



FINANCIAL STATEMENTS

*For the years ended December 31, 2009 and 2008
(with independent auditors' report thereon)*

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees

Missouri History Museum:

We have audited the statements of financial position of the Missouri History Museum (the "Museum") as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Missouri History Museum as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.
St. Louis, Missouri
March 22, 2010

As of December 31, 2009 and 2008	2009	2008
CURRENT ASSETS		
Cash and Cash Equivalents	\$1,266,742	\$1,328,068
Accrued Investment Income	158,330	154,502
Grants and Accounts Receivable	43,065	69,659
Pledges Receivable, Net of Allowance for Uncollectibles	247,484	16,906
Inventories	248,623	311,336
Short-Term Investments	1,481,976	1,500,739
Prepaid Expenses	397,329	301,079
Total Current Assets	<u>\$3,843,549</u>	<u>\$3,682,289</u>
NON-CURRENT ASSETS		
Investments (including Unrealized Gains/(Losses) of (\$945,607) and (\$4,734,428) for 2009 and 2008, respectively)	\$27,934,290	\$22,789,844
Pledges Receivable, Net of Allowance for Uncollectibles	55,185	5,451
Leasehold Improvements, Net of Accumulated Amortization	24,103,388	24,749,006
Furniture, Fixtures and Equipment, Net of Accumulated Depreciation	676,204	498,997
Construction in Progress	207,345	151,475
Land	975,914	975,914
Total Non-Current Assets	<u>\$53,952,326</u>	<u>\$49,170,687</u>
TOTAL ASSETS	<u>\$57,795,875</u>	<u>\$52,852,976</u>
CURRENT LIABILITIES		
Accounts Payable	\$257,632	\$306,180
Accrued Salary, Accrued Vacation and Pension Expense	438,953	399,364
Deferred Revenue	5,880	28,090
Total Current Liabilities	<u>\$702,465</u>	<u>\$733,634</u>
NON-CURRENT LIABILITIES		
Obligations Under Split-Interest Agreements	\$471,367	\$494,100
Accrued Vacation	486,125	486,124
Other	357,292	264,438
Total Non-Current Liabilities	<u>\$1,314,784</u>	<u>\$1,244,662</u>
TOTAL LIABILITIES	<u>\$2,017,249</u>	<u>\$1,978,296</u>
NET ASSETS		
Unrestricted	\$42,233,298	\$42,757,694
Temporarily Restricted	6,800,342	658,677
Permanently Restricted	6,744,986	7,458,309
Total Net Assets	<u>\$55,778,626</u>	<u>\$50,874,680</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$57,795,875</u>	<u>\$52,852,976</u>

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2009				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$9,807,838			\$9,807,838
Contributions and Bequests	1,030,364	\$1,143,057	\$500	2,173,921
Memberships	478,516			478,516
Volunteer Services and In-Kind Contributions	193,486			193,486
Total Public Support	\$11,510,204	\$1,143,057	\$500	\$12,653,761
Revenue:				
Investment Income	\$383,370			\$383,370
Gains from Securities, Net	1,662,983	\$2,369,210	\$0	4,032,193
Grant Income	40,724			40,724
Museum Shop Income	407,523			407,523
Facility Rental/Restaurant Income/Catering	141,779			141,779
Special Exhibition Ticket Revenue	73,609			73,609
Other Income, Net	266,943			266,943
Net Revenue	\$2,976,931	\$2,369,210	\$0	\$5,346,141
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	\$5,451	(\$5,451)		\$0
Satisfaction of Purpose Restrictions	918,399	(918,399)		0
Total Net Assets Released from Restrictions	\$923,850	(\$923,850)		\$0
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$15,410,985	\$2,588,417	\$500	\$17,999,902
DECREASES IN NET ASSETS				
Expenses:				
Program Services:				
Community Education and Events Programs	\$1,164,632			\$1,164,632
Library and Collections	3,533,893			3,533,893
Publications	306,804			306,804
Exhibitions and Research	3,055,411			3,055,411
Communications	1,058,644			1,058,644
Total Program Services	\$9,119,384			\$9,119,384
Supporting Services:				
Fund Raising	\$514,630			\$514,630
Membership	392,758			392,758
Management and General	1,832,435			1,832,435
Human Resources	280,383			280,383
Information Technology	428,316			428,316
Museum Shop and Restaurant	461,192			461,192
Total Supporting Services	\$3,909,714			\$3,909,714
Change in Value of Split-Interest Agreements	\$66,858			\$66,858
TOTAL EXPENSES — DECREASES IN NET ASSETS	\$13,095,956	\$0	\$0	\$13,095,956
Excess of Public Support and Revenue over Expenses	\$2,315,029	\$2,588,417	\$500	\$4,903,946
Net Assets Reclassified upon Adoption of FASB ASC 958-205-55	(2,839,425)	3,553,248	(713,823)	0
Net Assets Beginning of Year	42,757,694	658,677	7,458,309	50,874,680
NET ASSETS END OF YEAR	\$42,233,298	\$6,800,342	\$6,744,986	\$55,778,626

