
MISSOURI HISTORICAL SOCIETY

FINANCIAL STATEMENTS

DECEMBER 31, 2019



**MISSOURI
HISTORICAL
SOCIETY**

Contents

	Page
Independent Auditors' Report.....	1 - 2
Statement Of Financial Position	3
Statements Of Activities	4 - 5
Statements Of Functional Expenses	6 -7
Statement Of Cash Flows.....	8
Notes To Financial Statements.....	9 - 28



RubinBrown LLP
Certified Public Accountants &
Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

Board of Trustees
Missouri Historical Society
St. Louis, Missouri

Report On The Financial Statements

We have audited the financial statements of Missouri Historical Society, a not-for-profit organization, which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, 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 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, 2019 and 2018, and the changes in its net assets, functional expenses and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter: Change In Accounting Principle

As discussed in Note 1 to the financial statements, in 2019, Missouri Historical Society adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Our opinion is not modified with respect to this matter.

RubinBrown LLP

March 30, 2020

MISSOURI HISTORICAL SOCIETY
STATEMENT OF FINANCIAL POSITION

	December 31,	
	2019	2018
Assets		
Current Assets		
Cash	\$ 6,141,716	\$ 6,858,434
Accrued investment income	117,709	83,111
Grants and accounts receivable	97,778	137,310
Pledges receivable, net	281,431	336,523
Inventories	216,497	201,996
Short-term investments	1,022,612	1,008,682
Prepaid expenses	330,763	398,418
Total Current Assets	8,208,506	9,024,474
Noncurrent Assets		
Investments	83,323,450	48,642,940
Retirement plan	518,073	462,596
Pledges receivable, net	477,660	—
Leasehold improvements and buildings, net	19,660,103	20,698,068
Furniture, fixtures and equipment, net	2,256,612	2,345,481
Projects in progress	425,851	108,614
Land	661,510	661,510
Other	7,416	7,416
Total Noncurrent Assets	107,330,675	72,926,625
Total Assets	\$ 115,539,181	\$ 81,951,099

Liabilities And Net Assets

Liabilities		
Current Liabilities		
Accounts payable	\$ 964,665	\$ 753,356
Accrued salary and accrued vacation	573,298	419,860
Deferred revenue and contract liabilities	233,562	18,809
Total Current Liabilities	1,771,525	1,192,025
Noncurrent Liabilities		
Obligations under split-interest agreements	22,030	15,394
Retirement plan	518,073	463,120
Total Noncurrent Liabilities	540,103	478,514
Total Liabilities	2,311,628	1,670,539
Net Assets		
Without donor restrictions	49,390,117	47,572,035
With donor restrictions	63,837,436	32,708,525
Total Net Assets	113,227,553	80,280,560
Total Liabilities And Net Assets	\$ 115,539,181	\$ 81,951,099

MISSOURI HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenue (Losses)			
Public Support			
Services provided for the Missouri History Museum Subdistrict	\$ 11,414,587	\$ —	\$ 11,414,587
Contributions:			
General	681,054	2,274,779	2,955,833
Soldiers Memorial Operations	—	26,213,774	26,213,774
Memberships	938,865	—	938,865
In-Kind Contributions	25,031	273,022	298,053
Total Public Support	13,059,537	28,761,575	41,821,112
Revenue (Losses)			
Investment income	1,862,021	502,478	2,364,499
Realized gains from sale of securities, net	2,643,299	3,182,121	5,825,420
Unrealized gains from securities	967,200	1,842,481	2,809,681
Museum shop, net (sales of \$451,768)	(8,316)	—	(8,316)
Facility rental/restaurant income/catering, net	117,214	—	117,214
Other income	158,514	109,282	267,796
Total Revenue	5,739,932	5,636,362	11,376,294
Net Assets Released From Restrictions			
Satisfaction of purpose restrictions	3,269,026	(3,269,026)	—
Total Public Support And Revenue	22,068,495	31,128,911	53,197,406
Expenses			
Program Services			
Education and Visitor Experience	2,907,285	—	2,907,285
Exhibitions and Research	3,876,260	—	3,876,260
Library and Collections	4,195,984	—	4,195,984
Soldiers Memorial	1,449,131	—	1,449,131
Other Programs	3,430,724	—	3,430,724
Total Program Services	15,859,384	—	15,859,384
Supporting Services			
Management and General	2,523,921	—	2,523,921
Fundraising	1,683,753	—	1,683,753
Total Supporting Services	4,207,674	—	4,207,674
Total Expenses	20,067,058	—	20,067,058
Excess Of Public Support And Revenue Over Expenses			
	2,001,437	31,128,911	33,130,348
Net Assets Beginning Of Year - As Originally Reported	47,572,035	32,708,525	80,280,560
Cumulative effect of adjustment of ASC Topic 606 on January 1, 2019 (Note 17)			
	(183,355)	—	(183,355)
Net Assets Beginning of Year - As Restated	47,388,680	32,708,525	80,097,205
Net Assets End Of Year	\$ 49,390,117	\$ 63,837,436	\$ 113,227,553

