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1-1-2007

## Financial Statements, 2005-2006

Missouri Historical Society

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## **FINANCIAL STATEMENTS**

*For the years ended December 31, 2006 and 2005  
(with independent auditors' report thereon)*

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### **INDEPENDENT AUDITORS' REPORT**

To the Board of Trustees

#### **Missouri Historical Society:**

We have audited the statement of financial position of the Missouri Historical Society (the "Society") as of December 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Missouri Historical Society as of December 31, 2005 were audited by other auditors whose report dated March 17, 2006 expresses an unqualified opinion on those statements.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the December 31, 2006 financial statements referred to above present fairly, in all material respects, the financial position of the Missouri Historical Society as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.  
St. Louis, Missouri  
March 22, 2007

STATEMENTS OF FINANCIAL POSITION

	2006	2005
<b>As of December 31, 2006 and 2005</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$1,997,114	\$1,044,011
Accrued Investment Income	182,514	126,453
Grants and Accounts Receivable	765,685	389,400
Pledges Receivable, Net of Allowance for Uncollectibles	171,470	340,491
Note Receivable	0	1,009,825
Inventories	407,959	410,739
Short-Term Investments	6,553,593	5,513,411
Prepaid Expenses	211,038	230,859
Total Current Assets	<u>\$10,289,373</u>	<u>\$9,065,189</u>
<b>NON-CURRENT ASSETS</b>		
Investments (including Unrealized Gains of \$1,427,839 and \$662,366 for 2006 and 2005, respectively)	\$18,522,722	\$18,317,238
Pledges Receivable, Net of Allowance for Uncollectibles	14,138	113,926
Leasehold Improvements, Net of Accumulated Amortization	26,394,687	27,448,272
Furniture, Fixtures and Equipment, Net of Accumulated Depreciation	326,544	173,319
Construction in Progress	81,080	32,508
Land	961,614	0
Total Non-Current Assets	<u>\$46,300,785</u>	<u>\$46,085,263</u>
<b>TOTAL ASSETS</b>	<b><u>\$56,590,158</u></b>	<b><u>\$55,150,452</u></b>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$330,607	\$538,260
Accrued Salary, Accrued Vacation and Pension Expense	346,519	319,786
Deferred Revenue	13,245	227,715
Total Current Liabilities	<u>\$690,371</u>	<u>\$1,085,761</u>
<b>NON-CURRENT LIABILITIES</b>		
Obligations Under Split-Interest Agreements	\$526,730	\$548,790
Accrued Vacation	400,952	279,007
Other	184,036	138,701
Total Non-Current Liabilities	<u>\$1,111,718</u>	<u>\$966,498</u>
<b>TOTAL LIABILITIES</b>	<b><u>\$1,802,089</u></b>	<b><u>\$2,052,259</u></b>
<b>NET ASSETS</b>		
Unrestricted	\$46,259,139	\$44,111,204
Temporarily Restricted	821,551	1,381,681
Permanently Restricted	7,707,379	7,605,308
Total Net Assets	<u>\$54,788,069</u>	<u>\$53,098,193</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$56,590,158</u></b>	<b><u>\$55,150,452</u></b>

