

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

Basic Financial Statements

December 31, 2015

(With Independent Auditors' Report Thereon)

THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY OF
ST. LOUIS AND ST. LOUIS COUNTY

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and the governmental fund of the Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the "Subdistrict") as of and for the year ended December 31, 2015, and the related notes to the 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 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 an opinion 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and governmental fund of the Subdistrict as of December 31, 2015 and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and pages 23 and 24 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 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.

Mayer Hoffman McCann P.C.

St. Louis, Missouri
March 30, 2016

THE MISSOURI HISTORY 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
DECEMBER 31, 2015

The management's discussion and analysis (MD&A) of The Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Subdistrict) provides an analysis of the Subdistrict's financial activities based on currently known facts, decisions, and conditions. The management's discussion and analysis should not be taken as a replacement for the basic financial statements and footnotes, but should be read in conjunction with them to enhance understanding of the Subdistrict's financial performance.

Financial Highlights

- The Subdistrict's share of support from the Metropolitan Zoological Park and Museum District (the District), less management fees, was approximately \$10.8 and \$10.5 million in 2015 and 2014, respectively. The Subdistrict's share of support is based upon assessed valuations of properties within St. Louis City and County.
- The year-end balance of receivables due from the District was approximately \$10.9 and \$10.6 million in 2015 and 2014, respectively. This included taxes receivable of \$6.2 million at December 31, 2015 and \$5.8 million at December 31, 2014. The amount of the receivable is dependent upon the timing of remittances of tax receipts at year end from taxpayers to the Collector of Revenue for the City of St. Louis and St. Louis County.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Subdistrict's basic financial statements. The Subdistrict's financial report includes four components: 1) *Government-wide financial statements*; 2) *fund financial statements*; 3) *notes to the financial statements*; and 4) *required supplementary information*.

Government-wide financial statements

The government-wide financial statements (that is, the statement of net position and the statement of activities) report information on all of the activities of the Subdistrict. These statements are prepared using the accrual basis of accounting. All of the Subdistrict's activities are classified as governmental activities, which normally are supported by tax revenues, as opposed to business-type activities, which rely to a significant extent on charges for services.

The statement of net position presents information on all of the Subdistrict's assets and liabilities, with the difference between the two reported as net position. Increases and decreases in net position may serve as a useful indicator of whether or not the financial position of the Subdistrict is improving or deteriorating. The statement of net position also provides information on unrestricted net position and net position invested in capital assets.

The statement of activities presents information showing how the Subdistrict's net position changed during the most recent fiscal year. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The statement of activities

presents the various functions of the Subdistrict and the degree to which they are supported by charges for services, operating or capital grants and contributions, tax revenues, and investment income.

The government-wide financial statements include only the Subdistrict itself (the *primary government*), but also a legally separate not-for-profit organization, The Missouri History Museum (the Museum), for which the Subdistrict is financially accountable (a *component unit*). Financial information for the component unit is reported separately from the financial information of the primary government. The government-wide financial statements do not include any blended component units.

Fund financial statements

The second set of statements is the fund financial statements which provide information about groupings of related accounts which are used to maintain control over resources for specific activities or objectives. The Subdistrict uses fund accounting to demonstrate compliance with finance-related legal requirements.

The Subdistrict uses only one governmental fund type, a general fund, to account for all activities of the Subdistrict. Fund financial statements for governmental funds are prepared using a modified accrual basis of accounting which differs from the full accrual basis of accounting used to prepare the government-wide financial statements. Therefore, the total fund balance for the governmental fund is reconciled to total net position for governmental activities as shown on the statement of net position. The net change in fund balance for the governmental fund is reconciled to the total change in net position as shown on the statement of activities in the government-wide statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Subdistrict is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Subdistrict's fund balance has been classified as committed, as the existing resources in the fund have been specifically committed to satisfy certain contractual requirements pertaining to history museum services.

Notes to the financial statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information

In addition to the basic financial statements and notes to the financial statements, this report presents required supplementary information concerning the Subdistrict's budgetary comparisons for the general fund.

