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Financial Statements, 2004-2005

Missouri Historical Society

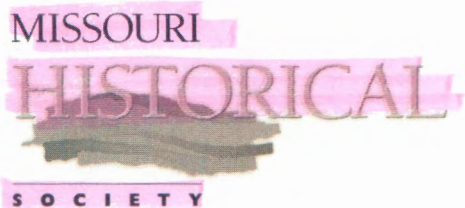
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FINANCIAL STATEMENTS

*For the years ended December 31, 2005 and 2004
(with independent auditors' report thereon)*

INDEPENDENT AUDITORS' REPORT

*The Board of Trustees
Missouri Historical Society:*

We have audited the accompanying statements of financial position of the Missouri Historical Society as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Missouri Historical Society's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Missouri Historical Society's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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 Historical Society as of December 31, 2005 and 2004, 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.

KPMG LLP
St. Louis, Missouri
March 17, 2006

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STATEMENTS OF FINANCIAL POSITION

As of December 31, 2005 and 2004	2005	2004
CURRENT ASSETS		
Cash	\$75,451	\$110,575
Accrued Investment Income	126,453	71,437
Grants and Accounts Receivable	389,400	233,023
Pledges Receivable, Net of Allowance for Uncollectibles	340,491	800,127
Note Receivable	1,009,825	569,312
Inventories	410,739	612,449
Short-Term Investments	6,481,971	7,736,389
Prepaid Expenses	230,859	325,053
Total Current Assets	<u>\$9,065,189</u>	<u>\$10,458,365</u>
NON-CURRENT ASSETS		
Investments (including Unrealized Gains of \$662,366 and \$775,159 for 2005 and 2004, respectively)	\$18,317,238	\$14,883,518
Pledges Receivable, Net of Allowance for Uncollectibles	113,926	307,469
Leasehold Improvements, Net of Accumulated Amortization	27,448,272	28,555,966
Furniture, Fixtures and Equipment, Net of Accumulated Depreciation	173,319	316,045
Construction in Progress	32,508	—
Collections Not Recognized or Capitalized		
Total Non-Current Assets	<u>\$46,085,263</u>	<u>\$44,062,998</u>
TOTAL ASSETS	<u>\$55,150,452</u>	<u>\$54,521,363</u>
CURRENT LIABILITIES		
Accounts Payable	\$538,260	\$279,747
Accrued Salary, Accrued Vacation and Pension Expense	319,786	216,408
Deferred Revenue	227,715	421,722
Total Current Liabilities	<u>\$1,085,761</u>	<u>\$917,877</u>
NON-CURRENT LIABILITIES		
Obligations Under Split-Interest Agreements	\$548,790	\$557,945
Accrued Vacation	279,007	220,715
Other	138,701	92,765
Total Non-Current Liabilities	<u>\$966,498</u>	<u>\$871,425</u>
TOTAL LIABILITIES	<u>\$2,052,259</u>	<u>\$1,789,302</u>
NET ASSETS		
Unrestricted:		
Designated for Book Publication	\$262,435	\$276,649
Designated for Endowment – Realized Gains from Sale of Endowment Investments	4,474,070	4,085,967
Designated for Endowment – Unrealized Gains on Endowment Securities	612,221	624,163
Investment in Plant and Equipment from:		
Tax Revenues	7,718,667	8,132,334
MHS Funds	19,935,432	20,739,677
Undesignated	11,108,379	9,952,246
Temporarily Restricted:		
Realized Gains on Endowment Investments Restricted for Programs	259,971	229,242
Unrealized Gains on Endowment Investments Restricted for Programs	100,129	100,823
For Programs	1,004,746	1,000,116
Due in Future Years	16,835	40,987
Permanently Restricted	7,605,308	7,549,857
Total Net Assets	<u>\$53,098,193</u>	<u>\$52,732,061</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$55,150,452</u>	<u>\$54,521,363</u>

STATEMENT OF ACTIVITIES

	UNRESTRICTED OPERATING	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2005				
INCREASES IN NET ASSETS				
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
Total Public Support	\$10,978,489	\$1,378,768	\$26,000	\$12,383,257
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
Net Revenue	\$1,913,977	\$78,206	\$29,451	\$2,021,634
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	\$24,152	(\$24,152)		
Satisfaction of Purpose Restrictions	1,422,309	(1,422,309)		
Total Net Assets Released from Restrictions	\$1,446,461	(\$1,446,461)		
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES IN NET ASSETS	\$14,338,927	\$10,513	\$55,451	\$14,404,891
DECREASES IN NET ASSETS				
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
Total Program Services	\$10,468,443			\$10,468,443
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
Total Supporting Services	\$3,506,253			\$3,506,253
Change in Value of Split-Interest Agreements	\$64,063			\$64,063
TOTAL OPERATING EXPENSES — DECREASES IN NET ASSETS	\$14,038,759	\$0	\$0	\$14,038,759
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
NET ASSETS END OF YEAR	\$44,111,204	\$1,381,681	\$7,605,308	\$53,098,193