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2006

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>INCREASES IN NET ASSETS</b>				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$9,402,068			\$9,402,068
Contributions and Bequests	830,931	\$3,474,743	\$26,000	4,331,674
Memberships	734,237			734,237
Volunteer Services and In-Kind Contributions	181,369			181,369
Total Public Support	\$11,148,605	\$3,474,743	\$26,000	\$14,649,348
Revenue:				
Investment Income	\$928,139	\$55,568		\$983,707
Gains from Endowment Securities, Net	999,276	75,180	\$76,071	1,150,527
Grant Income	732,976			732,976
Museum Shop Gain, from Sales of \$566,622	37,264			37,264
Facility Rental/Restaurant Income	135,672			135,672
Special Exhibition Ticket Revenue	134,588			134,588
Exhibition Rental Revenue	333,939			333,939
Other Income, Net	74,433			74,433
Net Revenue	\$3,376,287	\$130,748	\$76,071	\$3,583,106
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	\$3,631	(\$3,631)		0
Satisfaction of Purpose Restrictions	4,161,990	(4,161,990)		0
Total Net Assets Released from Restrictions	\$4,165,621	(\$4,165,621)		0
<b>TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS</b>	<b>\$18,690,513</b>	<b>(\$560,130)</b>	<b>\$102,071</b>	<b>\$18,232,454</b>
<b>DECREASES IN NET ASSETS</b>				
Operating Expenses:				
Program Services:				
Community Programs	\$1,363,601			\$1,363,601
Collections and Conservation	2,217,656			2,217,656
Library and Archives	2,217,169			2,217,169
Publications	339,529			339,529
Exhibitions	2,836,942			2,836,942
Lewis and Clark Exhibition	2,785,041			2,785,041
Public Information	908,483			908,483
Accessions of Objects for Collections	0			0
Total Program Services	\$12,668,421			\$12,668,421
Supporting Services:				
Fund Raising	\$480,941			\$480,941
Membership	522,972			522,972
Human Resources	260,354			260,354
Management and General	2,324,842			2,324,842
Information Technology	220,147			220,147
Total Supporting Services	\$3,809,256			\$3,809,256
Change in Value of Split-Interest Agreements	\$64,901			\$64,901
<b>TOTAL OPERATING EXPENSES — DECREASES IN NET ASSET</b>	<b>\$16,542,578</b>	<b>\$0</b>	<b>\$0</b>	<b>\$16,542,578</b>
Excess of Public Support and Revenue over Operating Expenses	\$2,147,935	(\$560,130)	\$102,071	\$1,689,876
Net Assets Beginning of Year	44,111,204	1,381,681	7,605,308	53,098,193
<b>NET ASSETS END OF YEAR</b>	<b>\$46,259,139</b>	<b>\$821,551</b>	<b>\$7,707,379</b>	<b>\$54,788,069</b>

See accompanying notes to financial statements

STATEMENT OF ACTIVITIES

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>For the year ended December 31, 2005</b>				
<b>INCREASES IN NET ASSETS</b>				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$9,430,885			\$9,430,885
Contributions and Bequests	666,633	\$1,378,768	\$26,000	\$2,071,401
Memberships	687,769			687,769
Volunteer Services and In-Kind Contributions	193,202			193,202
<b>Total Public Support</b>	<b>\$10,978,489</b>	<b>\$1,378,768</b>	<b>\$26,000</b>	<b>\$12,383,257</b>
Revenue:				
Investment Income	\$677,978	\$48,171		\$726,149
Gains from Endowment Securities, Net	279,136	30,035	\$29,451	338,622
Grant Income	312,936			312,936
Museum Shop Loss, from Sales of \$564,104	(125,785)			(125,785)
Facility Rental/Restaurant Income	114,398			114,398
Special Exhibition Ticket Revenue	185,898			185,898
Exhibition Rental Revenue	397,204			397,204
Other Income, Net	72,212			72,212
<b>Net Revenue</b>	<b>\$1,913,977</b>	<b>\$78,206</b>	<b>\$29,451</b>	<b>\$2,021,634</b>
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	\$24,152	(\$24,152)		0
Satisfaction of Purpose Restrictions	1,422,309	(1,422,309)		0
<b>Total Net Assets Released from Restrictions</b>	<b>\$1,446,461</b>	<b>(\$1,446,461)</b>		<b>0</b>
<b>TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS</b>	<b>\$14,338,927</b>	<b>\$10,513</b>	<b>\$55,451</b>	<b>\$14,404,891</b>
<b>DECREASES IN NET ASSETS</b>				
Operating Expenses:				
Program Services:				
Community Programs	\$1,029,215			\$1,029,215
Collections and Conservation	2,261,606			2,261,606
Library and Archives	1,969,040			1,969,040
Publications	401,434			401,434
Exhibitions	2,706,573			2,706,573
Lewis and Clark Exhibition	378,940			378,940
Public Information	1,321,635			1,321,635
Accessions of Objects for Collections	400,000			400,000
<b>Total Program Services</b>	<b>\$10,468,443</b>			<b>\$10,468,443</b>
Supporting Services:				
Fund Raising	\$489,597			\$489,597
Membership	527,116			527,116
Human Resources	302,512			302,512
Management and General	2,187,028			2,187,028
Information Technology	0			0
<b>Total Supporting Services</b>	<b>\$3,506,253</b>			<b>\$3,506,253</b>
Change in Value of Split-Interest Agreements	\$64,063			\$64,063
<b>TOTAL OPERATING EXPENSES — DECREASES IN NET ASSETS</b>	<b>\$14,038,759</b>	<b>\$0</b>	<b>\$0</b>	<b>\$14,038,759</b>
Excess of Public Support and Revenue over Operating Expenses	\$300,168	\$10,513	\$55,451	\$366,132
Net Assets Beginning of Year	43,811,036	1,371,168	7,549,857	52,732,061
<b>NET ASSETS END OF YEAR</b>	<b>\$44,111,204</b>	<b>\$1,381,681</b>	<b>\$7,605,308</b>	<b>\$53,098,193</b>

