount of \$744,232.

The Subdistrict's and Foundation's adoption of GASB No. 65 in 2013 resulted in changes to the statement of net position. As discussed in the preceding paragraph, the effect of these changes has been applied retroactively; as a result the beginning of year net position has been changed to reflect the expensing of bond issue costs. The impact of these changes on the Foundation's fund financial statements is as follows:

	<u>January 1, 2013</u>
Net position, as previously reported	\$ 104,296,952
Effect of change in accounting related to bond issuance costs	<u>(744,232)</u>
Net position, as restated	<u>\$ 103,552,720</u>

Estimates And Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Subdistrict and Foundation to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributed Services

A substantial number of unpaid volunteers contribute services to the Subdistrict. The estimated value of this contributed time for the year ending December 31, 2013 is \$215,389. The value of contributed services is not reflected in the accompanying statement of revenues, expenses and changes in net position.

Federal Income Tax

The Subdistrict is exempt from federal income taxes under Sections 115(a) and 501(c)(3) of the Internal Revenue Code, except for any unrelated business income activities.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income activities.

2. Investments

All investment decisions of the Subdistrict and Foundation are recommended by the Investment Committee, and made in accordance with the Investment Policy Statement adopted by the Subdistrict and the Foundation in July 2009.

Subdistrict

The Subdistrict's investments are maintained in accordance with state laws governing the investment of public funds; specifically those contained in Article 6, Section 23 of the Missouri Constitution. As such, the Subdistrict's investments consist of fixed income securities, specifically U.S. Treasury and U.S. Agency securities. The Subdistrict's Investment Committee has the responsibility of ensuring compliance with the existing investment policy, monitoring management's compliance with state laws, and recommending any changes to investment custodians, managers or changes to the policy.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The Subdistrict's investment policy provides that the Subdistrict's investment pool, excluding assets related to deferred compensation plans or which were donated, should consist entirely of fixed income securities, specifically U.S. Treasury and U.S. Agency securities, with maturity dates staggered over approximately a five-year maturity.

As of December 31, 2013, the Subdistrict had the following investments and related maturities:

	Fair Value	Investment Maturities (In Years)			
		Less Than One	One To Five	Six To Ten	No Maturity
Investment type:					
U.S. Treasury	\$ 898,274	\$ —	\$ 898,274	\$ —	\$ —
U.S. Agencies	13,848,828	2,367,246	11,131,398	350,184	—
Municipal bonds	58,695	—	—	58,695	—
Stocks	761,166	—	—	—	761,166
Mutual funds	188,192	—	—	—	188,192
Money market mutual funds	103,938	103,938	—	—	—
Total	\$ 15,859,093	\$ 2,471,184	\$ 12,029,672	\$ 408,879	\$ 949,358

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's.

The Subdistrict's investment policy requires the average credit quality of the portfolio be maintained at AA- or higher, as rated by Moody's and/or Standard and Poor's. The policy dictates that split-rated issues in which one of the ratings is below investment grade are not permissible.

The following table lists the credit quality ratings per Moody's and/or Standard and Poor's of the Subdistrict's investments as of December 31, 2013:

Investment type:	Fair Value	Quality Ratings		
		AA+	AA	Unrated
U.S. Treasury	\$ 898,274	\$ 898,274	\$ —	\$ —
U.S. Agencies	13,848,828	13,848,828	—	—
Municipal bonds	58,695	—	58,695	—
Stocks	761,166	—	—	761,166
Mutual funds	188,192	—	—	188,192
Money market mutual funds	103,938	—	—	103,938
Total	\$ 15,859,093	\$ 14,747,102	\$ 58,695	\$ 1,053,296

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counter party to a transaction for investments or a bank failure for deposits, the Subdistrict will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty or bank. The Subdistrict does not have a formal policy related to custodial credit risk of investments or deposits. At December 31, 2013, \$3,294 of the Subdistrict's bank balance of \$39,299,888 was uninsured and uncollateralized, and thus exposed to custodial credit risk.