Financial Analysis of the Subdistrict as a Whole***Net position***

On a government-wide basis, the Subdistrict's net position was approximately \$11.3 million at December 31, 2015 and are shown in the table below.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County
Statements of Net Position
December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Assets:		
Current and other assets	\$10,930,539	\$10,616,428
Capital assets, net	<u>361,926</u>	<u>380,388</u>
Total assets	<u>\$11,292,465</u>	<u>\$10,996,816</u>
Net position:		
Invested in capital assets	361,926	380,388
Unrestricted	<u>10,930,539</u>	<u>10,616,428</u>
Total net position	<u><u>\$11,292,465</u></u>	<u><u>\$10,996,816</u></u>

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the Subdistrict, assets exceeded liabilities by approximately \$11.3 million at the close of the current fiscal year.

Approximately 3.2% of the Subdistrict's net position reflects its investment of \$361,926 in capital assets. The Subdistrict uses these capital assets to provide services; consequently, these assets are not available for future spending.

Governmental activities

The following schedule shows the revenues and expenses for the Subdistrict's activities for the years ended December 31, 2015 and 2014.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County
Statements of Activities
For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Revenues:		
General revenues:		
Support from the Metropolitan Zoological Park and Museum District (ZMD)	\$10,834,219	\$10,652,111
Excess ZMD assessments	480,662	420,588
Amounts withheld by the ZMD	<u>(522,496)</u>	<u>(552,985)</u>
Total revenues	<u>10,792,385</u>	<u>\$10,519,714</u>
Expenses:		
General government	76,136	84,442
Payments to Missouri History		
Museum – History museum services	<u>10,420,600</u>	<u>10,449,994</u>
Total expenses	<u>10,496,736</u>	<u>10,534,436</u>
Change in net position	295,649	(14,722)
Net position, beginning of year	<u>10,996,816</u>	<u>11,011,538</u>
Net position, end of year	<u>\$11,292,465</u>	<u>\$10,996,816</u>

The Subdistrict's total revenue for 2015 on a government-wide basis was \$10.8 million. Support from the Metropolitan Zoological Park and Museum District, less management fees of \$522 thousand, accounted for all of the Subdistrict's revenue.

For 2015, the total cost of all programs and services was \$10.5 million. Amounts passed through to the Museum as reimbursement for museum services and capital projects comprised 99.3% of the Subdistrict's total expenses, while the Subdistrict's general government expenses comprised only 0.7% of the total.

Governmental activities increased the Subdistrict's net position by \$296 thousand.

Financial Analysis of the Subdistrict's Governmental Fund

As previously mentioned, the purpose and focus of the Subdistrict's governmental fund is different than that of the government-wide financial statements. The focus of the Subdistrict's governmental fund is to provide information on the inflows, outflows, and balances of resources that are available for spending, as well as to demonstrate compliance with statutory and other legal requirements. As a result, the fund

financial statements reflect a *current financial resources* focus rather than a *total economic resources* focus, which is used in the government-wide financial statements.

Given the focus of the fund financial statements, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Subdistrict is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Subdistrict's fund balance has been classified as committed, as the existing resources in the fund have been specifically committed to satisfy certain contractual requirements pertaining to history museum services.

At December 31, 2015, the committed fund balance of the general fund was \$9.4 million. As a measure of the general fund's liquidity, it may be useful to compare this amount to total fund expenditures which calculates to 89.5%.

The total fund balance in the Subdistrict's general fund increased by \$130 thousand or 1.4%. The change in the current fiscal year's fund balance is primarily due to the timing of the payment of property taxes by citizens of the City of St. Louis and St. Louis County, which affects the support provided by the Metropolitan Zoological Park and Museum District.

General Fund Budgetary Highlights

The final budget for the Subdistrict's general fund represents the original budget, plus any supplemental appropriations approved during the year. No supplemental appropriations were made by the Subdistrict during 2015; therefore, the original budget and the final budget are identical. Revenues were less than budgetary estimates by .71% and expenditures totaled 99.93% of budget.