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2008				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$9,824,756			\$9,824,756
Contributions and Bequests	1,337,250	\$611,465	\$51,000	1,999,715
Memberships	522,078			522,078
Volunteer Services and In-Kind Contributions	170,983			170,983
Total Public Support	\$11,855,067	\$611,465	\$51,000	\$12,517,532
Revenue:				
Investment Income	\$664,556	\$98,033		\$762,589
Losses from Securities, Net	(5,355,338)	(307,373)	(\$321,787)	(5,984,498)
Grant Income	43,145			43,145
Museum Shop Income	472,617			472,617
Facility Rental/Restaurant Income/Catering	145,057			145,057
Special Exhibition Ticket Revenue	157,567			157,567
Net Revenue	(\$3,872,396)	(\$209,340)	(\$321,787)	(\$4,403,523)
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	\$3,962	(\$3,962)		\$0
Satisfaction of Purpose Restrictions	506,704	(506,704)		0
Total Net Assets Released from Restrictions	\$510,666	(\$510,666)		\$0
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$8,493,337	(\$108,541)	(\$270,787)	\$8,114,009
DECREASES IN NET ASSETS				
Expenses:				
Program Services:				
Community Education and Events Programs	\$1,242,336			\$1,242,336
Library and Collections	3,397,330			3,397,330
Publications	303,719			303,719
Exhibitions and Research	3,264,103			3,264,103
Communications	945,271			945,271
Total Program Services	\$9,152,759			\$9,152,759
Supporting Services:				
Fund Raising	\$543,900			\$543,900
Membership	335,663			335,663
Management and General	1,874,421			1,874,421
Human Resources	265,215			265,215
Information Technology	258,316			258,316
Museum Shop and Restaurant	506,600			506,600
Total Supporting Services	\$3,784,115			\$3,784,115
Change in Value of Split-Interest Agreements	\$64,814			\$64,814
Other Expenses, Net	\$56,736			\$56,736
TOTAL EXPENSES — DECREASES IN NET ASSETS	\$13,058,424	\$0	\$0	\$13,058,424
Excess of Expenses over Public Support and Revenue	(\$4,565,087)	(\$108,541)	(\$270,787)	(\$4,944,415)
Net Assets Beginning of Year	47,322,781	767,218	7,729,096	55,819,095
NET ASSETS END OF YEAR	\$42,757,694	\$658,677	\$7,458,309	\$50,874,680

