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**MISSOURI HISTORICAL SOCIETY**

*FINANCIAL STATEMENTS*

*DECEMBER 31, 2018*

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**MISSOURI  
HISTORICAL  
SOCIETY**

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## Independent Auditors' Report

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### Report On The Financial Statements

We have audited the accompanying financial statements of the Missouri Historical Society, a not-for-profit organization, which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, the statement of functional expenses for the year ended December 31, 2018 and the related notes to the financial statements.

### *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 audits. We conducted our audits 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 opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Missouri Historical Society as of December 31, 2018 and 2017, and the changes in its net assets, functional expenses (2018 only), and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*RubinBrown LLP*

March 29, 2019

**MISSOURI HISTORICAL SOCIETY**  
**STATEMENT OF FINANCIAL POSITION**

	Assets	
	December 31,	
	2018	2017
<b>Current Assets</b>		
Cash	\$ 6,858,434	\$ 11,458,060
Accrued investment income	83,111	69,845
Grants and accounts receivable	137,310	101,000
Pledges receivable, net	336,523	1,492,483
Inventories	201,996	181,618
Short-term investments	1,008,682	1,001,174
Prepaid expenses	398,418	310,770
<b>Total Current Assets</b>	<b>9,024,474</b>	<b>14,614,950</b>
<b>Noncurrent Assets</b>		
Investments	48,642,940	53,558,583
Retirement plan	462,596	430,533
Leasehold improvements and buildings, net	20,698,068	21,536,869
Furniture, fixtures and equipment, net	2,345,481	1,925,558
Projects in progress	108,614	270,289
Land	661,510	661,510
Other	7,416	7,417
<b>Total Noncurrent Assets</b>	<b>72,926,625</b>	<b>78,390,759</b>
<b>Total Assets</b>	<b>\$ 81,951,099</b>	<b>\$ 93,005,709</b>

**Liabilities And Net Assets**

<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 753,356	\$ 2,700,913
Accrued salary and accrued vacation	419,860	477,893
Deferred revenue	18,809	23,825
<b>Total Current Liabilities</b>	<b>1,192,025</b>	<b>3,202,631</b>
<b>Noncurrent Liabilities</b>		
Obligations under split-interest agreements	15,394	19,111
Retirement plan	463,120	430,533
<b>Total Noncurrent Liabilities</b>	<b>478,514</b>	<b>449,644</b>
<b>Total Liabilities</b>	<b>1,670,539</b>	<b>3,652,275</b>
<b>Net Assets</b>		
Without donor restrictions	47,572,035	50,888,024
With donor restrictions	32,708,525	38,465,410
<b>Total Net Assets</b>	<b>80,280,560</b>	<b>89,353,434</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 81,951,099</b>	<b>\$ 93,005,709</b>

# MISSOURI HISTORICAL SOCIETY

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Public Support And Revenue (Losses)</b>			
<b>Public Support</b>			
Services provided for the Missouri History Museum Subdistrict	\$ 10,493,501	\$ —	\$ 10,493,501
Contributions:			
General	542,191	1,491,152	2,033,343
Bequests	59,075	250,000	309,075
Soldiers Memorial Revitalization	—	4,256,376	4,256,376
Memberships	841,098	—	841,098
In-Kind Contributions	27,707	—	27,707
<b>Total Public Support</b>	<b>11,963,572</b>	<b>5,997,528</b>	<b>17,961,100</b>
<b>Revenue (Losses)</b>			
Investment income	1,738,369	430,907	2,169,276
Realized losses from sale of securities, net	(422,373)	(258,972)	(681,345)
Unrealized losses from securities	(2,288,050)	(2,551,990)	(4,840,040)
Museum shop, net (sales of \$466,137)	671	—	671
Facility rental/restaurant income/catering, net	51,577	—	51,577
Other income	228,950	85,118	314,068
<b>Total Revenue (Losses)</b>	<b>(690,856)</b>	<b>(2,294,937)</b>	<b>(2,985,793)</b>
<b>Net Assets Released From Restrictions</b>			
Satisfaction of purpose restrictions	9,459,476	(9,459,476)	—
<b>Total Public Support And Revenue (Losses)</b>	<b>20,732,192</b>	<b>(5,756,885)</b>	<b>14,975,307</b>
<b>Expenses</b>			
<b>Program Services</b>			
Education and Visitor Experience	2,636,513	—	2,636,513
Exhibitions and Research	2,897,148	—	2,897,148
Library and Collections	3,850,991	—	3,850,991
Soldiers Memorial	7,885,495	—	7,885,495
Other Programs	2,678,529	—	2,678,529
<b>Total Program Services</b>	<b>19,948,676</b>	<b>—</b>	<b>19,948,676</b>
<b>Supporting Services</b>			
Management and General	2,813,902	—	2,813,902
Fundraising	1,285,603	—	1,285,603
<b>Total Supporting Services</b>	<b>4,099,505</b>	<b>—</b>	<b>4,099,505</b>
<b>Total Expenses</b>	<b>24,048,181</b>	<b>—</b>	<b>24,048,181</b>
<b>Deficit Of Public Support And Revenue Over Expenses</b>			
	(3,315,989)	(5,756,885)	(9,072,874)
<b>Net Assets Beginning Of Year</b>	<b>50,888,024</b>	<b>38,465,410</b>	<b>89,353,434</b>
<b>Net Assets End Of Year</b>	<b>\$ 47,572,035</b>	<b>\$ 32,708,525</b>	<b>\$ 80,280,560</b>