MISSOURI HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES For The Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenue (Losses)			
Public Support			
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 Operations	—	4,256,376	4,256,376
Memberships	841,098	—	841,098
In-Kind Contributions	27,707	—	27,707
Total Public Support	11,963,572	5,997,528	17,961,100
Revenue (Losses)			
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
Total Revenue (Losses)	(690,856)	(2,294,937)	(2,985,793)
Net Assets Released From Restrictions			
Satisfaction of purpose restrictions	9,459,476	(9,459,476)	—
Total Public Support And Revenue (Losses)	20,732,192	(5,756,885)	14,975,307
Expenses			
Program Services			
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
Total Program Services	19,948,676	—	19,948,676
Supporting Services			
Management and General	2,813,902	—	2,813,902
Fundraising	1,285,603	—	1,285,603
Total Supporting Services	4,099,505	—	4,099,505
Total Expenses	24,048,181	—	24,048,181
Deficit Of Public Support And Revenue Over Expenses	(3,315,989)	(5,756,885)	(9,072,874)
Net Assets Beginning Of Year	50,888,024	38,465,410	89,353,434
Net Assets End Of Year	\$ 47,572,035	\$ 32,708,525	\$ 80,280,560

MISSOURI HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2019

	Education and Visitor Experience	Exhibitions and Research	Library and Collections	Soldiers Memorial	Other Programs	Total Program	Management And General	Fundraising	Total
Salaries	\$ 1,471,273	\$ 1,288,736	\$ 1,766,570	\$ 699,853	\$ 1,565,734	\$ 6,792,166	\$ 1,227,513	\$ 667,562	\$ 8,687,241
Pension	59,363	60,011	96,457	13,095	80,080	309,006	51,909	24,780	385,695
Benefits	165,905	154,381	272,476	100,681	182,374	875,817	164,228	71,723	1,111,768
Payroll taxes	109,513	95,439	127,190	50,650	112,807	495,599	75,939	47,797	619,335
Professional fees	241,368	29,270	25,609	70,675	63,293	430,215	567,737	217,472	1,215,424
Advertising and promotion	1,125	—	856	104,473	902,407	1,008,861	—	—	1,008,861
Office expenses	111,743	63,169	158,487	114,246	93,579	541,224	76,838	94,374	712,436
Information technology	46,740	29,819	67,986	11,556	46,759	202,860	21,361	13,794	238,015
Occupancy	101,207	190,636	412,409	—	51,769	756,021	34,382	7,895	798,298
Travel and conferences	131,898	9,195	15,946	10,358	20,474	187,871	43,797	36,728	268,396
Depreciation	236,142	505,563	601,316	—	152,902	1,495,923	122,642	47,408	1,665,973
Insurance	47,668	67,675	172,951	74,975	42,420	405,689	34,254	14,695	454,638
Other	183,340	1,382,366	477,731	198,569	116,126	2,358,132	103,321	439,525	2,900,978
	\$ 2,907,285	\$ 3,876,260	\$ 4,195,984	\$ 1,449,131	\$ 3,430,724	\$ 15,859,384	\$ 2,523,921	\$ 1,683,753	\$ 20,067,058