Concentration Of Credit Risk

The Subdistrict's investment policy provides that the Subdistrict's investment pool, excluding assets related to deferred compensation plans or which were donated, should consist entirely of fixed income securities, specifically U.S. Treasury and U.S. Agency securities and corporate bonds.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

At December 31, 2013, the Subdistrict held the following investments that, individually, were greater than 5% of the Subdistrict's total investments:

<u>Investment Type</u>	<u>Percentage</u>
U.S. Treasury	5.66
FFCB	21.24
FHLB	20.95
FICO	12.88
FHLMC	8.82
FNMA	23.44

Investments which include \$9,158,525 of certificates of deposit are reported in the Subdistrict's accompanying statement of net position as of December 31, 2013 as follows:

Current investments:	
Unrestricted	\$ 178,464
Noncurrent investments:	
Unrestricted	18,176,625
Restricted	<u>6,662,529</u>
Total Investments	<u>\$ 25,017,618</u>

Foundation

The Foundation is incorporated as a Missouri not-for-profit organization organized under Chapter 355 of the Missouri revised Statutes, and as such, is not subject to the restrictions on investments of governmental subdivisions contained in Article 6, Section 23 of the Missouri Constitution. Specifically, not-for-profit corporations are not restricted under Missouri law from investing in corporate stock and similar investments.

Interest Rate Risk

Interest rate risk is the risk that the fair value of securities will be adversely affected by a change in interest rates. The Foundation's investment policy provides that the Foundation's investment pool may consist of fixed income securities with maturity dates not exceeding 10 years.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

As of December 31, 2013, the Foundation had the following investments and maturities:

	Fair Value	Investment Maturities (In Years)					No Maturity
		Less Than One	One To Five	Six To Ten	More Than Ten		
Investment type:							
U.S. Treasury	\$ 1,958,938	\$ —	\$ 1,198,172	\$ 760,766	\$ —	\$ —	—
U.S. Agencies	14,873,833	71,634	11,477,152	3,117,966	207,081	—	—
Corporate bonds	149,532	—	149,532	—	—	—	—
Taxable municipal bonds	8,303,769	461,110	3,507,045	4,335,614	—	—	—
Stocks	29,266	—	—	—	—	—	29,266
Mutual funds	101,851,218	—	—	—	—	—	101,851,218
Money market mutual funds	2,098,776	2,098,776	—	—	—	—	—
Other investments	20,696	—	—	—	—	—	20,696
Total	\$ 129,286,028	\$ 2,631,520	\$ 16,331,901	\$ 8,214,346	\$ 207,081	\$ 101,901,180	

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's.

The Foundation's investment policy requires that the average credit quality of the portfolio of investments be maintained at AA or higher, and that corporate fixed income securities be limited to quality ratings of BBB or above, as rated by Moody's and/or Standard and Poor's. The policy dictates that split-rated issues in which one of the ratings is below investment grade are not permissible.

The following table lists the credit quality ratings per Moody's and/or Standard and Poor's of the Foundation's investments as of December 31, 2013:

Investment type:	Fair Value	Quality Ratings				
		AAA	AA+	AA	AA-	A+
U.S. Treasury	\$ 1,958,938	\$ —	\$ 1,958,938	\$ —	\$ —	\$ —
U.S. Agencies	14,873,833	6,126	14,835,285	—	—	386
Corporate bonds	149,532	—	149,532	—	—	—
Taxable municipal bonds	8,303,769	745,117	3,046,617	3,498,665	689,704	—
Stocks	29,266	—	—	—	—	—
Mutual funds	101,851,218	—	—	—	—	—
Money market mutual funds	2,098,776	—	—	—	—	—
Other investments	20,696	—	—	—	—	—
Total	\$ 129,286,028	\$ 751,243	\$ 19,990,372	\$ 3,498,665	\$ 689,704	\$ 386

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

Investment type:	Quality Ratings			
	BBB+	BBB	CC	Unrated
U.S. Treasury	\$ —	\$ —	\$ —	\$ —
U.S. Agencies	—	1,722	30,314	—
Corporate bonds	—	—	—	—
Taxable municipal bonds	323,666	—	—	—
Stocks	—	—	—	29,266
Mutual funds	—	—	—	101,851,218
Money market mutual funds	—	—	—	2,098,776
Other investments	—	—	—	20,696
Total	\$ 323,666	\$ 1,722	\$ 30,314	\$ 103,999,956

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction for investments or a bank failure for deposits, the Foundation will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty or bank. The Foundation does not have a formal policy related to custodial credit risk of investments or deposits. At December 31, 2013, \$15,307,284 of the Foundation's bank balance of \$22,025,530 was uninsured and uncollateralized, and thus exposed to custodial credit risk.

