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1-1-2003

## General Purpose Financial Statements, 2001-2002

Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District  
of the City of St. Louis and St. Louis County

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**THE MISSOURI HISTORY MUSEUM SUBDISTRICT  
OF THE METROPOLITAN ZOOLOGICAL PARK  
AND MUSEUM DISTRICT OF THE CITY OF  
ST. LOUIS AND ST. LOUIS COUNTY**

General Purpose Financial Statements

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)



REC'D MAR 28 2003

10 South Broadway  
Suite 900  
St Louis, MO 63102-1761

## Independent Auditors' Report

The Board of Commissioners  
The Missouri History Museum Subdistrict  
of the Metropolitan Zoological Park  
and Museum District of the City of  
St. Louis and St. Louis County:

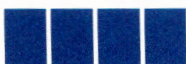
We have audited the combined balance sheets of The Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (Subdistrict) as of December 31, 2002 and 2001, and the related statements of revenues, expenditures, and changes in fund balance – budget and actual – general fund, and revenues, expenses, and changes in net assets and cash flows – discretely presented component unit for the years then ended. These general purpose financial statements are the responsibility of the Subdistrict's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of The Missouri History Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County as of December 31, 2002 and 2001, and the results of its operations and the changes in net assets and cash flows of its discretely presented component unit for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

February 28, 2003



**THE MISSOURI HISTORY MUSEUM SUBDISTRICT  
OF THE METROPOLITAN ZOOLOGICAL PARK  
AND MUSEUM DISTRICT OF THE CITY OF  
ST. LOUIS AND ST. LOUIS COUNTY**

Combined Balance Sheet – All Fund Types, Account Group,  
and Discretely Presented Component Unit

December 31, 2002

Assets	Primary Government Subdistrict			Discretely presented component unit – Missouri Historical Society	Total (memo- randum only)
	Govern- mental fund type – general	Account group – general fixed assets	Total (memo- randum only)		
Cash	\$ 5,391	—	5,391	285,936	291,327
Funds held for the Subdistrict by the Metropolitan Zoological Park and Museum District	1,366,080	—	1,366,080	—	1,366,080
Investments at market (cost value of \$21,234,540)	—	—	—	20,283,139	20,283,139
Receivables:					
Grants and accounts receivable	—	—	—	248,588	248,588
Pledges receivable:					
Capital campaign	—	—	—	240,295	240,295
Other	—	—	—	176,993	176,993
Accrued investment income	—	—	—	73,660	73,660
Other assets	—	—	—	575,658	575,658
Fixed assets:					
Buildings and land	—	843,474	843,474	—	843,474
Leasehold improvements, net of accumulated amortization of \$6,132,854	—	—	—	30,831,914	30,831,914
Furniture, fixtures, and equipment, net of accumulated depreciation of \$2,036,210	—	—	—	520,889	520,889
Total assets	<u>\$ 1,371,471</u>	<u>843,474</u>	<u>2,214,945</u>	<u>53,237,072</u>	<u>55,452,017</u>
<b>Liabilities and Fund Equity</b>					
Accounts payable and other liabilities	—	—	—	1,220,826	1,220,826
Obligations under split-interest agreements	—	—	—	578,239	578,239
Total liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,799,065</u>	<u>1,799,065</u>
Fund equity:					
Investments in fixed assets	—	843,474	843,474	—	843,474
Fund balance – unreserved	1,371,471	—	1,371,471	—	1,371,471
Discretely presented component unit	—	—	—	51,438,007	51,438,007
Total fund equity	<u>1,371,471</u>	<u>843,474</u>	<u>2,214,945</u>	<u>51,438,007</u>	<u>53,652,952</u>
Total liabilities and fund equity	<u>\$ 1,371,471</u>	<u>843,474</u>	<u>2,214,945</u>	<u>53,237,072</u>	<u>55,452,017</u>

See accompanying notes to general purpose financial statements.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT  
OF THE METROPOLITAN ZOOLOGICAL PARK  
AND MUSEUM DISTRICT OF THE CITY OF  
ST. LOUIS AND ST. LOUIS COUNTY**

Combined Balance Sheet – All Fund Types, Account Group,  
and Discretely Presented Component Unit