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,	
	2019	2018
Cash Flows From Operating Activities		
Excess (deficit) of public support and revenue over expenses	\$ 33,130,348	\$ (9,072,874)
Cumulative effect of adjustment of ASC Topic 606	(183,355)	—
Adjustments to reconcile excess (deficit) of public support and revenue over expenses to net cash from operating activities:		
Depreciation	1,665,973	1,622,333
Contributions restricted for endowment	(25,724,131)	(966,000)
Net realized (gains) losses on investments	(5,825,420)	681,344
Net unrealized (gains) losses on investments	(2,809,681)	4,840,041
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables	(417,634)	1,106,384
Inventories, prepaid expenses and other assets	53,154	(108,025)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	364,747	(2,005,590)
Deferred revenue and contract liabilities	214,753	(5,016)
Obligations under split-interest agreements	6,636	(3,717)
Other liabilities	54,953	32,587
Net Cash Provided By (Used In) Operating Activities	530,343	(3,878,533)
Cash Flows From Investing Activities		
Proceeds from sales of investments	54,457,296	13,046,910
Purchases of investments	(80,838,981)	(16,318,231)
Improvements to property and equipment purchases	(856,376)	(1,041,780)
Net Cash Provided By (Used In) Investing Activities	(27,238,061)	(4,313,101)
Cash Flows Provided By Financing Activities		
Proceeds from contributions restricted for endowment	25,991,000	3,592,008
Net Increase (Decrease) In Cash	(716,718)	(4,599,626)
Cash - Beginning Of Year	6,858,434	11,458,060
Cash - End Of Year	\$ 6,141,716	\$ 6,858,434

MISSOURI HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 And 2018

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. FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, requires MHS to report 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.

MISSOURI HISTORICAL SOCIETY

Notes To Financial Statements (*Continued*)

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, 2019 or 2018.

MISSOURI HISTORICAL SOCIETY

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 2.25% at December 31, 2019. 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 \$370,228 and \$218,890 for the years ended December 31, 2019 and 2018, 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, 2019 and 2018 are \$64,295 and \$56,922, respectively.

For the years ended December 31, 2019 and 2018, the unrealized and realized gains (losses) and investment income include an operating draw of \$1,918,807 and \$1,654,484, respectively, from the Endowment investment account and an annual draw of \$411,093 and \$501,527, respectively, from the Operating investment account.

MISSOURI HISTORICAL SOCIETY

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 visitors, 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, schools and 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 or conservation of artifacts in the permanent collection according to museum best practices.

Contract Liabilities

Contract liabilities represent cash received from memberships in which the performance obligations have not been satisfied.

Deferred Revenue

Deferred revenue at December 31, 2019 and 2018 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 2.0% to 7.6%, 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 \$22,030 and \$15,394 at December 31, 2019 and 2018, respectively. The assets are included in MHS's long-term investment portfolio.

Revenue and Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The pronouncement was issued to clarify the principles for recognizing revenue and to develop a common revenue standard and disclosure requirements for U.S. generally accepted accounting principles (GAAP) and International Financial Reporting Standards. MHS adopted ASU 2014-09 in the fiscal year 2019 financial statements. The ASU was applied to all contracts using the modified retrospective method. MHS recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of net assets. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. Refer to Note 17 for additional information regarding the implementation. Additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from revenue streams that fall under this guidance are as follows:

Membership Dues – Membership dues, which are nonrefundable, are comprised of an exchange element based on the value of benefits provided, and a contribution element for the difference between total dues paid and the exchange element. MHS recognizes the exchange portion of membership dues over the membership period, and the contribution portion immediately. Performance obligations include member benefits such as subscriptions to certain publications, tickets to various events, invitations to member-only events, and small gifts. The transaction is allocated based upon various factors such as the fair market value or cost of the obligation.

MISSOURI HISTORICAL SOCIETY

Notes To Financial Statements (*Continued*)

Museum shop – MHS generates revenue from merchandise sales. Merchandise sales are presented net of discounts and cost of goods sold and recognized at the point in time when the sale occurs, and the visitor takes possession of the item purchased.

Facility rental/restaurant income – Facility rental revenues consist of room rentals for special events on a specified date. Facility rental revenues are presented net of discounts and cost of goods sold and recognized when events occur.