STATEMENT OF ACTIVITIES

	UNRESTRICTED OPERATING	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
For the year ended December 31, 2004				
INCREASES IN NET ASSETS				
Public Support:				
Services Provided for the Missouri History Museum Subdistrict	\$8,202,910			\$8,202,910
Contributions and Bequests	641,094	\$1,588,542	\$1,000	2,230,636
Memberships	923,167			923,167
Volunteer Services and In-Kind Contributions	238,520			238,520
Total Public Support	\$10,005,691	\$1,588,542	\$1,000	\$11,595,233
Revenue:				
Investment Income	\$257,430	\$28,128		\$285,558
Gains from Endowment Securities, Net	682,826	54,425	\$52,734	789,985
Grant Income	83,923			83,923
Museum Shop Gain, from Sales of \$1,384,679	294,677			294,677
Facility Rental/Restaurant Income	188,897			188,897
Special Exhibition Ticket Revenue	682,924			682,924
Exhibition Rental Revenue	281,818			281,818
Other Income, Net	128,493			128,493
Net Revenue	\$2,600,988	\$82,553	\$52,734	\$2,736,275
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	\$3,842	(\$3,842)		
Satisfaction of Purpose Restrictions	2,287,106	(2,287,106)		
Total Net Assets Released from Restrictions	\$2,290,948	(\$2,290,948)		
TOTAL PUBLIC SUPPORT AND REVENUE — INCREASES (DECREASES) IN NET ASSETS	\$14,897,627	(\$619,853)	\$53,734	\$14,331,508
DECREASES IN NET ASSETS				
Operating Expenses:				
Program Services:				
Community Programs	\$993,170			\$993,170
Collections and Conservation	2,008,779			2,008,779
Library and Archives	1,736,840			1,736,840
Publications	357,734			357,734
Exhibitions	2,562,724			2,562,724
Lewis and Clark Exhibition	1,521,552			1,521,552
Public Information	1,065,733			1,065,733
Total Program Services	\$10,246,532			\$10,246,532
Supporting Services:				
Fund Raising	\$488,545			\$488,545
Membership	667,116			667,116
Human Resources	252,631			252,631
Management and General	2,102,010			2,102,010
Total Supporting Services	\$3,510,302			\$3,510,302
Change in Value of Split-Interest Agreements	\$60,863			\$60,863
TOTAL OPERATING EXPENSES — DECREASES IN NET ASSETS	\$13,817,697	\$0	\$0	\$13,817,697
Excess (Deficiency) of Public Support and Revenue over Operating Expenses	\$1,079,930	(\$619,853)	\$53,734	\$513,811
Net Assets Beginning of Year	42,731,106	1,991,021	7,496,123	52,218,250
NET ASSETS END OF YEAR	\$43,811,036	\$1,371,168	\$7,549,857	\$52,732,061

STATEMENTS OF CASH FLOWS

	<u>2005</u>	<u>2004</u>
For the years ended December 31, 2005 and 2004		
Cash Flows from Operating Activities		
Public Support:		
Cash Received from the Missouri History Museum Subdistrict	\$9,430,885	\$8,202,910
Cash Received from Contributors	2,724,580	2,055,030
Cash Received for Memberships	687,769	923,167
Revenue:		
Interest and Dividends Received	671,133	276,183
Grant Income Received	103,719	144,089
Cash Received by the Museum Shop	566,626	1,391,962
Other Cash Receipts	679,017	1,477,256
Cash Paid to Employees and Suppliers	(12,592,151)	(14,231,422)
Net Cash Provided by Operating Activities	\$2,271,578	\$239,175
Cash Flows Used by Investing Activities		
Purchases of Investments	(\$13,236,021)	(\$39,726,613)
Maturing of Investments	10,305,725	37,507,412
Proceeds of Note Receivable Provided to Borrower	(430,017)	(298,386)
Additions to Construction in Progress and Leasehold Improvements and Purchase of Furniture and Equipment	(115,148)	(227,236)
Net Cash Used in Investing Activities	(\$3,475,461)	(\$2,744,823)
Cash Flows Used by Financing Activities		
Payments on Split-Interest Agreements	(\$85,659)	(\$83,025)
Net Cash Used by Financing Activities	(85,659)	(83,025)
Net Decrease in Cash and Cash Equivalents	(1,289,542)	(2,588,673)
Cash and Cash Equivalents December 31, 2004 and 2003	7,846,964	10,435,637
Cash and Cash Equivalents December 31, 2005 and 2004	\$6,557,422*	\$7,846,964*
Excess of Public Support and Revenue over Operating Expenses	\$366,132	\$513,811
Adjustments to Reconcile Net Cash Provided by Operating Activities		
Depreciation and Amortization	1,189,854	1,337,450
Net Decrease/(Increase) in Receivables, Accruals and Prepaid Items	727,194	(226,435)
Gains on Investments, Net	(338,622)	(789,985)
Change in Value of Split-Interest Agreements	64,063	60,863
Net Increase/(Decrease) in Liabilities	262,957	(656,529)
Net Cash Provided by Operating Activities	\$2,271,578	\$239,175
*Detail of Cash and Cash Equivalents December 31, 2005 and 2004 As Presented on the Statements of Financial Position:		
Cash	75,451	\$110,575
Short-Term Investments	6,481,971	7,736,389
Cash and Cash Equivalents December 31, 2005 and 2004	\$6,557,422	\$7,846,964