Concentration Of Credit Risk

The Foundation's Investment Policy includes an asset allocation policy, which includes the following target investment allocations with a permissible variance of +/-10%:

<u>Investment Type</u>	<u>Percentage</u>
Equity investments:	
Total market	11.50
Large capitalization value	16.00
Small capitalization value	11.00
Small capitalization market	7.00
REIT's	3.50
International	21.00
Fixed income investments	30.00
Total	100.00

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

At December 31, 2013, the Foundation held the following investments that, individually, were greater than 5% of the Foundation's total investments:

<u>Investment Type</u>	<u>Percentage</u>
FHLB	5.30
Vanguard FTSE All World	8.27
Vanguard Small Cap Index	7.90
Vanguard Small Cap Value	12.31
Vanguard Total Stock Mkt	13.00
Vanguard Value Index	18.02
Ishares MSCI Val Idx Fd	5.92
Ishares Trust	9.54

Investments, which include \$5,641,100 of certificates of deposit, are reported in the Foundation's accompanying statement of net position as of December 31, 2013 as follows:

Current investments:	
Unrestricted	\$ 2,281,842
Restricted	20,770,039
Noncurrent investments:	
Unrestricted	56,587,390
Restricted	<u>55,287,857</u>
 Total Investments	 <u>\$ 134,927,128</u>

3. Contributions Receivable

At December 31, 2013, the present value of the Subdistrict's contributions receivable is expected to be collected in the future as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 244,500
2015	42,000
2016	25,000
2017	25,000
2018	25,000
	<u>361,500</u>
Less: Allowance for uncollectibility	3,615
Less: Unamortized discount	<u>19,085</u>
	<u>\$ 338,800</u>

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

At December 31, 2013, the present value of the Foundation's contributions receivable are expected to be collected in the future as follows:

Year	Amount
2014	\$ 1,678,713
2015	485,221
2016	22,653
2017	10,000
2018	10,000,000
	12,196,587
Less: Allowance for uncollectibility	121,966
Less: Unamortized discount	1,594,192
	\$ 10,480,429

4. Capital Assets

The following is a summary of changes in capital assets for the Subdistrict for the year ended December 31, 2013:

	Balance January 1, 2013	Additions And Reclassifications	Retirements And Reclassifications	Balance December 31, 2013
Capital assets not being depreciated:				
Construction in process	\$ 131,522,292	\$ 2,204,517	\$ (133,726,809)	\$ —
Capital assets being depreciated:				
Buildings and building improvements	34,418,269	133,582,390	—	168,000,659
Furniture, fixtures and equipment	4,264,590	375,531	(1,127,032)	3,513,089
Total capital assets being depreciated	38,682,859	133,957,921	(1,127,032)	171,513,748
Less accumulated depreciation for:				
Buildings and building improvements	(19,429,032)	(3,040,618)	—	(22,469,650)
Furniture, fixtures and equipment	(3,396,530)	(604,288)	1,127,032	(2,873,786)
Total accumulated depreciation	(22,825,562)	(3,644,906)	1,127,032	(25,343,436)
Total capital assets being depreciated, net	15,857,297	130,313,015	—	146,170,312
Capital assets, net	\$ 147,379,589	\$ 132,517,532	\$ (133,726,809)	\$ 146,170,312

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

Depreciation expense for 2013 was allocated to the following functions of the Subdistrict:

Building operations and maintenance	\$ 3,348,616
Administration	272,831
Museum shop	<u>23,459</u>
	<u>\$ 3,644,906</u>

5. Tax Revenue From The Zoo-Museum District

Tax revenue from the Zoo-Museum District represents property tax revenues allocated to the Subdistrict from the following sources:

City of St. Louis, Missouri	\$ 3,510,767
St. Louis County, Missouri	<u>17,559,621</u>
	<u>\$ 21,070,388</u>

6. Noncurrent Liabilities

During the year ended December 31, 2009, the Industrial Development Authority of the City of St. Louis, (the IDA) issued \$20,710,000 in Cultural Facilities Revenue Bonds (Series 2009A) with interest rates ranging from 2% to 5%. The bond proceeds are being used to finance a portion of the costs of improvements to the Museum's existing 269,900 square foot facility, construction of an approximate 82,000 square foot expansion to the Museum's existing facility, and constructing an approximate 128,000 square foot, 300 space underground parking facility. The bonds are scheduled to mature on December 1, 2013 through December 1, 2040.