# MISSOURI HISTORICAL SOCIETY

## STATEMENT OF ACTIVITIES For The Year Ended December 31, 2017

	Without Donor Restriction	With Donor Restriction	Total
<b>Public Support And Revenue</b>			
<b>Public Support</b>			
Services provided for the Missouri History Museum Subdistrict	\$ 10,447,162	\$ —	\$ 10,447,162
Contributions:			
General	546,593	1,719,859	2,266,452
Bequests	158,305	2,334,547	2,492,852
Soldiers Memorial Processing, Planning and Operations	—	817,113	817,113
Soldiers Memorial Revitalization	—	18,461,738	18,461,738
Memberships	854,777	—	854,777
In-Kind Contributions	10,494	—	10,494
<b>Total Public Support</b>	<b>12,017,331</b>	<b>23,333,257</b>	<b>35,350,588</b>
<b>Revenue</b>			
Investment income	1,589,005	285,783	1,874,788
Realized gains from sale of securities, net	219,832	161,380	381,212
Unrealized gains from securities	1,997,070	2,482,504	4,479,574
Museum shop, net (sales of \$576,184)	69,278	—	69,278
Facility rental/restaurant income/catering, net	86,021	—	86,021
Other income	310,339	113,923	424,262
<b>Total Revenue</b>	<b>4,271,545</b>	<b>3,043,590</b>	<b>7,315,135</b>
<b>Net Assets Released From Restrictions</b>			
Satisfaction of purpose restrictions	18,941,354	(18,941,354)	—
<b>Total Public Support And Revenue</b>	<b>35,230,230</b>	<b>7,435,493</b>	<b>42,665,723</b>
<b>Expenses</b>			
<b>Program Services</b>			
Education and Visitor Experience	2,672,620	—	2,672,620
Exhibitions and Research	2,984,864	—	2,984,864
Library and Collections	3,536,304	—	3,536,304
Soldiers Memorial	17,484,353	—	17,484,353
Other Programs	2,666,134	—	2,666,134
<b>Total Program Services</b>	<b>29,344,275</b>	<b>—</b>	<b>29,344,275</b>
<b>Supporting Services</b>			
Management and General	2,823,588	—	2,823,588
Fundraising	1,235,690	—	1,235,690
<b>Total Supporting Services</b>	<b>4,059,278</b>	<b>—</b>	<b>4,059,278</b>
<b>Change In Value Of Split-Interest Agreements</b>	<b>(171,392)</b>	<b>—</b>	<b>(171,392)</b>
<b>Total Expenses</b>	<b>33,232,161</b>	<b>—</b>	<b>33,232,161</b>
<b>Excess Of Public Support And Revenue Over Expenses</b>	<b>1,998,069</b>	<b>7,435,493</b>	<b>9,433,562</b>
<b>Net Assets Beginning Of Year</b>	<b>48,889,955</b>	<b>31,029,917</b>	<b>79,919,872</b>
<b>Net Assets End Of Year</b>	<b>\$ 50,888,024</b>	<b>\$ 38,465,410</b>	<b>\$ 89,353,434</b>