	2009	2008
For the years ended December 31, 2009 and 2008		
Cash Flows from Operating Activities		
Public Support:		
Cash Received from the Missouri History Museum Subdistrict	\$9,807,838	\$9,824,756
Cash Received from Contributors	1,893,609	2,051,900
Cash Received for Memberships	478,516	522,078
Revenue:		
Investment Income	379,542	789,811
Grant Income Received	64,643	496,944
Cash Received by the Museum Shop	407,523	475,759
Other Cash Receipts	439,565	522,253
Cash Paid to Employees and Suppliers	(11,848,507)	(11,819,475)
Net Cash Provided by Operating Activities	\$1,622,729	\$2,864,026
Cash Flows Used in Investing Activities		
Purchases of Investments	(\$2,500,000)	(\$3,100,000)
Maturing of Investments	1,410,480	1,545,251
Additions to Construction in Progress and Leasehold Improvements and Purchase of Furniture and Equipment	(523,706)	(214,981)
Net Cash Used in Investing Activities	(\$1,613,226)	(\$1,769,730)
Cash Flows Used in Financing Activities		
Payments on Split-Interest Agreements	(\$89,592)	(\$85,659)
Net Cash Used in Financing Activities	(89,592)	(85,659)
Net Increase/(Decrease) in Cash, Cash Equivalents and Short Term Investments	(80,089)	1,008,637
Cash, Cash Equivalents and Short Term Investments December 31, 2008 and 2007	2,828,807	1,820,170
Cash, Cash Equivalents and Short Term Investments December 31, 2009 and 2008	\$2,748,718*	\$2,828,807*
Excess of Public Support and Revenue over Expenses	\$4,903,946	(\$4,944,415)
Adjustments to Reconcile Net Cash Provided by Operating Activities		
Depreciation and Amortization	936,246	953,892
Net (Increase)/Decrease in Receivables, Accruals and Prepaid Items	(291,083)	697,083
(Gains)/Losses on Investments, Net	(4,032,193)	5,984,497
Change in Value of Split-Interest Agreements	66,858	64,814
Net Increase in Liabilities	38,955	108,155
Net Cash Provided by Operating Activities	\$1,622,729	\$2,864,026
*Detail of Cash, Cash Equivalents and Short-Term Investments December 31, 2009 and 2008		
As Presented on the Statements of Financial Position:		
Cash and Cash Equivalents	\$1,266,742	\$1,328,068
Short-Term Investments	1,481,976	1,500,739
Cash, Cash Equivalents and Short Term Investments December 31, 2009 and 2008	\$2,748,718	\$2,828,807

1. Summary of Significant Accounting Policies

Museum Operations

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

Basis of Presentation

The Museum follows accounting standards set by the Financial Accounting Standards Board (FASB). In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification (FASB ASC), as the sole source of authoritative U.S. generally accepting accounting principles (GAAP). FASB ASC 105 is effective for periods ending on or after September 1, 2009. Pursuant to FASB ASC 105, the Museum has updated references to GAAP throughout these financial statements, including a parenthetical reference to the prior authoritative literature. The Codification had no effect on the Museum's financial statements, as it is for disclosure purposes only.

The financial statement presentation follows the recommendations of FASB ASC 958-205 (formerly FASB Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*). Under ASC 958-205, the Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Fair Value of Measurements

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

Beginning December 31, 2008, the Museum has determined the fair value of certain assets and liabilities on a recurring basis through application of FASB ASC 820 (formerly SFAS No. 157, *Fair Value Measurements*), as disclosed in Note 7 to the financial statements.

During the year ended December 31, 2009, FASB ASC 820 became effective for nonfinancial instruments. There were no triggering events that required fair value measurements of the Museum's nonfinancial assets and liabilities at December 31, 2009.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits. Money market funds and highly liquid investments are included in short term investments.

Grants Receivable

Grants receivable consists of amounts due to the Museum related to work performed under grant agreements.

Pledges Receivable

Legally enforceable pledges are recorded as receivables in the year made. Pledges for support of current operations are recorded as public support. Pledges made and received beyond one year are discounted to present value using the 30 year Treasury Bond rate at the date of pledge (ranging from 2.83% to 4.76% at December 2009 and from 2.3% to 4.78% at December 2008). For pledges made and received within one year, the net realizable value is a reasonable estimate of the fair value. If restricted by donor for endowment, the amount is reported as public support of the permanently restricted net asset class. If restricted by donor for particular purposes or for capital acquisition, the amount is reported as public support of temporarily restricted net assets.