During the year ended December 31, 2009, the IDA also issued \$25,515,000 (Series 2009B) in Variable Rate Demand Cultural Facilities Revenue Bonds. The bond proceeds are being used in conjunction with the Series 2009A bonds to finance the portion of the costs of improvements to the Museum's existing 269,900 square foot facility, construction of an approximate 82,000 square foot expansion to the Museum's existing facility, and constructing an approximate 128,000 square foot, 300 space underground parking facility. The bonds are scheduled to mature in 2040.

The bonds were issued pursuant to a Trust Indenture dated December 1, 2009 between the IDA and UMB Bank, N. A., as Bond Trustee. Under the terms of the Trust Indenture, the IDA assigned and pledged to the Trustee all of its interest in the Loan Agreement (except its rights to receive indemnification and reimbursement and certain other rights).

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

The Foundation entered into Loan Agreements with the IDA whereby the IDA loaned the Series 2009A and Series 2009B bond proceeds to the Foundation. In return, the Loan Agreement requires the Foundation to make payments on the loan in the amount of the interest and principal on the bonds. In order to provide revenues to the Foundation to make payments under the Loan Agreement, the Museum and Foundation entered into a Ground Lease, dated December 1, 2009, pursuant to which the Museum will lease certain of its real property, commonly known as the "South Wing" (the Leased Property) to the Foundation. The Foundation and the Museum entered into a Lease/Purchase Agreement, dated December 1, 2009, (the Lease) pursuant to which the Foundation will sublease the Leased Property to the Museum and the Museum agrees, subject to the availability of appropriations of funds therefore to pay Base Rentals (as defined in the Lease) in amounts sufficient for the Foundation to make the Loan Payments under the Loan Agreement.

Pursuant to these agreements, the capital assets and improvements are capitalized on the books of the Museum. Construction costs were funded by the transfer of funds from the Foundation to the Museum.

The Series 2009B bonds are secured by an irrevocable direct-pay letter of credit issued by U.S. Bank National Association (the Credit Bank) in favor of the Trustee pursuant to a Reimbursement Agreement, dated as of December 1, 2009 and amended September 1, 2012 among the Museum, the Foundation and the Credit Bank, and expires December 31, 2015. Under the terms of the letter of credit, the remarketing agent, J.P. Morgan Securities, Inc., is authorized to use their best efforts to sell the repurchased bonds at par value by adjusting the interest rate on a weekly basis.

Interest requirements for variable rate debt are calculated using the interest rate effective the last Wednesday of October plus 200 basis points. The interest rate is reset weekly based upon the Municipal Swap Index published by the Securities Industry and Financial Markets Association (SIFMA). The interest rate is determined by the Remarketing Agent as the lowest rate of interest, which, in the judgment of the Remarketing Agent, would cause the bonds to have a market value as of the date of determination equal to the principal amount of the bonds, taking into account prevailing market conditions; provided that in no event will the interest rate on the bonds exceed 10% per annum. The SIFMA rate and the rate set by the Remarketing Agent on the bonds at December 31, 2013 was 0.06% and 0.05%, respectively.

The Series 2009 bonds subject the Foundation to certain restrictions and covenants including refraining from taking any action which causes the interest on the bonds to be includable in gross income for federal income tax purposes, maintaining a ratio of the Foundation's and Museum's unrestricted net assets to total outstanding indebtedness of at least 0.75 to 1, furnishing audited financial statements to the bank and other restrictions and covenants. The Foundation further covenants that it will maintain its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (Continued)

Principal And Interest Requirements To Maturity

Obligations related to the cultural facilities revenue bonds are payable in varying amounts through 2040. Annual principal and interest requirements to maturity on the bonds as of December 31, 2013 are as follows:

Year Ending December 31,	Cultural Facilities Revenue Bonds	
	Principal	Interest
2014	\$ —	\$ 964,077
2015	100,000	964,077
2016	495,000	961,327
2017	505,000	946,477
2018	300,000	929,812
2019-2023	2,890,000	4,381,845
2024-2028	3,545,000	3,725,140
2029-2033	4,440,000	2,830,760
2034-2038	5,660,000	1,609,035
2039-2040	28,190,000	227,764
	<u>\$ 46,125,000</u>	<u>\$ 17,540,314</u>

The Series 2009B variable rate interest rate for purposes of the maturity schedule is assumed to be 0.05%. Bond interest paid in 2013 was \$953,320 and \$192,315 for 2009A and 2009B bonds, respectively. Bond interest capitalized in 2013 was \$571,424.