Capital Assets

The Subdistrict has invested \$361,926 in capital assets (net of accumulated depreciation) as of the close of the fiscal year. These capital assets consist entirely of one parcel of property and the building located upon it. Aside from the recording of depreciation expense for the building, capital assets have not changed from the prior year. Detailed information is provided in the schedule below.

**The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park
and Museum District of the City of
St. Louis and St. Louis County
Schedule of Capital Assets,
Net of Accumulated Depreciation
December 31, 2015**

		Governmental Activities
Land	\$	105,000
Building		256,926
Total capital assets	\$	361,926

Requests for Information

This financial report is designed to provide a general overview of the finances of the Subdistrict. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to:

The Missouri History Museum Subdistrict
of the Metropolitan Zoological Park and
Museum District of the City of St. Louis
and St. Louis County
c/o Richard Jensen, Chairman
Missouri History Museum
P.O. Box 11940
St. Louis, MO 63112-0040

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
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ST. LOUIS AND ST. LOUIS COUNTY**

Statement of Net Position/Net Assets

December 31, 2015

	Primary Government Governmental Activities	Discretely Presented Component Unit Missouri History Museum
ASSETS		
Cash	\$ 11,248	\$ 3,100,354
Due from the Metropolitan Zoological Park and Museum District	4,730,571	
Investments at fair market value	-	43,446,116
Receivables:		
Support from the Metropolitan Zoological Park and Museum District, net	6,188,720	-
Grants and accounts receivables	-	84,168
Pledges receivable, net	-	3,201,157
Accrued investment income	-	83,452
Prepaid expenses	-	492,116
Inventories	-	172,418
Other	-	5,741
Capital assets, net:		
Nondepreciable - land and buildings	105,000	661,510
Nondepreciable - construction in progress	-	4,400
Depreciable:		
Building, net	256,926	-
Leasehold improvements, net	-	22,969,190
Furniture, fixtures, and equipment, net	-	1,484,475
Total assets	11,292,465	75,705,097
LIABILITIES		
Accounts payable and other liabilities	-	454,713
Long-term liabilities:		
Due within one year	-	586,489
Due in more than one year	-	586,742
Total liabilities	-	1,627,944
NET POSITION/NET ASSETS		
Invested in capital assets	361,926	25,119,575
Restricted:		
Expendable	-	13,984,294
Nonexpendable	-	12,685,084
Unrestricted	10,930,539	22,288,200
Total net position/assets	\$ 11,292,465	\$ 74,077,153

See accompanying notes to basic financial statements

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

Statement of Activities

For the year ended December 31, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position/Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Discretely Presented Component Unit Missouri History Museum
Primary Government:						
Governmental activities:						
General government	\$ 76,156	20	-	-	(76,136)	-
Museum services:						
Payments to Missouri History Museum -						
History museum services	10,420,600	-	-	-	(10,420,600)	-
Total primary government	\$ 10,496,756	20	-	-	(10,496,736)	-
Discretely Presented Component Unit:						
Missouri History Museum	\$ 15,825,726	1,280,698	3,079,981	-	-	(11,465,047)
General revenues:						
Support from the Metropolitan Zoological Park and Museum District					10,443,354	-
Interest income					9,629	-
Change in provision for amounts receivable					381,236	-
Excess Metropolitan Zoological Park and Museum District assessments					480,662	-
Amounts withheld by the Metropolitan Zoological Park and Museum District					(522,496)	-
Net support provided to Missouri History Museum Subdistrict					10,792,385	-
Unrestricted investment earnings					-	(278,383)
Support provided by Missouri History Museum Subdistrict					-	10,420,600
Total general revenues					10,792,385	10,142,217
Change in net assets					295,649	(1,322,830)
Net position/net assets—beginning of year					10,996,816	75,399,983
Net position/net assets—end of year					\$ 11,292,465	\$ 74,077,153