## STATEMENTS OF CASH FLOWS

	2006	2005
<b>For the years ended December 31, 2006 and 2005</b>		
Cash Flows from Operating Activities		
Public Support:		
Cash Received from the Missouri History Museum Subdistrict	\$9,402,068	\$9,430,885
Cash Received from Contributors	4,600,483	2,724,580
Cash Received for Memberships	734,237	687,769
Revenue:		
Investment Income	927,646	671,133
Grant Income Received	288,683	103,719
Cash Received by the Museum Shop	565,395	566,626
Other Cash Receipts	591,738	679,017
Cash Paid to Employees and Suppliers	(15,667,494)	(12,592,151)
Net Cash Provided by Operating Activities	<b>\$1,442,756</b>	<b>\$2,271,578</b>
Cash Flows Used by Investing Activities		
Purchases of Investments	(\$8,343,695)	(\$13,236,021)
Maturing of Investments	9,273,549	10,305,725
Proceeds of Note Receivable Provided from/(to) Borrower	999,329	(430,017)
Additions to Construction in Progress and Leasehold Improvements and Purchase of Furniture and Equipment	(1,292,995)	(115,148)
Net Cash Provided by/(Used in) Investing Activities	<b>636,188</b>	<b>(\$3,475,461)</b>
Cash Flows (Used in) Financing Activities		
Payments on Split-Interest Agreements	(\$85,659)	(\$85,659)
Net Cash (Used in) Financing Activities	<b>(85,659)</b>	<b>(85,659)</b>
Net Increase/(Decrease) in Cash and Cash Equivalents	1,993,285	(1,289,542)
Cash and Cash Equivalents December 31, 2005 and 2004	6,557,422	7,846,964
<b>Cash and Cash Equivalents December 31, 2006 and 2005</b>	<b>\$8,550,707*</b>	<b>\$6,557,422*</b>
Excess of Public Support and Revenue over Operating Expenses	\$1,689,876	\$366,132
Adjustments to Reconcile Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,219,116	1,189,854
Net Decrease/(Increase) in Receivables, Accruals and Prepaid Items	(130,440)	727,194
Gains on Investments, Net	(1,150,527)	(338,622)
Change in Value of Split-Interest Agreements	64,901	64,063
Net Increase/(Decrease) in Liabilities	(250,170)	262,957
<b>Net Cash Provided by Operating Activities</b>	<b>\$1,442,756</b>	<b>\$2,271,578</b>
*Detail of Cash and Cash Equivalents December 31, 2006 and 2005		
As Presented on the Statements of Financial Position:		
Cash and Cash Equivalents	\$1,997,114	\$1,044,011
Short-Term Investments	6,553,593	5,513,411
<b>Cash and Cash Equivalents December 31, 2006 and 2005</b>	<b>\$8,550,707</b>	<b>\$6,557,422</b>

## NOTES TO FINANCIAL STATEMENTS

### 1. Summary of Significant Accounting Policies

The Missouri Historical Society (Society) is a not-for-profit charitable trust whose primary functions are educational and community programs; collections and conservation; library and archives; and exhibitions. The Society'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.

The financial statements of the Society have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of financial statements to the reader.

#### Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Society, the accounts of the Society are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, for financial statement purposes, funds that have similar characteristics have been combined into fund groups, which are reported in self-balancing classes of net assets, as follows:

- Unrestricted net assets — net assets and contributions not subject to donor-imposed stipulations. Unrestricted net assets include accumulated gains and losses on permanently restricted endowments which are not stipulated by the donor or law for permanent investment.
- Temporarily restricted net assets — net assets and contributions subject to donor-imposed stipulations that will be met by actions of the Society and/or the passage of time. After the donor-imposed time or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported within the Statement of Activities as net assets released from restrictions.
- Permanently restricted net assets — net assets and contributions subject to donor-imposed stipulations that they

be maintained permanently by the Society. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

#### Contributions

The Society reports contributions, including unconditional promises to give due 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 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 temporarily restricted net assets and released to unrestricted net assets as the restrictions are met.