# MISSOURI HISTORICAL SOCIETY

## STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2018

	Education and Visitor Experience	Exhibitions and Research	Library and Collections	Soldiers Memorial	Other Programs	Total Program	Management And General	Fundraising	Total
Salaries	\$ 1,316,675	\$ 1,063,983	\$ 1,631,619	\$ 601,453	\$ 1,330,867	\$ 5,944,597	\$ 1,606,110	\$ 592,244	\$ 8,142,951
Pension	65,195	59,099	82,861	7,435	65,971	280,561	61,662	23,638	365,861
Benefits	199,593	132,842	261,653	73,516	154,360	821,964	160,794	59,075	1,041,833
Payroll taxes	120,128	78,764	118,099	44,828	98,883	460,702	81,831	42,458	584,991
Professional fees	241,434	8,242	26,451	5,992,233	29,239	6,297,599	522,354	175,524	6,995,477
Advertising and promotion	2,151	—	—	248,020	495,780	745,951	—	—	745,951
Office expenses	98,944	41,452	98,677	267,680	88,006	594,759	63,130	66,568	724,457
Information technology	52,319	32,523	60,934	37,066	49,575	232,417	27,298	15,056	274,771
Occupancy	94,358	195,918	425,684	9,070	50,727	775,757	35,682	8,231	819,670
Travel and conferences	47,782	15,737	15,486	20,542	14,162	113,709	30,379	26,050	170,138
Depreciation	222,946	487,185	544,687	—	146,584	1,401,402	123,424	53,270	1,578,096
Insurance	48,856	59,066	150,528	89,258	35,114	382,822	31,038	14,746	428,606
Other	126,132	722,337	434,312	494,394	119,261	1,896,436	70,200	208,743	2,175,379
	\$ 2,636,513	\$ 2,897,148	\$ 3,850,991	\$ 7,885,495	\$ 2,678,529	\$ 19,948,676	\$ 2,813,902	\$ 1,285,603	\$ 24,048,181



# MISSOURI HISTORICAL SOCIETY

## STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2018	2017
<b>Cash Flows From Operating Activities</b>		
Excess (deficit) of public support and revenue over expenses	\$ (9,072,874)	\$ 9,433,562
Adjustments to reconcile excess (deficit) of public support and revenue over expenses to net cash from operating activities:		
Depreciation	1,622,333	1,548,802
Contributions restricted for endowment	(966,000)	(762,708)
Net realized (gains) losses on investments	681,345	(381,212)
Net unrealized (gains) losses on investments	4,840,040	(4,479,574)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables	1,106,384	(17,579)
Inventories, prepaid expenses and other assets	(108,025)	31,376
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(2,005,590)	983,851
Deferred revenue	(5,016)	(57,489)
Obligations under split-interest agreements	(3,717)	(189,667)
Other liabilities	32,587	49,112
<b>Net Cash Provided By (Used In) Operating Activities</b>	<b>(3,878,533)</b>	<b>6,158,474</b>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sales of investments	13,046,910	18,527,405
Purchases of investments	(13,692,223)	(20,878,567)
Improvements to property and equipment purchases	(1,041,780)	(1,023,940)
<b>Net Cash Used In Investing Activities</b>	<b>(1,687,093)</b>	<b>(3,375,102)</b>
<b>Cash Flows Provided By Financing Activities</b>		
Proceeds from contributions restricted for endowment	966,000	1,336,000
<b>Net Increase (Decrease) In Cash</b>	<b>(4,599,626)</b>	<b>4,119,372</b>
<b>Cash - Beginning Of Year</b>	<b>11,458,060</b>	<b>7,338,688</b>
<b>Cash - End Of Year</b>	<b>\$ 6,858,434</b>	<b>\$ 11,458,060</b>

# MISSOURI HISTORICAL SOCIETY

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## NOTES TO FINANCIAL STATEMENTS

December 31, 2018 And 2017

### 1. Summary Of Significant Accounting Policies

#### Missouri Historical Society Operations

The Missouri Historical Society (MHS) is a Missouri pro forma decree not-for profit corporation whose primary functions are educational and community programs; collections and conservation; library and research; and exhibitions. MHS's mission is to serve as the confluence of historical perspectives and contemporary issues to inspire and engage our audiences.

MHS operates the Missouri History Museum in Forest Park, the Library and Research Center on Skinker and the Soldiers Memorial Military Museum in downtown St. Louis.

#### Basis Of Presentation

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

Financial statements of not-for-profit organizations measure net assets and net asset activity based on the absence or existence of donor-imposed restrictions. Effective with the implementation of Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, for the year ended December 31, 2018, net assets are reported as "Without donor restrictions" and "With donor restrictions." Brief explanations of the net asset categories are presented below:

***Net assets without donor restrictions*** - This category includes net assets that are not subject to donor-imposed restrictions, as well as investments designated by the Board to function as endowments (quasi-endowments).