Other income includes publication sales, ticket sales, and other items which are recognized at the time of sale or the time of admission of the event.

Overall economic conditions can impact the nature, timing, and uncertainty of MHS's revenues and cash flows.

MHS has additional revenue streams that are not within the scope of ASU 2014-09:

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.

Conditional promises to give, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been 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 placed in service.

MISSOURI HISTORICAL SOCIETY

Notes To Financial Statements (*Continued*)

A portion of MHS's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when MHS has incurred expenditures in compliance with specific contract or grant provisions.

In fiscal year 2019, MHS adopted FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in evaluating whether transactions should be accounted for as contributions or reciprocal transactions. The implementation did not have a material impact on MHS's financial statements.

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.

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 \$384,561 and \$368,894 for the years ended December 31, 2019 and 2018, respectively. In years 2019 and 2018, these services included approximately 143 and 168 volunteers, respectively, who contributed approximately 15,122 and 13,932, 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.

MISSOURI HISTORICAL SOCIETY

Notes To Financial Statements (*Continued*)

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 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.

Reclassifications

Certain amounts have been reclassified in the 2018 financial statements to conform to the 2019 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.

In response to COVID-19, MHS temporarily closed all three of its locations to the public as of 5:00 pm on March 16th, 2020. This closure was consistent with CDC recommendations at the time. MHS currently has plans to reopen to the public on May 9th, 2020. MHS is closely monitoring the status of COVID-19 in the St. Louis region and the United States, and regularly reassessing plans and procedures. The impact of this closure on future operations is not yet known. Also, related to COVID-19, it is reasonably possible that changes in the market could affect the value of investments reported in the statement of financial position. The extent to which COVID-19 impacts MHS will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

MISSOURI HISTORICAL SOCIETY

Notes To Financial Statements (Continued)

2. Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Time And Purpose:		
Capital Campaign	\$ 1,711,719	\$ 1,110,874
Education and Visitor Experience	114,717	96,667
Collection and Conservation	946,287	569,226
Publication of Books	121,198	106,914
Exhibit Production, Maintenance and Research	266,893	494,254
Innovation Fund	127,626	131,896
Operations	4,288	2,817
Digital Initiatives	23,249	—
Soldiers Memorial Operations	965,688	1,064,043
Soldiers Memorial Special Projects	1,427,712	1,569,164
Realized and Unrealized Endowment Earnings	14,975,962	10,134,704
	<u>20,685,339</u>	<u>15,280,559</u>
Endowment:		
Acquisition of Items for Library and Collections	82,040	82,040
Exhibits, Research and Conservation	8,610,664	7,888,533
Library and Conservation	2,001,068	2,001,068
Endowed Bascom and Shoenberg Curatorial Positions	517,901	517,901
Publication of Books and Magazines	137,285	137,285
Internship Program	248,715	247,715
Soldiers Memorial Operations	25,000,000	—
General MHS Operations	6,554,424	6,553,424
	<u>43,152,097</u>	<u>17,427,966</u>
	<u>\$ 63,837,436</u>	<u>\$ 32,708,525</u>

MISSOURI HISTORICAL SOCIETY

Notes To Financial Statements (Continued)

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

	<u>2019</u>	<u>2018</u>
Capital Campaign	\$ 13,707	\$ 12,066
Education and Visitor Experience	169,769	337,697
Collections and Conservation	161,693	337,736
Publication of Books	22,352	22,111
Exhibit Production, Maintenance and Research	1,072,061	514,593
Innovation Fund	4,270	24,883
Operations	297,183	375
Time Restrictions	—	333,479
Digital Initiatives	78,274	—
Soldiers Memorial Operations	1,275,887	1,300,121
Soldiers Memorial Special Projects	173,830	6,576,415
	<u>\$ 3,269,026</u>	<u>\$ 9,459,476</u>

3. Pledges Receivable

Unconditional promises to give are included in the financial statement as assets and support of the appropriate net asset category. They are recorded after discounting at the rate of 2.25% to the present value of the future cash flows.