The Society 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 Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### Property and Equipment

The Society owns a parcel of undeveloped land which is held for the development of future facilities. The land and buildings that comprise the facilities of the Society are leased from the Missouri History Museum Subdistrict (Subdistrict) of the Metropolitan Zoological Park and Museum District. Leasehold improvements are stated at original cost and amortized on the straight line basis over the estimated life of the assets of forty years. Furniture, fixtures and equipment are stated at original cost or fair market value at date of donation. Depreciation is computed on the straight-line basis over the estimated

## NOTES TO FINANCIAL STATEMENTS

life of the assets of three to ten years. Construction in progress on leased properties is capitalized as leasehold improvements.

### Museum Collections

The Society's extensive collections are made up of artifacts of historical significance, specimens and objects that are held for educational, research and curatorial purposes. The collections include materials from virtually every period of the region's history (e.g. artifacts from the Mississippian Indian mounds, materials from the French and Spanish Colonial periods) as well as materials reflecting a broad cross-section of life from the eighteenth through the twentieth centuries. The curatorial, conservation, library and research staff work to interpret and present the collections both in the museum galleries and through community and educational outreach 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 collection is cataloged, preserved and cared for, and activities verifying their existence and their condition are performed continuously. Proceeds from deaccessions are used to acquire other objects for the collections.

### Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents consists of cash deposits, money market funds and all highly liquid investments with an original maturity of three months or less.

### Investments and Related Income

Investments in marketable securities are carried at fair value. Fair value is established as readily determinable current market values for equity and debt securities. Gains or losses arising from sales of permanently restricted investments are accounted for in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations. Ordinary income derived from investments of permanently restricted net assets, if unrestricted, is accounted for as revenues of the unrestricted net asset class, or if restricted, as temporarily restricted net assets until the terms of the restriction have been met.

### Pledges Receivable

Pledges receivable less an allowance for uncollectible amounts are recorded at discounted present value as public support. If restricted by the donor for endowment, the amount is reported as public support of the permanently restricted net asset class. If restricted by the 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 inventory method.

### Volunteer Service and In-Kind Contributions

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

### Use of Estimates

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

### Reclassifications

Certain 2005 amounts have been reclassified to conform to the 2006 presentation.



## NOTES TO FINANCIAL STATEMENTS

### 2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2006 and 2005 are available for the following purpose or periods:

	2006	2005
Community Programs	\$45,648	\$91,077
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	46,540	46,912
Public Information	1,977	0
Publication of Books	6,459	0
Exhibit Production and Maintenance	56,951	698,013
Lighting and Building Improvements	0	13,497
Research Programs	215,492	155,247
Realized Gains on Endowment Investments	285,905	259,971
Unrealized Gains on Endowment Investments	149,375	100,129
Due in Future Years	13,204	16,835
	<u>\$821,551</u>	<u>\$1,381,681</u>

### 3. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2006 and 2005 are summarized below based on the types of activities the income is available to support:

	2006	2005
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	\$204,326	\$176,760
Salaries	576,428	576,428
Publication of Books and Quarterly Magazine	608,209	590,408
Exhibit Production and Maintenance	54,192	49,424
Internship Program	71,928	69,822
Endowment Gains	97,451	47,621
General Museum Operations	6,094,845	6,094,845
	<u>\$7,707,379</u>	<u>\$7,605,308</u>

### 4. Pledges Receivable

At December 31, 2006 and 2005, pledges receivable were expected to be collected as follows:

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2007	\$173,202		\$1,732	\$171,470
2008-2012	\$15,289	\$1,717	\$136	\$13,436
2013 and beyond	1,155	446	7	702
	<u>\$16,444</u>	<u>\$2,163</u>	<u>\$143</u>	<u>\$14,138</u>

NOTES TO FINANCIAL STATEMENTS

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2006	\$343,930		\$3,439	\$340,491
2007-2009	\$122,737	\$8,467	\$1,143	\$113,127
2010 and beyond	1,351	544	8	799
	\$124,088	\$9,011	\$1,151	\$113,926

The Society had received a conditional pledge in the amount of \$500,000 for the Lewis and Clark National Bicentennial Exhibition at December 31, 2005. The Society also had a conditional pledge in the amount of \$25,000 and \$50,000 for the World's Fair Exhibition at December 31, 2006 and December 31, 2005, respectively. These pledges are not reflected within the accompanying financial statements.