See accompanying notes to basic financial statements

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

Balance Sheet
Governmental Fund

December 31, 2015

	<u>General Fund</u>
ASSETS	
Cash	\$ 11,248
Due from the Metropolitan Zoological Park and Museum District	4,730,571
Support from the Metropolitan Zoological Park and Museum District receivable, net	<u>6,188,720</u>
Total assets	<u>\$ 10,930,539</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	\$ 1,550,214
Total deferred inflows of resources	<u>1,550,214</u>
FUND BALANCE	
Committed	9,380,325
Total liabilities and fund balance	<u>\$ 10,930,539</u>
 Reconciliation of the Balance Sheet of Governmental Fund to the Statement of Net Position:	
Total fund balance—governmental fund—balance sheet	\$ 9,380,325
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements. Capital assets are reported in the government-wide statement of net position.	361,926
Property taxes levied by the Metropolitan Zoological Park and Museum District (District) are assessed on January 1st of each calendar year, but are not due until December 31st. Support from the District that is based upon delinquent taxes assessed on January 1, 2015 or prior, which were not received within the period of availability, is deferred within the fund financial statements. However, revenue for these amounts is recognized in the government-wide financial statements.	1,550,214
Total net position—governmental activities—statement of net position	<u>\$ 11,292,465</u>

See accompanying notes to basic financial statements

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund

December 31, 2015

		<u>General Fund</u>
REVENUES		
Support from the Metropolitan Zoological Park and Museum District	\$	10,640,689
Excess Metropolitan Zoological Park and Museum District assessments		480,662
Amounts withheld by the Metropolitan Zoological Park and Museum District		<u>(522,496)</u>
Total receipts		10,598,855
Interest income		9,629
Rental income		20
Total revenues		<u>10,608,504</u>
 EXPENDITURES		
Payments to the Missouri History Museum -		
History museum services		10,420,600
General government		57,694
Total expenditures		<u>10,478,294</u>
Net change in fund balance		130,210
Fund balances:		
Beginning of year		9,250,115
End of year	\$	<u><u>9,380,325</u></u>
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities		
Net change in fund balance—governmental fund—statement of revenues, expenditures, and changes in fund balance	\$	130,210
Purchases of capital assets are recorded as capital outlay expenditures in the fund financial statements. Capital assets are capitalized and depreciated over their useful lives in the government-wide statement of activities. This is the amount of depreciation expense recorded on the statement of activities in the current year.		(18,462)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund financial statements. Such amounts are attributable to revenues received after the 60 day period of availability. This amount represents the change in deferred revenues.		183,901
Change in net position—governmental activities—statement of activities	\$	<u><u>295,649</u></u>

See accompanying notes to basic financial statements

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
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AND MUSEUM DISTRICT OF THE CITY OF
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Statement of Cash Flows

December 31, 2015

		Discretely Presented Component Unit Missouri History Museum
Cash flows from operating activities		
Change in net assets	\$	(1,322,830)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation		1,335,998
Contributions restricted for endowment		686,721
Net realized gains on investments		(18,479)
Net unrealized losses on investments		2,089,438
Change in assets and liabilities		
Receivables		2,063,244
Inventories, prepaid expenses, and other		(15,306)
Accounts payable and accrued liabilities		(370,755)
Deferred revenue		126,810
Obligations under split-interest agreements		(4,570)
Other liabilities		41,731
Net cash from operating activities		4,612,002
Cash flows from investing activities		
Proceeds from sales of investments		28,368,470
Purchases of investments		(29,875,579)
Purchases of property		(1,924,560)
Net cash from investing activities		(3,431,669)
Cash flows from financing activities		
Proceeds from contributions restricted for endowment		(686,721)
Net cash from financing activities		(686,721)
Net change in cash		493,612
Cash, beginning of year		2,606,742
Cash, end of year	\$	3,100,354

See accompanying notes to basic financial statements

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT
OF THE METROPOLITAN ZOOLOGICAL PARK
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Notes to Basic Financial Statements

December 31, 2015

(1) Summary of significant accounting policies

On November 3, 1987, the voters of the City of St. Louis and St. Louis County approved the formation of The Missouri History Museum Subdistrict (the Subdistrict) of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the District). The Subdistrict was established to receive support from the District and to pay for history museum services (currently provided by the Missouri History Museum).