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The financial statements of the Missouri Historical Society (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 no land or building but leases such property 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 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 2004 amounts have been reclassified to conform to the 2005 presentation.

NOTES TO FINANCIAL STATEMENTS

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2005 and 2004 are available for the following purpose or periods:

	2005	2004
Community Programs	\$91,077	\$103,490
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	46,912	100,616
Exhibit Production and Maintenance	698,013	577,333
Lighting and Building Improvements	13,497	19,387
Research Programs	155,247	199,290
Realized Gains on Endowment Investments	259,971	229,242
Unrealized Gains on Endowment Investments	100,129	100,823
Due in Future Years	16,835	40,987
	<u>\$1,381,681</u>	<u>\$1,371,168</u>

3. Permanently Restricted Net Assets

Permanently restricted net assets as of December 31, 2005 and 2004 are summarized below based on the types of activities the income is available to support:

	2005	2004
Collections and Conservation:		
Acquisition and Conservation of Items for Collections	\$176,760	\$149,612
Salaries	576,428	576,428
Publication of Books and Quarterly Magazine	590,408	569,315
Exhibit Production and Maintenance	49,424	44,002
Internship Program	69,822	67,327
Endowment Gains/(Losses)	47,621	48,328
General Museum Operations	6,094,845	6,094,845
	<u>\$7,605,308</u>	<u>\$7,549,857</u>

4. Pledges Receivable

At December 31, 2005 and 2004, pledges receivable were expected to be collected as follows:

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2006	\$343,930		\$3,439	\$340,491
2007-2011	\$122,737	8,467	1,143	113,127
2012 and beyond	1,351	544	8	799
	<u>\$124,088</u>	<u>\$9,011</u>	<u>\$1,151</u>	<u>\$113,926</u>

NOTES TO FINANCIAL STATEMENTS

Years ending December 31	GROSS AMOUNT	UNAMORTIZED DISCOUNT	ALLOWANCE FOR UNCOLLECTIBLES	NET AMOUNT
2005	\$803,159		\$3,032	\$800,127
2006–2009	\$314,126	\$25,677	\$2,884	\$285,565
2010 and beyond	38,622	16,497	221	21,904
	<u>\$352,748</u>	<u>\$42,174</u>	<u>\$3,105</u>	<u>\$307,469</u>

The Society had received a conditional pledge in the amount of \$500,000 and \$1,000,000 for the Lewis and Clark National Bicentennial Exhibition at December 31, 2005 and December 31, 2004, respectively. The Society also had a conditional pledge in the amount of \$50,000 and \$75,000 for the World's Fair Exhibition at December 31, 2005 and December 31, 2004, 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, 2005 are comprised of the following:

NET ASSET CLASS	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$5,460,390	\$10,351,830	\$15,812,220
Temporarily Restricted Funds	1,021,581	360,100	1,381,681
Permanently Restricted Funds		7,605,308	7,605,308
	<u>\$6,481,971</u>	<u>\$18,317,238</u>	<u>\$24,799,209</u>

NET ASSET CLASS	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$1,359,451	\$1,359,451
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	<u>\$15,812,220</u>	<u>\$15,600,280</u>
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	<u>\$1,381,681</u>	<u>\$1,361,319</u>
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	<u>\$7,605,308</u>	<u>\$7,175,244</u>
TOTAL INVESTMENTS	<u>\$24,799,209</u>	<u>\$24,136,843</u>

NOTES TO FINANCIAL STATEMENTS

5. Investments

Investments shown on the accompanying statement of financial position as of December 31, 2004 are comprised of the following:

NET ASSET CLASS	CURRENT	NON-CURRENT	TOTAL
Unrestricted Funds	\$6,772,101	\$7,003,596	\$13,775,697
Temporarily Restricted Funds	964,288	330,065	1,294,353
Permanently Restricted Funds		7,549,857	7,549,857
	<u>\$7,736,389</u>	<u>\$14,883,518</u>	<u>\$22,619,907</u>

NET ASSET CLASS	MARKET	COST
Unrestricted Funds:		
Money Market Funds and Cash Equivalents	\$4,981,015	\$4,981,015
Certificates of Deposit	519,805	519,805
U.S. Government Obligations	3,000,292	2,998,806
Corporate Papers	998,650	998,650
Corporate Bonds and Debentures	519,668	511,282
Mutual Fund	342,791	340,386
Corporate Stock	3,372,307	3,085,651
Real Estate	41,169	41,169
Total Unrestricted Funds	<u>\$13,775,697</u>	<u>\$13,476,764</u>
Temporarily Restricted Funds:		
Money Market Funds and Cash Equivalents	\$15,324	\$15,324
Certificates of Deposit	964,288	964,288
U.S. Government Obligations	33,870	33,894
Corporate Bonds and Debentures	56,902	56,178
Corporate Stock	223,969	204,721
Total Temporarily Restricted Funds	<u>\$1,294,353</u>	<u>\$1,274,405</u>
Permanently Restricted Funds:		
Money Market Funds and Cash Equivalents	\$350,530	\$350,530
U.S. Government Obligations	774,743	775,291
Corporate Bonds and Debentures	775,105	762,226
Mutual Fund	526,465	522,770
Corporate Stock	5,123,014	4,682,762
Total Permanently Restricted Funds	<u>\$7,549,857</u>	<u>\$7,093,579</u>
TOTAL INVESTMENTS	<u>\$22,619,907</u>	<u>\$21,844,748</u>

6. Property and Equipment

A summary of property and equipment at December 31, 2005 and 2004 is as follows:

	2005	2004
Leasehold Improvements	\$36,787,159	\$36,738,394
Furniture, Fixtures and Equipment	756,124	2,746,679
	<u>37,543,283</u>	<u>39,485,073</u>
Less Accumulated Depreciation and Amortization	9,921,692	10,613,062
Construction in Progress	32,508	
	<u>\$27,654,099</u>	<u>\$28,872,011</u>

Depreciation expense was \$1,189,854 and \$1,337,450 for the years ended December 31, 2005 and 2004, 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 \$267,716 and \$255,869 for the years ended December 31, 2005 and 2004, 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 \$138,701 and \$92,765 at December 31, 2005 and 2004, respectively.

9. Commitments

At December 31, 2005, the Society was committed for certain equipment under noncancelable operation leases which expire at various dates through the year 2010. Additionally, the Society leases the Missouri History Museum and the Library and Research Center from the Missouri History Subdistrict (Subdistrict) of the Metropolitan Zoological Park and Museum District. 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
2006	\$49,682
2007	47,602
2008	15,365
2009	20
2010	20
	<hr/>
Total Minimum Rental Payments Required	<u>\$112,689</u>

The total lease payments were \$89,476 and \$69,166 for the years ended December 31, 2005 and 2004, 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 Missouri History Museum Subdistrict (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 \$548,790 and \$557,945 for the years ended December 31, 2005 and 2004, 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 allows the Society to provide a maximum amount of funding to the Council of \$845,000; however, in no event shall the amount of funding provided to the Council under the note exceed \$307,500 in any calendar year. All principal and interest on the note was due December 15, 2005. The note bears interest at a rate per annum equal to the 10 year U.S. Treasury Note yield, which is adjusted the first day of January. The 10 year U.S. Treasury Note yield was 4.21% on January 1, 2005. The note bore interest at a rate of 4.21% and 4.37% at December 31, 2005 and December 31, 2004 respectively. In 2005, the Society amended the note to increase the maximum funding provided to \$1,045,000 and increased the note not to exceed funding to \$400,000 in any calendar year. The maturity date of the note was extended to December 15, 2006. All other provisions of the note agreement remained the same. The note receivable balance was \$1,009,825 and \$569,312 at December 31, 2005 and 2004, respectively. The President of the Missouri Historical Society also serves as the President of the Lewis and Clark National Bicentennial Council.



MISSOURI HISTORY MUSEUM

in Forest Park
(DeBaliviere and Lindell Blvd.)

LIBRARY AND RESEARCH CENTER

225 South Skinker Blvd.
(across from Forest Park)

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