Unconditional promises to give at December 31, 2019 and 2018 are expected to be collected in the following periods:

	<u>2019</u>	<u>2018</u>
In one year or less	\$ 308,728	\$ 347,230
Between one year and five years	513,650	1,000
More than five years	7,000	—
	<u>829,378</u>	<u>348,230</u>
Less: Discount	(42,990)	—
Less: Allowance for uncollectible promises to give	<u>(27,297)</u>	<u>(11,707)</u>
	<u>\$ 759,091</u>	<u>\$ 336,523</u>

4. Endowment

The endowment consists of 31 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.

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.

MISSOURI HISTORICAL SOCIETY

Notes To Financial Statements (Continued)

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 \$1,918,807 and \$1,654,484 was disbursed in 2019 and 2018, respectively.

The changes in endowment assets for the years ended December 31, 2019 and 2018 are as follows:

	<u>Without Donor Restrictions</u>		<u>With Donor Restrictions</u>		
	<u>Unrestricted</u>	<u>Board Designated</u>	<u>Earnings</u>	<u>Principal</u>	<u>Total</u>
Endowment assets, January 1, 2018	\$ —	\$ 20,066,549	\$ 12,776,747	\$ 13,569,029	\$ 46,412,325
Contributions and other	—	363,426	—	3,592,068	\$ 3,955,494
Amounts appropriated for expenditures	1,654,484	(721,631)	(932,853)	—	—
Net depreciation	—	(1,286,107)	(1,882,703)	—	(3,168,810)
Amounts disbursed	(1,654,484)	—	—	—	(1,654,484)
Endowment assets, December 31, 2018	—	18,422,237	9,961,191	17,161,097	45,544,525
Contributions and other	—	69,487	—	25,991,000	26,060,487
Amounts appropriated for expenditures	1,918,807	(800,623)	(1,118,184)	—	—
Net appreciation	—	4,000,363	6,132,955	—	10,133,318
Amounts disbursed	(1,918,807)	—	—	—	(1,918,807)
Endowment assets, December 31, 2019	\$ —	\$ 21,691,464	\$ 14,975,962	\$ 43,152,097	\$ 79,819,523

MISSOURI HISTORICAL SOCIETY

Notes To Financial Statements (Continued)

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, 2019 or 2018.

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:

	2019	2018
Cash	\$ 6,141,716	\$ 6,858,434
Accrued investment income	117,709	83,111
Grants and accounts receivable	97,778	127,310
Pledges receivable, net	759,091	336,523
Short term-investments	1,022,612	1,008,682
Total financial assets available within one year	8,138,906	8,414,060
Less:		
Amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	(759,091)	(336,523)
Financial assets available to meet general expenditures within one year	\$ 7,379,815	\$ 8,077,537

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 \$21,691,464 and \$18,422,237 as of December 31, 2019 and 2018, 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, 2019 and 2018 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)
December 31, 2019				
Money Market Funds	\$ 4,912,780	\$ 4,912,780	\$ —	\$ —
U.S. Government Obligations	4,269,527	4,269,527	—	—
Corporate Bonds and Debentures	13,121,159	—	13,121,159	—
Corporate Stock	8,651,458	8,651,458	—	—
Mutual Funds - Equities:				
Large Cap Funds	23,000,372	23,000,372	—	—
International Funds	11,591,722	11,591,722	—	—
Mid Cap Funds	6,251,063	6,251,063	—	—
Small Cap Funds	7,281,612	7,281,612	—	—
Other	492,792	492,792	—	—
Total Mutual Funds - Equities	48,617,561	48,617,561	—	—
Mutual Funds - Fixed Income	1,021,896	1,021,896	—	—
Mutual Funds - Real Estate	4,228,325	4,228,325	—	—
Mutual Funds - Hedge Funds	41,429	41,429	—	—
Total Investments	\$ 84,864,135	\$ 71,742,976	\$ 13,121,159	\$ —
December 31, 2018				
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	8,519,268	—	—
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	16,919,148	—	—
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	—	—
Total Investments	\$ 50,114,218	\$ 40,224,915	\$ 9,889,303	\$ —

MISSOURI HISTORICAL SOCIETY

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:

	<u>2019</u>	<u>2018</u>
Leasehold improvements and buildings	\$ 42,287,258	\$ 42,229,475
Furniture, fixtures and equipment	6,473,819	6,108,738
	<u>48,761,077</u>	<u>48,338,213</u>
Less: Accumulated depreciation and amortization	(26,844,362)	(25,294,664)
Projects in progress	425,851	108,614
Land	661,510	661,510
	<u>\$ 23,004,076</u>	<u>\$ 23,813,673</u>

Depreciation expense was \$1,665,973 and \$1,622,333 for the years ended December 31, 2019 and 2018, respectively.