The financial statements of the Subdistrict have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The following is a summary of the more significant accounting policies of the Subdistrict and the Missouri History Museum (the Museum):

(a) Reporting Entity

The Subdistrict's financial reporting entity has been determined in accordance with governmental 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 discretely presented component unit, the Museum.

The Museum is included as a discretely presented component unit of the Subdistrict because the Subdistrict is financially accountable for the Museum, as the Museum is fiscally dependent upon the Subdistrict and the Subdistrict approves the Museum's budget. However, the Subdistrict's relationship with the Museum is based on a formal contractual arrangement, which the Subdistrict has no obligation to continue beyond the annually renewable term (see Note 5). The financial activity of the Museum is presented in a separate column in the accompanying government-wide basic financial statements to emphasize that it is legally separate from the Subdistrict. The Subdistrict has no authority over the selection of the Museum's Board of Trustees or management. The Museum is reported as a not-for-profit entity on the full accrual basis.

The accompanying basic financial statements present condensed financial statements and footnotes of the Museum. Complete financial statements of the Museum may be obtained from its administrative offices as follows:

Missouri History Museum
P. O. Box 11940
St. Louis, Missouri 63112

(b) Government-wide and Fund Financial Statements

The government-wide financial statements (that is, the statement of net position/net assets and the statement of activities) report information on all of the activities of the Subdistrict and the Museum. All of the Subdistrict's activities are classified as governmental activities, which normally is supported by tax revenues, as opposed to business-type activities, which rely to a significant extent on charges for

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Notes to Basic Financial Statements

December 31, 2015

(b) Government-wide and Fund Financial Statements (continued)

services. Likewise, the Subdistrict is reported separately from the Museum, its discretely presented component unit.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Support from the District, unrestricted interest earnings, gains, and other miscellaneous revenues not properly included among program revenues are reported instead as general revenues.

Following the government-wide financial statements are separate financial statements for the Subdistrict's governmental fund. The Subdistrict uses only one governmental fund type, a general fund, to account for all activities of the Subdistrict. The total fund balance for the governmental fund is reconciled to total net position for governmental activities as shown on the statement of net position. The net change in fund balance for the governmental fund is reconciled to the total change in net position as shown on the statement of activities in the government-wide statements. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Subdistrict is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The Subdistrict's fund balance has been classified as committed, as the existing resources in the fund have been specifically committed to satisfy certain contractual requirements as described more fully in Footnote (5) to the financial statements.

(c) Measurement Focus and Basis of Accounting

Measurement focus refers to what is being expressed in reporting the Subdistrict's financial performance and position. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the discretely presented component unit financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Subdistrict's governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when both measurable and available. The term "available" is defined as collectible within the current period or soon enough thereafter to be used to pay the liabilities of the current period. For the Subdistrict, available is defined as expected to be received within 60 days of fiscal year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Support from the District represents a continuous appropriation to the Subdistrict by the District. Accordingly, the Subdistrict recognizes support from

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Notes to Basic Financial Statements

December 31, 2015

(c) Measurement Focus and Basis of Accounting (continued)

the District based on an allocation of property taxes which are levied by the District, net of management fees.

(d) Basis of Presentation - Museum

The Museum follows accounting standards set by the FASB. The financial statement presentation follows the recommendations of FASB Accounting Standards Codification (ASC) 958-205.

(e) Fair Value Measurements

The fair value of the Museum's financial instruments classified as cash, receivables, inventories, prepaid expenses, accounts payable and other liabilities and long-term liabilities due within one year approximate 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.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes investments reported at net asset value per share with lock-up periods of 90 days or less. Level 2 methods are also used in measuring the initial fair value of long-term pledges.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes investments reported at net asset value per share with lock-up provisions in excess of 90 days.

In accordance with ASC 820, \$34,399,940 of the investment balance at December 31, 2015 was valued using Level 1 inputs based on unadjusted quoted market prices within active markets. The remaining \$9,046,176 of the investment balance at December 31, 2015 was valued using Level 2 inputs based primarily on available quoted prices for similar assets in active or inactive markets.