***Net assets with donor restrictions*** - This category includes net assets that are subject to explicit donor-imposed restrictions. When restrictions expire due to the passage of time or the incurrence of expenditures that satisfy the donor-imposed restrictions, net assets are reclassified to net assets without donor restrictions. Certain net assets in this category are subject to donor-imposed stipulations that they be invested in perpetuity to provide a source of income to be used for general or specific purposes.

**Fair Value Measurements**

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

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 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.

MHS determines the fair value of certain assets and liabilities on a recurring basis through application of ASC 820.

**Cash**

Cash consists of demand deposits. Money market funds and highly liquid investments are included in short-term investments.

**Grants And Accounts Receivable**

Grants and accounts receivable consist of amounts due to MHS 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, 2018 or 2017.

## MISSOURI HISTORICAL SOCIETY

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### Notes To Financial Statements (*Continued*)

#### **Pledges Receivable**

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 of 3.96% at both December 31, 2018 and 2017. For pledges made and received within one year, the net realizable value is a reasonable estimate of the fair value. If restricted by the donor for endowment or restricted by donor for particular purposes or for capital acquisition, the amount is reported as public support of the with donor restriction net asset class.

#### **Inventories**

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

#### **Investments**

Investments are carried at fair value as determined per the fair value policy described in this section, and net realized and unrealized gains (losses) are reflected in the statement of activities. The classification of investment balances as current or non-current is based on the intent of the use of the underlying investment. It is the policy of MHS to sell all contributed securities as soon as they are received.

Investment activities and results on the financial statements are shown net of investment advisory and asset management fees of \$218,890 and \$196,286 for the years ended December 31, 2018 and 2017, respectively. Included in these fees are advisory and asset custodian fees paid to a financial institution for which a non-voting Trustee is an officer. The amounts paid to this financial institution during the years ended December 31, 2018 and 2017 are \$56,922 and \$53,596, respectively.

For the years ended December 31, 2018 and 2017, the unrealized and realized gains (losses) and investment income include an operating draw of \$1,654,484 and \$1,413,841, respectively, from the Endowment investment account and an annual draw of \$501,527 and \$462,758, respectively, from the Operating investment account.

## **MISSOURI HISTORICAL SOCIETY**

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### Notes To Financial Statements (*Continued*)

#### **Property And Equipment**

The land and buildings that comprise the Missouri Historical Society's Missouri History Museum and Library and Research Center are leased from the Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (Subdistrict). The Soldiers Memorial Military Museum is owned by the City of St. Louis and operated by the Missouri Historical Society under an agreement with the City.

Property and equipment are recorded at cost, if purchased. Expenditures greater than \$5,000 are reviewed for capitalization. Expenditures for repairs and maintenance are charged to expense as incurred, additions and improvements that significantly extend the lives of assets are capitalized. Leasehold improvements are amortized over the estimated life of the assets of seven to forty years. Furniture, fixtures and equipment are depreciated on the straight-line basis over the estimated life of the assets of three to ten years.

#### **Museum Collections**

MHS holds the premier regional history collection documenting St. Louis, Missouri, the Mississippi and Missouri Valleys, the Louisiana Purchase Territory and the American West. An integrated and multi-format collection, it serves an audience of diverse local, national and international readers and researchers. The Collections currently consist of more than 179,000 artifacts in a variety of formats that document the everyday life of the diverse inhabitants of our region. The Library contains more than 90,000 volumes. The Manuscript Collections comprise more than 7,900 linear feet of original manuscript records. The Photographs and Prints Collections contain more than 1 million images. The Sound and Moving Images collection includes more than 74,000 items. MHS staff members work to make the collections publicly accessible through exhibitions, public programs, publications, online collection searches and social media platforms as well as through the public Library and Research Center. The value of the collections cannot be determined, and therefore, is not capitalized in the accompanying financial statements. The majority of the artifacts within the collection are donations. The few purchases made yearly typically are paid for through restricted funds. Any proceeds from the deaccession of collection items are only to be used for future artifact purchases according to museum best practices.

#### **Deferred Revenue**

Deferred revenue at December 31, 2018 and 2017 represents cash received for restaurant and facility rentals prior to performance by MHS.

#### **Split-Interest Agreements**

MHS administers split-interest agreements subjects to obligations to pay fixed amounts periodically to the respective donor or designated beneficiary during their lifetimes. At the inception of the split-interest agreement, an obligation is recorded at present value, which is a Level 2 fair value approach, using a discount rate ranging from 1.6% to 7.8%, for estimated future payments. The obligations under the split-interest agreements are adjusted over the term of the agreement for changes in the fair value of assets, accretion of the discount and other changes in estimates of future benefits. Obligations under split-interest agreements were \$15,394 and \$19,111 at December 31, 2018 and 2017, respectively. The assets are included in MHS's long-term investment portfolio.