5. Investments

Investments shown on the accompanying statement of financial position as of December 31, 2006 are comprised of the following:

NET ASSET CLASS	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$6,468,122	\$10,079,263	\$16,547,385
Temporarily Restricted Funds	85,471	736,080	821,551
Permanently Restricted Funds	0	7,707,379	7,707,379
	\$6,553,593	\$18,522,722	\$25,076,315

NET ASSET CLASS	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$530,847	\$530,847
Certificates of Deposit	435,630	435,630
U.S. Government Obligations	5,774,668	5,861,857
Corporate Bonds and Debentures	392,259	407,674
Corporate Papers	4,368,197	4,368,197
Mutual Fund	3,476,225	3,094,520
Real Estate	63,956	63,956
Corporate Stock	1,505,603	1,267,312
Total Unrestricted Funds	\$16,547,385	\$16,029,993
Temporarily Restricted Funds:		
Money Market Funds and Cash Equivalents	\$33,779	\$33,779
U.S. Government Obligations	440,194	440,589
Corporate Bonds and Debentures	25,802	26,072
Corporate Stock	92,029	74,151
Mutual Fund	229,747	198,812
Total Temporarily Restricted Funds	\$821,551	\$773,403
Permanently Restricted Funds:		
Money Market Funds and Cash Equivalents	\$597,262	\$597,262
U.S. Government Obligations	954,917	960,426
Corporate Bonds and Debentures	456,919	460,992
Corporate Stock	1,629,728	1,311,107
Mutual Fund	4,068,553	3,515,293
Total Permanently Restricted Funds	\$7,707,379	\$6,845,080
<b>TOTAL INVESTMENTS</b>	<b>\$25,076,315</b>	<b>\$23,648,476</b>

## NOTES TO FINANCIAL STATEMENTS

Investments shown on the accompanying statement of financial position as of December 31, 2005 are comprised of the following:

### NET ASSET CLASS

	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$4,491,830	\$10,351,830	\$14,843,660
Temporarily Restricted Funds	1,021,581	360,100	1,381,681
Permanently Restricted Funds	0	7,605,308	7,605,308
	<b>\$5,513,411</b>	<b>\$18,317,238</b>	<b>\$23,830,649</b>

### NET ASSET CLASS

	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$390,891	\$390,891
Repurchase Agreement	2,500,000	2,500,000
Certificates of Deposit	435,630	435,630
U.S. Government Obligations	6,958,725	7,072,159
Corporate Papers	1,000	1,000
Corporate Bonds and Debentures	421,248	427,406
Mutual Fund	2,744,684	2,556,910
Corporate Stock	1,335,397	1,191,639
Real Estate	56,085	56,085
Total Unrestricted Funds	<b>\$14,843,660</b>	<b>\$14,631,720</b>
Temporarily Restricted Funds:		
Money Market Funds and Cash Equivalents	\$25,701	\$25,701
U.S. Government Obligations	1,065,288	1,066,330
Corporate Bonds and Debentures	26,195	26,600
Mutual Fund	180,555	168,203
Corporate Stock	83,942	74,485
Total Temporarily Restricted Funds	<b>\$1,381,681</b>	<b>\$1,361,319</b>
Permanently Restricted Funds:		
Money Market Funds and Cash Equivalents	\$542,813	\$542,813
U.S. Government Obligations	923,101	945,092
Corporate Bonds and Debentures	553,225	561,784
Mutual Fund	3,813,320	3,552,436
Corporate Stock	1,772,849	1,573,119
Total Permanently Restricted Funds	<b>\$7,605,308</b>	<b>\$7,175,244</b>
<b>TOTAL INVESTMENTS</b>	<b>\$23,830,649</b>	<b>\$23,168,283</b>

## 6. Property and Equipment

A summary of property and equipment at December 31, 2006 and 2005 is as follows:

	2006	2005
Leasehold Improvements	\$36,892,724	\$36,787,159
Furniture, Fixtures and Equipment	939,980	756,124
	<b>37,832,704</b>	<b>37,543,283</b>
Less Accumulated Depreciation and Amortization	11,111,473	9,921,692
Construction in Progress	81,080	32,508
Land	961,614	0
	<b>\$27,763,925</b>	<b>\$27,654,099</b>

Depreciation expense was \$1,219,116 and \$1,189,854 for the years ended December 31, 2006 and 2005, respectively.