(f) Investments

The Museum's investments are carried at fair value per the fair value policy described above.

(g) Grants and Accounts Receivable

The Museum's grants and accounts receivable consist of amounts due to the Museum related to work performed under grant agreements. Grants and accounts receivable are carried at their net realizable value. Management estimates the allowance for doubtful accounts based on its assessment of individual accounts. Accordingly, no allowance was considered necessary at December 31, 2015.

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(h) Pledges Receivable

The Museum's unconditional pledges, less an allowance for uncollectible amounts, are recorded as receivables at fair value in the year made. Pledges made and received beyond one year are discounted to present value using a risk adjusted rate at the date of pledge 3.96% at December 31, 2015. At December 31, 2015, pledges receivable are presented net of an allowance for uncollectible amounts of \$33,797 and unamortized discount of \$144,813. The initially recorded fair value is considered a Level 2 fair value approach. For pledges made and received within one year, the net realizable value is a reasonable estimate of 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.

(i) Inventories

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

(j) Endowment

The Museum's endowment consists of 27 individual funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported in the Museum's financial statements based on the existence or absence of donor-imposed restrictions.

The Museum's Board of Trustees has interpreted UPMIFA (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.

The fair value of the endowment funds was \$31,157,459 at December 31, 2015 and is included in investments at fair value in the Statement of Net Assets.

(k) Capital Assets

Purchased property and equipment of the Subdistrict are accounted for as expenditures in the general fund. On the government-wide financial statements, property and equipment are capitalized at their historical cost. Donated property and equipment are recorded at estimated fair value at the date of donation unless fair value is not readily determinable, in which case the asset is recorded at nominal value to establish accountability. Within the government-wide financial statements, depreciation on buildings is computed on the straight-line basis over the estimated useful lives of the assets, which is 40 years. Land is not depreciated.

The Museum's property and equipment consist of leasehold improvements, furniture, fixtures, and equipment, construction in progress and land and buildings which is generally stated at cost. Amortization on leasehold improvements and depreciation on furniture, fixtures, and equipment is computed on the straight-line basis over the estimated useful lives of the assets, ranging from 3 to 40 years. Total amortization and depreciation for the Museum for 2015 was \$1,335,998.

(l) Museum Collections

The Museum's purchased historic material is expensed at the time of purchase and not capitalized. Contributed historic material is not valued and thus not reflected in the accompanying financial statements.

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(m) Contributions

The Museum reports contributions, including unconditional promises to give due in future periods, as revenue in the period the pledge is received. Contributed securities are stated at their fair value on the date of receipt using a Level 1, 2 or 3 fair value approach depending on the type of contributed security. It is the policy of the Museum to sell all contributed securities as soon as they are received.

(n) Federal Income Taxes

The Subdistrict and Museum are exempt from Federal income taxes under Sections 115(a) and 501(c)(3) of the Internal Revenue Code, respectively. 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 Statement of Activities nor in the Statement of Net Position/Net Assets 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.

(o) Use of Estimates

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

(p) Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred outflow of resources is the consumption of net position that is applicable to a future reporting period. A deferred inflow of resources is defined as an acquisition of net position applicable to a future reporting period.

(2) Cash and Investments

Subdistrict:

At December 31, 2015, the carrying amount of the Subdistrict's cash deposits was \$11,248 and the bank balance was \$2,262. These amounts were entirely covered by federal depository insurance.