#### **Public Support And Revenues**

MHS reports contributions, including unconditional pledges receivable, as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions received with donor-imposed stipulations that are satisfied in the same year as the contributions are used are initially reported in net assets with donor restrictions and released to net assets without donor restrictions as the restrictions are met.

MHS reports gifts of land and equipment as support without donor restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, MHS reports expirations of donor restrictions when the donated or acquired long-lived assets are place in service.

Other income includes publication sales and other items.

#### **Volunteer Service And In-Kind Contributions**

The value of in-kind contributions is recorded in the statement of activities as public support and included in expenses within the function for which these services were performed or the in-kind contributions were applicable.

## **MISSOURI HISTORICAL SOCIETY**

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### Notes To Financial Statements (*Continued*)

MHS recognizes the value of volunteer services in accordance with FASB ASC 958-605-25-16. The value of these contributions is not recognized in the financial statements. A substantial number of volunteers make significant contributions to MHS enhancing its activities and programs. MHS wishes to acknowledge these services and values such at approximately \$368,894 and \$193,865 for the years ended December 31, 2018 and 2017, respectively. In years 2018 and 2017, these services included approximately 168 and 139 volunteers, respectively, who contributed approximately 13,932 and 12,079, respectively, hours of services to MHS.

#### **Functional Allocation Of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities, security and housekeeping, which are allocated to other departments based on square-footage, as well as information technology expenses, which are allocated on the number of computers per department.

#### **Income Taxes**

MHS qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and therefore, there is no provision for income taxes.

MHS 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 financial position related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months. MHS evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

#### **Use Of Estimates**

The presentation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires MHS to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**New Accounting Standard Implemented**

During 2018, MHS implemented Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. In accordance with the ASU, the statement of financial position presents two classes of net assets, rather than the previously required three classes. The two classes are “Net assets without donor restrictions” (previously “Unrestricted” net assets) and “Net assets with donor restrictions” (previously “Temporarily” and “Permanently” restricted net assets). The ASU also requires information concerning liquidity and presentation of expenses by both functional and natural classifications. Accordingly, a reclassification of net assets has been made to conform beginning net asset balances to current presentation.

**Reclassifications**

Certain amounts have been reclassified in the 2018 financial statements to conform to the 2017 financial statements.

**Subsequent Events**

Management has evaluated subsequent events through the Independent Auditors’ Report date, which is when the financial statements were available for issue.



# MISSOURI HISTORICAL SOCIETY

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## Notes To Financial Statements (Continued)

### 2. Net Assets With Donor Restrictions

Net assets with donor restrictions as of December 31 are as follows:

	<u>2018</u>	<u>2017</u>
<b>Time And Purpose:</b>		
Capital Campaign	\$ 1,110,874	\$ 1,122,940
Education and Visitor Experience	96,667	112,392
Collection and Conservation	2,570,294	2,624,090
Publication of Books	106,914	96,646
Exhibit Production, Maintenance and Research	494,254	524,839
Innovation Fund	131,896	156,780
Operations	2,817	3,191
Time Restrictions	—	333,479
Soldiers Memorial Processing, Planning and Operations	1,064,043	927,030
Soldiers Memorial Revitalization	1,569,164	5,326,378
Realized and Unrealized Endowment Earnings	10,134,704	12,776,747
	<hr/> 17,281,627	<hr/> 24,004,512
<b>Endowment:</b>		
Acquisition of Items for Library and Collections	82,040	82,040
Exhibits, Research and Conservation	7,888,533	7,173,533
Endowed Bascom and Shoenberg Curatorial Positions	517,901	517,901
Publication of Books and Magazines	137,285	137,285
Internship Program	247,715	246,715
General MHS Operations	6,553,424	6,303,424
	<hr/> 15,426,898	<hr/> 14,460,898
	<hr/> <hr/> \$ 32,708,525	<hr/> <hr/> \$ 38,465,410

## MISSOURI HISTORICAL SOCIETY

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### Notes To Financial Statements (*Continued*)

Net assets were released from net assets with donor restrictions as follows:

	<u>2018</u>	<u>2017</u>
Capital Campaign	\$ 12,066	\$ 4,583
Education and Visitor Experience	337,697	363,417
Collections and Conservation	337,736	281,440
Publication of Books	22,111	39,467
Exhibit Production, Maintenance and Research	514,593	755,590
Innovation Fund	24,883	7,135
Operations	375	927
Time Restrictions	333,479	—
Soldiers Memorial Processing, Planning and Operations	1,300,121	518,478
Soldiers Memorial Revitalization	6,576,415	16,970,317
	<u>\$ 9,459,476</u>	<u>\$ 18,941,354</u>

### 3. Pledges Receivable

At December 31, 2018 and 2017, the pledges receivable balance was \$348,230 and \$1,504,191, respectively. An allowance for uncollectible accounts of \$11,707 was recorded at the end of each year, for a net pledges receivable balance of \$336,523 and \$1,492,483 as of December 31, 2018 and 2017, respectively.

### 4. Endowment

The endowment consists of 30 individual funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees has interpreted 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.

As a result of this interpretation, MHS classifies as endowment with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the endowment fund with restriction that is not classified in endowment principal is classified as endowment earnings until those amounts are appropriated for expenditure by MHS in a manner consistent with the standard of prudence prescribed by UPMIFA.

## MISSOURI HISTORICAL SOCIETY

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### Notes To Financial Statements (*Continued*)

In accordance with UPMIFA, MHS considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

1. The duration and preservation of the fund
2. The purposes of MHS and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of MHS
7. The investment policies of MHS

MHS has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that MHS must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that provide a rate of return over a rolling 60 month period greater than or equal to a "Policy Index" created by combining various indices in the proportion as the endowment funds target allocation. Actual returns in any given year may vary from this amount.

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

MHS has a policy of appropriating for distribution each year between 3 and 5 percent of its endowment fund's average fair value over the 13 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. Accordingly, over the long-term, MHS expects the fund to achieve a real annualized rate of return that is 5% over the trailing 12-month Consumer Price Index. This is consistent with MHS's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. An appropriation of \$1,654,484 and \$1,413,841 was disbursed in 2018 and 2017, respectively.

## MISSOURI HISTORICAL SOCIETY

### Notes To Financial Statements (*Continued*)

The changes in endowment assets for the years ended December 31, 2018 and 2017 are as follows:

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>		<u>Total</u>
	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Earnings</u>	<u>Principal</u>	
Endowment assets,					
January 1, 2017	\$ —	\$ 17,676,402	\$ 10,132,852	\$ 12,233,029	\$ 40,042,283
Contributions and other	—	371,718	—	1,336,000	1,707,718
Amounts appropriated for					
expenditures	1,413,841	(631,108)	(782,733)	—	—
Net appreciation	—	2,649,537	3,426,628	—	6,076,165
Amounts disbursed	(1,413,841)	—	—	—	(1,413,841)
Endowment assets,					
December 31, 2017	—	20,066,549	12,776,747	13,569,029	46,412,325
Contributions and other	—	363,426	—	1,591,000	1,954,426
Amounts appropriated for					
expenditures	1,654,484	(721,631)	(932,853)	—	—
Net depreciation	—	(1,315,393)	(1,709,190)	—	(3,024,583)
Amounts disbursed	(1,654,484)	—	—	—	(1,654,484)
Endowment assets,					
December 31, 2018	\$ —	\$ 18,392,951	\$ 10,134,704	\$ 15,160,029	\$ 43,687,684

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires MHS to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 or 2017.

## MISSOURI HISTORICAL SOCIETY

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### Notes To Financial Statements (*Continued*)

#### 5. Liquidity And Available Resources

MHS's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash	\$	6,858,434
Accrued investment income		83,111
Grants and accounts receivable		127,310
Pledges receivable, net		336,523
Short term-investments		1,008,682
Total financial assets available within one year		<u>8,414,060</u>
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions		<u>(336,523)</u>
Financial assets available to meet general expenditures within one year	\$	<u><u>8,077,537</u></u>

MHS's endowment funds consist of donor-restricted endowments and a board designated endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 4, the endowment has a spending rate between 3 and 5 percent. As part of MHS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, MHS has Board designated net assets without donor restrictions of \$18,392,951 and \$20,066,549 as of December 31, 2018 and 2017, respectively. Although MHS does not intend to spend from its Board designated net assets other than amounts appropriated for general expenditure as part of its annual budgeting process, the amounts could be made available for current operations, if necessary.