Following is a summary of the changes in noncurrent liabilities of the Subdistrict for the year ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Other liabilities	\$ 1,274,903	\$ 4,600,509	\$ (4,297,224)	\$ 1,578,188	\$ 196,992

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

Following is a summary of the changes in noncurrent liabilities of the Foundation for the year ended December 31, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue bonds:					
Series 2009A	\$ 20,710,000	\$ —	\$ (100,000)	\$ 20,610,000	\$ —
Series 2009B	25,515,000	—	—	25,515,000	—
Obligations under split-interest agreements	255,841	332,583	(72,602)	515,822	85,916
				46,640,822	
	<u>\$ 46,480,841</u>	<u>\$ 332,583</u>	<u>\$ (172,602)</u>		<u>\$ 85,916</u>
Less:					
Unamortized discount on bonds				(199,008)	
Total Noncurrent Liabilities				<u>\$ 46,441,814</u>	

7. Operating Lease Commitment

In 2011, the Museum entered into an operating lease agreement for warehouse space which began February 2011 and ends January 31, 2016. The amount of base rent and additional rent for common areas is estimated at the maximum rate allowed under the contract. Property taxes owed for the rental space are proportionate to the square footage rented and utility costs are separately contracted by the Subdistrict. For the year ended December 31, 2013, the Subdistrict incurred operating lease expenses of \$83,693. The estimated annual lease payments including any additional rent and taxes due under the terms of the lease agreement are as follows.

Year	Amount
2014	\$ 103,213
2015	104,331
2016	8,694
	<u>\$ 216,238</u>

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

8. Split-Interest Agreements

The Foundation administers gift annuities subject to obligations to pay fixed amounts periodically to the respective donor or designated beneficiaries during their lifetimes. Assets held under these split-interest agreements are included in investments and long-term investments. Contribution revenue is recorded at the inception date of each split-interest agreement, net of the related obligation under split-interest agreement, which is recorded at present value utilizing interest rates ranging between 4.5% and 12.6%, for estimated future payments to be made to the donors or designated beneficiaries during their lifetimes. The obligations under split-interest agreements are adjusted over the term of the agreements for changes in the fair value of the assets, accretion of the discount, and other changes in estimates of future benefits.

9. Retirement Plans

Pension Plan

The Subdistrict provides retirement benefits to substantially all regular employees through participation in the Employee Retirement System of the City of St. Louis (Employee Retirement System), a cost-sharing multiple-employer public defined benefit retirement plan. Responsibility for the operation and administration of the Employee Retirement System is vested with the Employee Retirement System's Board of Trustees.

The Employee Retirement System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employee Retirement System of the City of St. Louis; 1114 Market Street, Room 900; St. Louis, Missouri 63101.

The Employee Retirement System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employee Retirement System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65, or if an employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service, age 55 with at least 20 years of creditable service, or any age with 30 years of creditable service.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

Contributions to the Employee Retirement System represent percentages of annual covered payroll sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the projected unit credit actuarial cost method. The Board of Trustees of the Employee Retirement System elected to require employer contributions at a rate of 15.54%, 14.27% and 12.69% of active member payroll effective July 2013, 2012 and 2011, respectively. Contributions to the Employee Retirement System, based upon the October 1, 2012 annual actuarial valuation using the projected unit credit method, were \$1,224,679, \$1,030,932, and \$908,163 for the years ended December 31, 2013, 2012 and 2011, respectively, which were equal to the required contributions each year. This amount was recorded to the appropriate functional expense line as a cost of operations in the accompanying Subdistrict's statement of revenues, expenses and changes in net position. There is no separately determined actuarial information with respect to the Subdistrict's participation in the Employee Retirement System.

Deferred Compensation

The Subdistrict maintains deferred compensation plans for the purpose of providing deferred compensation to a select group of current and previous key employees. The plans require the Subdistrict to establish a Reserve Account and make annual distributions based upon terms of the deferred compensation agreements. The balance of the Reserve Accounts at December 31, 2013 was \$1,541,993.

10. Risk Management

The Subdistrict and the Foundation are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; theft of, damage to, and destruction of collections; errors and omissions; injuries to employees; and natural disasters. The Subdistrict and Foundation purchase commercial insurance for these risks of loss. Settled claims did not exceed commercial coverage in the past three years.