Museum:

The Museum is a private not-for-profit organization and, as such, its deposits and investments are not subject to collateralization and categorization disclosures as required by U.S. generally accepted accounting principles related to governmental entities. At December 31, 2015, the Museum's investments are comprised of the following:

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(2) Cash and Investments (continued)

	Cost	Carrying Value
Money market funds and cash equivalents	\$ 878,195	\$ 878,195
Corporate stocks	8,161,739	11,663,831
Corporate bonds and debentures	9,108,463	9,046,176
U.S. Government obligations	831,767	845,256
Mutual funds	19,670,429	21,012,658
	\$ 38,650,593	\$ 43,446,116

(3) Capital Assets

Subdistrict:

The following is a summary of changes in capital assets for the Subdistrict for the year ended December 31, 2015:

	Balance January 1, 2015	Additions	Retirements	Balance December 31, 2015
Capital assets not being depreciated:				
Land	\$ 105,000	\$ -	\$ -	\$ 105,000
Total capital assets not being Depreciated	105,000	-	-	105,000
Capital assets being depreciated:				
Building	738,474	-	-	738,474
Total capital assets being Depreciated	738,474	-	-	738,474
Less accumulated depreciation for:				
Building	463,086	18,462	-	481,548
Total accumulated Depreciation	463,086	18,462	-	481,548
Total capital assets being depreciated, net	275,388	18,462	-	256,926
Capital assets, net	\$ 380,388	\$ 18,462	\$ -	\$ 361,926

Depreciation expense for the Subdistrict is charged entirely to the general government expense function on the statement of activities.

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(3) Capital Assets (continued)

Museum:

The Following is a summary of capital assets for the Museum at December 31, 2015:

Leasehold improvements	\$	41,291,256
Furniture, fixtures and equipment		3,911,196
Construction in progress		4,400
Land and buildings		661,510
		45,868,362
Less accumulated depreciation and amortization		(20,748,787)
	\$	25,119,575

(4) Support from the Metropolitan Zoological Park and Museum District

The District levies property taxes on the assessed value listed as of each January 1 for all real and personal property located in the City of St. Louis and St. Louis County. The levy is based on an annual submission from the Subdistrict, which cannot exceed 4.0 cents per \$100 of assessed valuation. The tax levy was 3.97 cents per \$100 of assessed valuation for 2015. Taxes are levied each October and are due on December 31 for the previous January 1 assessment. Utilizing a continuous appropriation, the District provides support to the Subdistrict based upon an allocation of the property taxes levied by the District. The support from the District for the year ended December 31, 2015 is represented by the following sources:

	Year Ended December 31, 2015	
	Governmental Activities	General Fund
Revenue from the District:		
Support from the District	\$ 10,443,354	\$ 10,640,689
Change in accounts receivable	381,236	-
Interest earned	9,629	9,629
Excess ZMD assessments	480,662	480,662
Less management fees	(522,496)	(522,496)
Revenue from the District	\$ 10,792,385	\$ 10,608,484

The amount due from the District within the accompanying financial statements represents funds collected by and held by the District in an account on behalf of the Subdistrict. The support from the District receivable within the accompanying financial statements represents the estimated support provided from the District based upon property tax receipts, which were not collected at year end. This receivable is recorded net of an allowance for uncollectible accounts, which was \$333,616 at December 31, 2015.

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(5) Contract with the Missouri History Museum

The Subdistrict is part of the District. The Subdistrict was established to receive tax revenues from the tax collector's office and to pay for history museum services provided to benefit the public. The District tax generated revenue is subject to annual review and approval. In 1988, the Subdistrict and the Museum entered into a contract, which after renegotiation in the fall of 2012, and amended on November 13, 2013, renewed on December 16, 2014 and amended on December 17, 2015, renews for one year each December 31, unless the Subdistrict, upon recommendation of its committee on renewal, votes not to renew the contract. Upon giving written notice of its intent not to renew the contract, the Subdistrict and the Museum are required to meet for a period of six months to resolve their differences. If those differences are not resolved, the contract terminates at the end of the calendar year in which such final determination is made. 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. The public support under this contract is determined each year based upon an annual budget.

The contract also requires Subdistrict approval for the purchase of any real estate, or an expenditure of an amount in excess of \$10,000, if not previously approved in the annual budget. The Museum shall comply with the provisions of the Open Meeting Law, sections 610.010 et. al., as from time to time amended.

(6) 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. Plan expenses were \$342,262 for the Museum for the year ended December 31, 2015.