8. Lease Commitments

At December 31, 2019, 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

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>
2020	\$ 146,489
2021	130,223
2022	78,607
2023	1,587
	<u>\$ 356,906</u>

Rental expense was \$169,578 and \$166,997 for the years ended December 31, 2019 and 2018, 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 \$391,954 and \$373,583 for the years ended December 31, 2019 and 2018, 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 \$518,073 and \$462,596 at December 31, 2019 and 2018, 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 at December 31, 2019, \$5,872,999 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 \$.0365 and \$.0390 at December 31, 2019 and 2018, respectively. In 1988, the Subdistrict and MHS entered into a contract, which, after renegotiation in the fall of 2012, had been subsequently amended on November 13, 2013, December 15, 2015, and December 20, 2018. The Fourth Amended and Restated Operating Agreement 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 any unbudgeted capital expenditure in excess of \$50,000 and any unbudgeted operating expenditure made by MHS in excess of \$20,000. 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.

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. 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.

15. Conditional Pledges

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 2019 and 2018, and the contributions are included in contributions with donor restrictions for endowment. As of December 31, 2019 and 2018, \$3,575,000 and \$2,860,000, respectively, has been received by MHS.

In March 2019, a donor made a conditional pledge of marketing services with a value of \$546,000 to be provided over a two year period related to the Twilight Tuesday program. MHS received in-kind marketing services in the amount of \$273,000 in 2019, and the in-kind contributions are included in contributions with donor restrictions.

16. 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 \$22,086,810 as of December 31, 2019. The remaining costs relate to certain special projects that are ongoing. These costs were funded by donors who agreed to fund the renovation and reconstruction of the Soldiers Memorial.

17. Adoption of New Accounting Pronouncement

Accounting Standards Codification Topic 606 (ASC 606), *Revenue from Contracts with Customers*, supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods and services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

MHS adopted the new requirements as of January 1, 2019, utilizing the modified retrospective method of transition. As a result, MHS recorded a cumulative adjustment to net assets as of January 1, 2019 to reflect the effect of the new guidance. MHS applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to MHS's accounting policies for revenue recognition and contract liabilities as detailed below:

The following table provides information about significant changes in the contract liabilities for the year ended December 31, 2019:

	<u>December 31, 2019</u>	
Deferred memberships, beginning of year	\$	183,355
Revenue recognized that was included in deferred membership dues at the beginning of the year		(183,355)
Increase in deferred revenue due to cash received during the year		<u>210,930</u>
Deferred membership dues, end of year		<u><u>210,930</u></u>

The modified retrospective method of transition requires MHS to disclose the effect of applying the new guidance on each item included in the financial statements.

MISSOURI HISTORICAL SOCIETY

Notes To Financial Statements (Continued)

The following are the line items from the balance sheet as of December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of applying the new guidance, and the balances reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Liabilities			
Contract Liabilities	\$ —	\$ 210,930	\$ 210,930
Net Assets			
Net assets without donor restrictions	49,601,047	210,930	49,390,117

The following are the line items from the statement of activities and statement of cash flows for the period from January 1, 2019 through December 31, 2019, that were affected, the amounts that would have been reported under the former guidance, the effects of the new guidance, and the amounts reported under the new guidance:

	Amounts That Would Have Been Reported	Effects of Applying New Guidance	As Reported
Revenues			
Membership revenue	\$ 966,440	\$ (27,575)	\$ 938,865
Change in Net Assets	33,157,923	(27,575)	33,130,348
Cash Flows			
Change in Net Assets	33,157,923	(27,575)	33,130,348