# MISSOURI HISTORICAL SOCIETY

## Notes To Financial Statements (Continued)

### 6. Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2018 and 2017 are as follows:

	Fair Value	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
<b>December 31, 2018</b>				
Money Market Funds	\$ 1,474,115	\$ 1,474,115	\$ —	\$ —
U.S. Government Obligations	1,665,416	1,665,416	—	—
Corporate Bonds and Debentures	9,889,303	—	9,889,303	—
Corporate Stock	15,494,698	15,494,698	—	—
Mutual Funds - Equities:				
Large Cap Funds	8,519,268	8,527,700	—	—
International Funds	5,480,218	5,480,218	—	—
Mid Cap Funds	1,151,743	1,151,743	—	—
Small Cap Funds	1,071,100	1,071,100	—	—
Other	696,819	696,819	—	—
Total Mutual Funds - Equities	16,919,148	16,927,580	—	—
Mutual Funds - Fixed Income	1,008,241	1,008,241	—	—
Mutual Funds - Real Estate	2,183,766	2,183,766	—	—
Mutual Funds - Hedge Funds	1,479,531	1,479,531	—	—
<b>Total Investments</b>	<b>\$ 50,114,218</b>	<b>\$ 40,233,347</b>	<b>\$ 9,889,303</b>	<b>\$ —</b>
<b>December 31, 2017</b>				
Money Market Funds	\$ 1,411,144	\$ 1,411,144	\$ —	\$ —
U.S. Government Obligations	1,069,170	1,069,170	—	—
Corporate Bonds and Debentures	8,704,453	—	8,704,453	—
Corporate Stock	17,054,820	17,054,820	—	—
Mutual Funds - Equities:				
Large Cap Funds	10,757,879	10,757,879	—	—
International Funds	5,321,107	5,321,107	—	—
Mid Cap Funds	2,928,952	2,928,952	—	—
Small Cap Funds	1,257,280	1,257,280	—	—
Other	681,891	681,891	—	—
Total Mutual Funds - Equities	20,947,109	20,947,109	—	—
Mutual Funds - Fixed Income	1,001,098	1,001,098	—	—
Mutual Funds - Real Estate	2,479,795	2,479,795	—	—
Mutual Funds - Hedge Funds	2,322,701	2,322,701	—	—
<b>Total Investments</b>	<b>\$ 54,990,290</b>	<b>\$ 46,285,837</b>	<b>\$ 8,704,453</b>	<b>\$ —</b>

## MISSOURI HISTORICAL SOCIETY

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### Notes To Financial Statements (Continued)

Fair value for investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. Fair value for investments valued using Level 2 inputs are based primarily on available quoted prices for similar assets in active or inactive markets.

## 7. Property And Equipment

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

	2018	2017
Leasehold improvements and buildings	\$ 42,229,475	\$ 41,980,747
Furniture, fixtures and equipment	6,108,738	5,154,010
	<u>48,338,213</u>	<u>47,134,757</u>
Less: Accumulated depreciation and amortization	(25,294,664)	(23,672,330)
Projects in progress	108,614	270,289
Land	661,510	661,510
	<u>\$ 23,813,673</u>	<u>\$ 24,394,226</u>

Depreciation expense was \$1,622,333 and \$1,548,802 for the years ended December 31, 2018 and 2017, respectively.

## 8. Lease Commitments

At December 31, 2018, MHS was committed for certain equipment under noncancellable operating leases and certain warehouse and temporary storage location leases which expire at various dates through 2023. Additionally, MHS leases the land and buildings that comprise facilities of MHS from the Subdistrict. The lease agreement for these facilities is coterminous with the term of the Agreement MHS has with the Subdistrict to provide history museum services. This agreement renews on December 31 each year as more fully discussed in footnote 12 hereafter.

## MISSOURI HISTORICAL SOCIETY

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### Notes To Financial Statements (Continued)

The estimated annual lease payments due under the terms of the lease agreements at December 31 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 167,564
2020	146,489
2021	130,223
2022	78,607
2023	1,587
	<u>\$ 524,470</u>

Rental expense was \$166,997 and \$163,829 for the years ended December 31, 2018 and 2017, respectively.

### **9. Employee Benefit Plans**

MHS has a defined contribution plan for all employees with at least two years of service. The plan provides for MHS to contribute 5% of the participants' salaries with no employee contributions permitted. MHS also has a 403(b) salary reduction plan, which provides for MHS to match employee contributions at the maximum of \$500 or 1% of annual participants' salaries. Expenses for the two plans were \$373,583 and \$354,275 for the years ended December 31, 2018 and 2017, respectively.

### **10. Employee Deferred Compensation Plan**

MHS 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 statement of financial position as a noncurrent asset and liability. The value of this plan asset was \$462,596 and \$430,533 at December 31, 2018 and 2017, respectively.