**7. Employee Benefit Plan**

Effective January 1, 1986, the Society adopted a defined contribution plan for all employees with at least two years of service. The plan provided for the Society to contribute 5% of the participants' salaries with no employee contributions permitted. In 1996, the Society adopted a 403(b) salary reduction plan, which provides for the Society to match employee contributions at the maximum of \$500 or 1% of annual participants' salaries. Plan expenses were \$281,056 and \$261,439 for the years ended December 31, 2006 and 2005, respectively.

**8. Employee Deferred Compensation Plan**

Effective December 1, 2002, the Society adopted a 457(b) Deferred Compensation Plan for certain employees. Participation in the plan 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 \$184,036 and \$138,701 at December 31, 2006 and 2005, respectively.

**9. Commitments**

At December 31, 2006, the Society was committed for certain equipment under noncancelable operation leases and certain warehouse and temporary storage location leases which expire at various dates through 2011. Additionally, the Society 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 Society 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 by years of future minimum rental payments required under these leases:

Years ending December 31	AMOUNT
2007	\$104,626
2008	71,092
2009	22,095
2010	20
2011	20
	\$197,853
Total Minimum Rental Payments Required	

The total lease payments were \$96,102 and \$89,476 for the years ended December 31, 2006 and 2005, respectively.

**10. 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.

**11. Federal Income Taxes**

The Society is exempt from Federal Income taxes under Section 501(c)(3) of the Internal Revenue Code.

## NOTES TO FINANCIAL STATEMENTS

### 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 Society entered into a contract which renews automatically for one year each April 21 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 Society 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 Society to the Subdistrict. In accordance with the contract, the Society records revenue based upon the services provided. The Society is included as a discretely presented component unit within the Subdistrict's basic financial statements.

### 13. Split Interest Agreements

The Society administers gift annuities subject to obligations to pay fixed amounts periodically to the respective donor or designated beneficiary during their lifetimes. At the inception of a split-interest agreement, an obligation is recorded at present value, utilizing discount rates ranging between 4.2% and 7.8%, for estimated future payments to be made to the donors or designated beneficiaries during their lifetimes. The obligations under split-interest agreements are adjusted over the term of the agreements for changes in the fair value of assets, accretion of the discount and other changes in estimates of future benefits. Gift annuity obligations payable were \$526,730 and \$548,790 at December 31, 2006 and 2005, respectively.

### 14. Note Receivable

In 2003, the Society entered into a promissory note agreement with the Lewis and Clark National Bicentennial Council (Council) to provide financing for the Council's activities. This note initially allowed the Society to provide a maximum amount of funding of \$845,000 with all principal and interest due December 15, 2005. In 2005, the Society amended the note to increase the maximum funding provided to \$1,045,000. The maturity date of the note was extended to December 15, 2006. All other provisions of the note remained the same. The note receivable balance was \$1,009,825 as of December 31, 2005. During 2006, the note earned interest at a rate of 4.364% based on the 10 year U.S. Treasury Note yield effective January 3, 2006. The note was amended in 2006 to increase the maximum funding provided to \$1,545,000. The note in the amount of \$1,245,000 plus accrued interest of \$92,889 was paid in full on October 30, 2006. The President of the Society also serves as the President of the Council.

### 15. Concentrations of Credit Risk

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash deposits in banks and other financial institutions, investment securities and pledge receivables. The Society maintains cash and cash equivalents and short- and long-term investments with major banks and financial institutions. Accounts at banks are insured by the Federal Deposit Insurance Corporation (FDIC) and the Securities Investor Corporation (SIPC) up to \$100,000 at each institution, as applicable. At times, the Society may have cash balances with banks in excess of the FDIC coverage. Concentrations of credit risk with respect to pledge receivables are limited due to the large number of donors comprising the Society's donor base.