Inventories

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

Investments

Investments are carried at market value, and net realized and unrealized gains and (losses) are reflected in the Statements of Activities. The classification of investment balances as current or non-current is based on the intent of the use of the underlying investment. Contributed securities are stated at their fair market value on the date of receipt. It is the policy of the Museum to sell all contributed securities as soon as they are received.

Investment activities and results on the financial statements are shown net of investment advisory and asset management fees of \$143,826 and \$150,623 for the years ended December 31, 2009 and 2008, respectively. Included in these fees are advisory and asset custodian fees paid to a financial institution for which a Trustee is an officer. The amounts paid to this financial institution during the years ended December 31, 2009 and 2008 are \$56,917 and \$57,275, respectively.

Property and Equipment

The land and buildings that comprise the facilities of the Museum are leased from the Missouri History Museum Subdistrict (Subdistrict) of the Metropolitan Zoological Park and Museum District. Property and equipment are recorded at cost, if purchased, or at estimated fair market value, if donated. Expenditures greater than \$5,000 are reviewed for capitalization. Expenditures for repairs and maintenance are charged to expense as incurred, additions and improvements that significantly extend the lives of assets are capitalized. Leasehold improvements are amortized over the estimated life of the assets of seven to forty years. Furniture, fixtures and equipment are depreci-

ated on the straight-line basis over the estimated life of the assets of three to ten years. The Museum owns a parcel of undeveloped land which is held for the development of future facilities.

Museum Collections

The Missouri History Museum’s research collections contain unique regional history sources and objects documenting St. Louis, Missouri, the Mississippi and Missouri Valleys, the Louisiana Purchase Territory and the American West. An integrated and multi-format collection, it serves an audience of diverse local, national and international readers and researchers. Museum staff members work to share the collections in the galleries, through our various publications, online and through our community and educational programs. The value of the collections and library holdings cannot be determined, and therefore, is not capitalized in the accompanying financial statements. Each of the items in the collections is catalogued, preserved and cared for, and collections audits are performed regularly. Proceeds from deaccessions are used to acquire other objects for the collections.

Split-Interest Agreements

The Museum administers split-interest agreements subject to obligations to pay fixed amounts periodically to the respective donor or designated beneficiary during their lifetimes. At the inception of the split-interest agreement, an obligation is recorded at present value, using discount rates ranging from 4.2% to 9.5%, for estimated future payments. The obligations under the split-interest agreements are adjusted over the term of the agreement for changes in the fair value of assets, accretion of the discount and other changes in estimates of future benefits. Obligations under split-interest agreements were \$471,367 and \$494,100 at December 31, 2009 and 2008, respectively.

Public Support and Revenues

The Museum reports contributions, including unconditional promises to give in future periods, as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Contributions received with donor-imposed stipulations that are satisfied in the same year as the contributions are used are initially reported in temporarily restricted net assets and released to unrestricted net assets as the restrictions are met.

The Museum reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about

how long these long-lived assets must be maintained, the Museum reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Volunteer Service and In-Kind Contributions

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

Income Taxes

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

During the year ended December 31, 2009, the Museum adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes — an Interpretation of FASB No. 109) requiring disclosure of uncertain tax positions. There has been no interest or penalties recognized in the Statements of Activities nor in the Statements of Financial Position related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Museum evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

Use of Estimates

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

Reclassifications

Certain amounts have been reclassified in the 2008 financial statements to conform to the presentation of the 2009 financial statements.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2009 and 2008 are available for the following purpose or periods:

	2009	2008
Community Education and Events Programs	\$279,072	\$163,151
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	62,706	82,682
Communications	0	4,000
Publication of Books	7,109	22,109
Exhibit Production, Maintenance and Research	384,858	242,596
Realized Gains on Endowment Investments	6,370,469	272,286
Unrealized Losses on Endowment Investments	(303,872)	(128,147)
	<u>\$6,800,342</u>	<u>\$658,677</u>

3. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2009 and 2008 are summarized below based on the types of activities the income is available to support:

	2009	2008
Acquisition of Items for Library and Collections	\$82,040	\$82,036
Exhibits, Research and Conservation	10,000	10,000
Salaries	517,901	517,901
Publication of Books and Magazines	137,285	137,285
Internship Program	243,215	224,065
General Museum Operations	5,754,545	6,487,022
	<u>\$6,744,986</u>	<u>\$7,458,309</u>

4. Pledges Receivable

At December 31, 2009 and 2008, pledges receivable were expected to be collected as follows:

	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
Years ending December 31				
2010	\$249,984		\$2,500	\$247,484
2011-2015	\$55,981	\$629	\$554	\$54,798
2016 and beyond	567	175	5	387
	<u>\$56,548</u>	<u>\$804</u>	<u>\$559</u>	<u>\$55,185</u>

Years ending December 31
2009

	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2009	\$17,076		\$170	\$16,906
2010–2014	\$5,417	\$406	\$50	\$4,961
2015 and beyond	763	268	5	490
	\$6,180	\$674	\$55	\$5,451

5. Investments

Investments shown on the accompanying statement of financial position as of December 31, 2009 are comprised of the following:

NET ASSET CLASS

	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$576,797	\$15,122,708	\$15,699,505
Temporarily Restricted Funds	905,179	6,066,596	6,971,775
Permanently Restricted Funds	0	6,744,986	6,744,986
	\$1,481,976	\$27,934,290	\$29,416,266

NET ASSET CLASS

	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$206,781	\$206,781
U.S. Government Obligations	4,378,747	4,282,732
Corporate Bonds and Debentures	5,743,091	5,615,088
Corporate Stock	132,899	160,550
Mutual Funds — Equities	3,789,238	4,638,125
Mutual Funds — Fixed Income	1,399,306	1,388,523
Real Estate	49,443	49,443
Total Unrestricted Funds	\$15,699,505	\$16,341,242
Temporarily Restricted Funds:		
Money Market Funds and Cash Equivalents	\$216,065	\$216,065
Certificates of Deposit	52,811	48,572
U.S. Government Obligations	407,451	388,950
Corporate Bonds and Debentures	1,007,156	952,565
Corporate Stock	1,488,891	1,401,912
Mutual Funds — Equities	3,049,338	3,546,193
Mutual Funds — Fixed Income	750,063	721,389
Total Temporarily Restricted Funds	\$6,971,775	\$7,275,646
Permanently Restricted Funds:		
Money Market Funds and Cash Equivalents	\$228,768	\$228,768
Certificates of Deposit	51,428	51,428
U.S. Government Obligations	411,816	411,816
Corporate Bonds and Debentures	657,154	657,154
Corporate Stock	1,482,282	1,482,282
Mutual Funds — Equities	3,237,259	3,237,259
Mutual Funds — Fixed Income	676,279	676,278
Total Permanently Restricted Funds	\$6,744,986	\$6,744,985
TOTAL INVESTMENTS	\$29,416,266	\$30,361,873

Investments shown on the accompanying statement of financial position as of December 31, 2008 are comprised of the following:

NET ASSET CLASS

	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$986,200	\$14,693,297	\$15,679,497
Temporarily Restricted Funds	514,539	638,238	1,152,777
Permanently Restricted Funds	0	7,458,309	7,458,309
	\$1,500,739	\$22,789,844	\$24,290,583

NET ASSET CLASS

	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$2,072,892	\$2,072,892
Certificates of Deposit	27,737	27,193
U.S. Government Obligations	4,946,600	4,687,750
Corporate Bonds and Debentures	4,340,669	4,667,364
Corporate Stock	734,690	962,754
Mutual Funds — Equities	3,153,453	5,477,978
Mutual Funds — Fixed Income	336,977	356,356
Real Estate	66,479	66,478
Total Unrestricted Funds	\$15,679,497	\$18,318,765

Temporarily Restricted Funds:

Money Market Funds and Cash Equivalents	\$3,587	\$3,587
Certificates of Deposit	1,408	1,380
U.S. Government Obligations	35,592	15,190
Corporate Bonds and Debentures	309,527	335,497
Corporate Stock	35,104	47,585
Mutual Funds — Equities	750,453	921,037
Mutual Funds — Fixed Income	17,106	18,090
Total Temporarily Restricted Funds	\$1,152,777	\$1,342,366