**11. Concentrations Of Credit Risk**

Financial instruments that potentially subject MHS to concentrations of credit risk consist of cash deposits in banks and other financial institutions, investment securities and pledge receivables. MHS maintains cash and short- and long-term investments with major banks and financial institutions. Accounts at banks insured by the Federal Deposit Insurance Corporation (FDIC) are insured to a level of \$250,000. At times, MHS may have cash balances with banks and securities with financial institutions in excess of the FDIC coverage, and currently \$6,988,689 is uninsured for a short duration. Concentrations of credit risk with respect to pledges receivable are limited due to the large number and credit worthiness of donors comprising MHS's donor base.

**12. Contract With The Missouri History Museum Subdistrict**

The Subdistrict was established to receive tax revenues from the tax collector's offices and to pay for history museum services provided to benefit the public. The Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (ZMD) tax-generated revenue is subject to annual review and approval. Amounts available to the Subdistrict are based on a rate which may not exceed 4.0 cents on each \$100 of assessed valuation. The certified rate was \$.0390 and \$.0386 at December 31, 2018 and 2017, respectively. In 1988, the Subdistrict and MHS entered into a contract, which, after renegotiation in the fall of 2012 and amended 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, MHS and the Subdistrict 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 MHS in exchange for compensation from the Subdistrict. The public support under this contract is determined each year based upon an annual budget. The Agreement also requires prior Subdistrict approval for the purchase of any real estate, or any expenditure of an amount in excess of \$10,000 if not previously approved in the annual budget. MHS shall comply with the provisions of the Open Meeting Law, sections 610.010 et. al., as from time to time amended. In accordance with the contract, MHS records revenue in the period in which reimbursement vouchers are approved. MHS is included as a discretely presented component unit within the Subdistrict's financial statements.

**13. Agreement With The City Of St. Louis**

The City of St. Louis, Missouri, a constitutional charter city of the State of Missouri (the City), owns and operates the Soldiers Memorial Military Museum (Soldiers Memorial) at 1315 Chestnut. The City and MHS have entered into an agreement by which MHS oversaw a substantial renovation and reconstruction of the Soldiers Memorial and Court of Honor and now operates the Soldiers Memorial on behalf of the City.

The Soldiers Memorial project components consist of 1) processing of collections, 2) planning for exhibitions and operations, and 3) renovation, construction and design, fabrication and installation of exhibitions.

A \$917,000 Processing Grant received in 2014 provided the funding for the processing of collections. Endowment agreements with donors provided funding for the planning for exhibitions and operations. Agreements with donors provided funding for the renovation, construction and exhibition design.

All funds for the Soldiers Memorial are held and identified as restricted funds on the books and records of MHS and shall be accounted for as a separate fund and not commingled with funds to be used for any purpose other than the renovation and operation of the Soldiers Memorial.

**14. Related Entities**

MHS served as the fiscal agent through 2017 and leased employees at one nonprofit entity through a written agreement: the Association for Midwest Museums (AMM). In accordance with ASC 958-810-15, the account of this organization was not included in the accompanying financial statements. AMM is a not-for-profit corporation that has served the Midwest museum community for over 85 years. Through its programs and services, AMM encourages professional standards for all areas of museum administration and provides information and resources to museums and cultural institutions in the Midwest. During 2017, MHS provided office space without charge, but was reimbursed by AMM for all compensation costs for AMM employees and administrative expenses on a quarterly basis. At December 31, 2017, MHS had a receivable from AMM totaling \$55,940.

**15. Risks And Uncertainties**

MHS'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 MHS's investments could occur in the near term and those changes could materially affect the amounts reported in MHS's financial statements.

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

**16. Conditional Pledge**

A donor made a conditional pledge of \$5,000,000 in September 2015, to be paid over seven years in support of the African American History Endowment, enabling MHS to sustain its commitment to collections, museum exhibitions and programs focused on the African American history of our region. MHS received \$715,000 in both 2018 and 2017, and the contributions are included in permanently restricted contributions with donor restriction. As of December 31, 2018 and 2017, \$2,860,000 and \$2,145,000, respectively, has been received by MHS.

**17. Construction Commitment**

MHS entered into a construction contract for \$22,290,302 (original contract \$21,656,510 plus two change orders of \$433,792 and \$200,000) for renovation and construction at Soldiers Memorial, and MHS incurred cumulative renovation and construction costs on this contract of \$22,078,384 as of December 31, 2018. These costs are funded by donors who have agreed to fund the renovation and reconstruction of the Soldiers Memorial.