(7) Employee Deferred Compensation Plans

The Museum maintains a voluntary 457(b) Plan for employees who wish to defer a portion of their salary to future years. The investment is presented in the financial statements as a non-current asset and liability. The value of this plan asset was \$339,696 at December 31, 2015.

(8) Commitments

At December 31, 2015, the Museum was committed for certain equipment under noncancelable operating and certain warehouse and temporary storage leases which expire at various dates through 2019. 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 on December 31 each year. The annual lease payment is \$10 for each facility. The following is a schedule by years of future minimum rental payments required under these leases:

Years ending December 31	
2016	113,430
2017	76,938
2018	2,020
2019	2,020
2020	20
Total minimum rental payments required	<u>\$ 194,428</u>

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(9) Risk Management

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

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.

The Museum is involved in various claims, legal actions and regulatory proceedings arising in the ordinary course of business. In the opinion of the Museum's management, the resolution of these matters will not have a material adverse effect of the Museum's financial statements.

(10) Related Entities

The Museum serves as the fiscal agent and leases employees to one nonprofit entity through a written agreement: the Association for Midwest Museums. In accordance with ASC 958-810-15, the accounts of this organization have not been included in the Museum's financial statements.

(11) Subsequent Events

In accordance with ASC 855, the Museum has evaluated subsequent events through March 29, 2016, which is the date the financial statements were available to be issued. No significant matters were identified for disclosure during this evaluation.

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Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund – Budgetary Basis
Required Supplementary Information – UNAUDITED

For the year ended December 31, 2015

REVENUES	<u>Original Budget</u>	<u>Final Appropriated Budget</u>	<u>Actual (Budget Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Receipts from the Metropolitan Zoological Park				
Support from the Metropolitan Zoological Park and Museum District	\$ 10,486,000	10,486,000	10,411,149	\$ (74,851)
Total receipts	<u>10,486,000</u>	<u>10,486,000</u>	<u>10,411,149</u>	<u>(74,851)</u>
Rental income	20	20	20	-
Total revenues	<u>10,486,020</u>	<u>10,486,020</u>	<u>10,411,169</u>	<u>(74,851)</u>
EXPENDITURES				
Current:				
Payments to the Missouri Historical Society - History museum services	10,420,600	10,420,600	10,420,600	-
General government	65,420	65,420	57,694	7,726
Total expenditures	<u>10,486,020</u>	<u>10,486,020</u>	<u>10,478,294</u>	<u>7,726</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (67,125)</u>	<u>\$ (67,125)</u>

See accompanying independent auditors' report and notes to budgetary basis financial statements.

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Notes to Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget and Actual – General Fund- Budgetary Basis
Required Supplementary Information – UNAUDITED

For the year ended December 31, 2015

(1) Explanation of Budgetary Process

The Subdistrict adopts an annual budget based on the operating budget submitted to the Subdistrict by the Museum and estimated Subdistrict administrative expenses. The annual budget is prepared on the cash basis of accounting, approved by the Subdistrict's Board of Commissioners, and submitted to the District for use in establishing the annual tax levy. Expenditures in total may not legally exceed appropriations. For the year ended December 31, 2015, appropriations were within expenditures by \$67,125 in the General fund.

(2) Explanation of the Differences between the Excess of Revenues over Expenditures – Budget Basis and Net Change in Fund Balance – GAAP Basis

The Subdistrict's budgetary process is based upon accounting for certain transactions on a basis other than GAAP. To provide meaningful comparison of actual results with the budget, the actual results of operations are presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund in accordance with a budget basis of accounting.

The major differences between the budget and GAAP basis of accounting are:

- 1) Revenues are recorded when received in cash (budget), as opposed to when they are measurable and available (GAAP).
- 2) Expenditures are recorded when paid (budget), as opposed to when the obligation is incurred (GAAP).

Adjustments necessary to reconcile the excess of revenues over expenditures from the GAAP basis to the budget basis of accounting are as follows:

Budget basis	\$	(67,125)
Increase (decrease) due to:		
Revenue accruals		719,831
Expenditure accruals		<u>(522,496)</u>
GAAP basis	\$	<u>130,210</u>

See accompanying independent auditors' report