Permanently Restricted Funds:

Money Market Funds and Cash Equivalents	\$185,582	\$185,582
Certificates of Deposit	72,860	71,427
U.S. Government Obligations	816,733	785,976
Corporate Bonds and Debentures	675,080	695,121
Corporate Stock	1,704,449	2,222,881
Mutual Funds — Equities	3,118,470	4,466,852
Mutual Funds — Fixed Income	885,135	936,041
Total Permanently Restricted Funds	\$7,458,309	\$9,363,880
TOTAL INVESTMENTS	\$24,290,583	\$29,025,011

6. Endowment

The endowment consists of 21 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.

In August 2009, the State of Missouri enacted a version of the Uniform Prudent Management of Institutional Funds Act (SPMIFA). The Board of Trustees has interpreted SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Museum classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Museum in a manner consistent with the standard of prudence prescribed by SPMIFA.

Consistent with FASB ASC 958-205 (formerly FSP FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*), the change in law prompted a change in the net asset classification of the Museum's endowments as of January 1, 2009. Those changes as of January 1, 2009 are as follows:

Net Asset Classification

	PRE-ADOPTION OF FASB ASC 958-205	POST-ADOPTION OF FASB ASC 958-205	RECLASSIFICATION ADJUSTMENT
Permanently Restricted	\$7,458,309	\$6,744,486	(\$713,823)
Temporarily Restricted	144,140	3,697,388	3,553,248
Unrestricted — Board Designated	2,839,425	0	(2,839,425)
Total Donor Restricted Funds	\$10,441,874	\$10,441,874	\$0

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

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

The Museum has a policy of appropriating for distribution each year between 3 and 5 percent of its endowment fund's average fair value over the 13 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. Accordingly, over the long-term, the Museum expects the fund to achieve a real annualized rate of return that is 5% over the trailing 12 month Consumer Price Index. This is consistent with the Museum's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. In light of the realized and unrealized losses experienced in 2008, the decision was made for no appropriation for distribution to be made in 2009.

The changes in endowment net assets for the year ended December 31, 2009 are as follows:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment Net Assets, January 1, 2009	\$0	\$3,697,388	\$6,744,486	\$10,441,874
Contributions	0	0	500	500
Net Appreciation	0	2,369,210	0	2,369,210
Endowment Net Assets, December 31, 2009	\$0	\$6,066,598	\$6,744,986	\$12,811,584

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Museum to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2009.

7. Fair Value Measurements

Fair values of assets and liabilities measured on a recurring basis at December 31, 2009 and 2008 are as follows:

Fair Value Measurements at Reported Date Using:

	FAIR VALUE	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT OTHER UNOBSERVABLE INPUTS (LEVEL 3)
December 31, 2009				
Short-Term Investments	\$1,481,976	\$1,481,976	\$0	\$0
Investments	27,934,290	21,371,932	6,562,358	0
Total	\$29,416,266	\$22,853,908	\$6,562,358	\$0
December 31, 2008				
Short-Term Investments	\$1,500,739	\$1,182,526	\$318,213	\$0
Investments	22,789,844	15,308,538	7,481,306	0
Total	\$24,290,583	\$16,491,064	\$7,799,519	\$0

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

8. Property and Equipment

A summary of property and equipment at December 31, 2009 and 2008 is as follows:

	2009	2008
Leasehold Improvements	\$37,194,189	\$37,012,765
Furniture, Fixtures and Equipment	1,502,281	1,238,735
	<u>38,696,470</u>	<u>38,251,500</u>
Less Accumulated Depreciation and Amortization	(13,916,878)	(13,003,497)
Construction in Progress	207,345	151,475
Land	975,914	975,914
	<u>\$25,962,851</u>	<u>\$26,375,392</u>

Depreciation and amortization expense was \$936,246 and \$953,892 for the years ended December 31, 2009 and 2008, respectively.

At December 31, 2009, the Museum was committed for certain equipment under noncancelable operating leases and certain warehouse and temporary storage location leases which expire at various dates through 2012. Additionally, the Museum leases the Missouri History Museum and the Library and Research Center from the Subdistrict. The lease agreement for these facilities is coterminous with the term of the Agreement the Museum has with the Subdistrict to provide history museum services. This agreement renews automatically December 31 each year unless either party gives ninety days notice prior to the expiration date. The annual lease payment is \$10 for each facility. The following is a schedule of future minimum rental payments required under these leases:

Years ending December 31	AMOUNT
2010	\$56,845
2011	19,674
2012	9,957
2013	20
2014	20
Total Minimum Rental Payments Required	<u>\$86,516</u>

The total lease payments were \$62,253 and \$77,841 for the years ended December 31, 2009 and 2008, respectively.

9. Employee Benefit Plans

The Museum has a defined contribution plan for all employees with at least two years of service. The plan provides for the Museum to contribute 5% of the participants' salaries with no employee contributions permitted. The Museum also has a 403(b) salary reduction plan, which provides for the Museum to match employee contributions at the maximum of \$500 or 1% of annual participants' salaries. Expenses for the two plans were \$271,683 and \$266,733 for the years ended December 31, 2009 and 2008, respectively.

10. Employee Deferred Compensation Plan

The Museum maintains a 457(b) and a 457(f) Deferred Compensation Plan for certain employees. Participation in these plans for this employee group is voluntary and allows them to defer a portion of their salary to future years. The investments for the deferred compensation plan are presented in the financial statements as non-current assets and liabilities. The value of these plan assets was \$357,292 and \$264,438 at December 31, 2009 and 2008, respectively.

11. Concentrations of Credit Risk

Financial instruments that potentially subject the Museum to concentrations of credit risk consist of cash deposits in banks and other financial institutions, investment securities and pledge receivables. The Museum maintains cash and cash equivalents and short- and long-term investments with major banks and financial institutions. In 2009, non-interest bearing accounts at banks insured by the Federal Deposit Insurance Corporation (FDIC) have an insurance level that is unlimited through June 2010. Interest bearing accounts are insured to a level of \$250,000. The Securities Investor Protection Corporation (SIPC) provides protection on securities up to \$500,000 at each institution. At times, the Museum may have cash balances with banks in excess of the FDIC coverage and securities with financial institutions in excess of SIPC coverage. Concentrations of credit risk with respect to pledge receivables are limited due to the large number of donors comprising the Museum's donor base.

12. Contract with the Missouri History Museum Subdistrict

The Subdistrict is a part of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County. The Subdistrict was established to receive tax revenues from the tax collectors' offices and to pay for history museum services provided to benefit the public. In 1988, the Subdistrict and the Museum entered into a contract which renews automatically for one year each December 31 unless either party gives written notice regarding their desire to terminate the agreement 90 days prior to renewal. The contract provides for history museum facilities and services to be provided to the public by the Museum in exchange for compensation from the Subdistrict. Amounts available to the Subdistrict are based on a maximum rate of 4.0 cents on each \$100 of assessed valuation. The annual public support under this contract is determined each year based upon an annual budget submitted by the Museum to the Subdistrict. In accordance with the contract, the Museum records revenue based upon the services provided. The Museum is included as a discretely presented component unit within the Subdistrict's financial statements.

13. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

14. Risks and Uncertainties

The Museum's investments are exposed to various risks, such as interest rate, market and credit risks. Due to current economic conditions, it is at least reasonably possible that changes in the value of the Museum's investments will occur in the near term and those changes could materially affect the amounts reported in the Museum's financial statements.

Missouri History Museum



MISSOURI HISTORICAL SOCIETY

MISSOURI HISTORY MUSEUM

in Forest Park (DeBaliviere and Lindell Blvd.)

LIBRARY AND RESEARCH CENTER

225 South Skinker Blvd. (across from Forest Park)

Mailing Address:

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