December 31, 2001

Assets	Primary Government Subdistrict			Discretely presented component unit – Missouri Historical Society	Total (memo- randum only)
	Govern- mental fund type – general	Account group – general fixed assets	Total (memo- randum only)		
Cash	\$ 5,147	—	5,147	238,737	243,884
Funds held for the Subdistrict by the Metropolitan Zoological Park and Museum District	512,867	—	512,867	—	512,867
Investments at market (cost value of \$23,463,075)	—	—	—	23,292,273	23,292,273
Receivables:					
Grants and accounts receivable	—	—	—	154,680	154,680
Pledges receivable:					
Capital campaign	—	—	—	1,529,754	1,529,754
Other	—	—	—	307,713	307,713
Accrued investment income	—	—	—	99,748	99,748
Other assets	—	—	—	446,942	446,942
Fixed assets:					
Buildings and land	—	843,474	843,474	—	843,474
Leasehold improvements, net of accumulated amortization of \$4,863,889	—	—	—	31,916,404	31,916,404
Furniture, fixtures, and equipment, net of accumulated depreciation of \$1,818,079	—	—	—	599,512	599,512
Total assets	<u>\$ 518,014</u>	<u>843,474</u>	<u>1,361,488</u>	<u>58,585,763</u>	<u>59,947,251</u>
<b>Liabilities and Fund Equity</b>					
Accounts payable and other liabilities	—	—	—	770,601	770,601
Line of credit payable	—	—	—	3,891,500	3,891,500
Obligations under split-interest agreements	—	—	—	591,696	591,696
Total liabilities	—	—	—	<u>5,253,797</u>	<u>5,253,797</u>
Fund equity:					
Investments in fixed assets	—	843,474	843,474	—	843,474
Fund balance – unreserved	518,014	—	518,014	—	518,014
Discretely presented component unit	—	—	—	53,331,966	53,331,966
Total fund equity	<u>518,014</u>	<u>843,474</u>	<u>1,361,488</u>	<u>53,331,966</u>	<u>54,693,454</u>
Total liabilities and fund equity	<u>\$ 518,014</u>	<u>843,474</u>	<u>1,361,488</u>	<u>58,585,763</u>	<u>59,947,251</u>

See accompanying notes to general purpose financial statements.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT  
OF THE METROPOLITAN ZOOLOGICAL PARK  
AND MUSEUM DISTRICT OF THE CITY OF  
ST. LOUIS AND ST. LOUIS COUNTY**

Statements of Revenues, Expenditures,  
and Changes in Fund Balance –  
Budget and Actual – General Fund

Years ended December 31, 2002 and 2001

	<u>2002</u>			<u>2001</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Actual over (under) budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual over (under) budget</u>
Revenues:						
Receipts from the Zoological Park and Museum District (note 5):						
St. Louis City property taxes	\$	1,319,224			1,405,798	
St. Louis County property taxes		7,692,392			6,839,232	
Interest earned		42,693			94,839	
Less assessments, net		(74,554)			(59,931)	
Total receipts	<u>8,280,000</u>	<u>8,979,755</u>	<u>699,755</u>	<u>7,893,000</u>	<u>8,279,938</u>	<u>386,938</u>
Interest income	—	181	181	49	889	840
Rental income	<u>20</u>	<u>20</u>	<u>—</u>	<u>20</u>	<u>20</u>	<u>—</u>
Total revenues	<u>8,280,020</u>	<u>8,979,956</u>	<u>699,936</u>	<u>7,893,069</u>	<u>8,280,847</u>	<u>387,778</u>
Expenditures – current:						
Payments to the Missouri Historical Society:						
History museum services	8,100,000	8,012,803	(87,197)	7,591,600	7,664,671	73,071
Capital projects	—	86,660	86,660	123,000	81,788	(41,212)
Miscellaneous	<u>25,508</u>	<u>27,036</u>	<u>1,528</u>	<u>27,200</u>	<u>24,313</u>	<u>(2,887)</u>
Total expenditures	<u>8,125,508</u>	<u>8,126,499</u>	<u>991</u>	<u>7,741,800</u>	<u>7,770,772</u>	<u>28,972</u>
Excess of revenues over expenditures	154,512	853,457	698,945	151,269	510,075	358,806
Fund equity:						
Beginning of year	<u>518,014</u>	<u>518,014</u>	<u>—</u>	<u>7,939</u>	<u>7,939</u>	<u>—</u>
End of year	<u>\$ 672,526</u>	<u>1,371,471</u>	<u>698,945</u>	<u>159,208</u>	<u>518,014</u>	<u>358,806</u>

See accompanying notes to general purpose financial statements.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT  
OF THE METROPOLITAN ZOOLOGICAL PARK  
AND MUSEUM DISTRICT OF THE CITY OF  
ST. LOUIS AND ST. LOUIS COUNTY**

Statements of Revenues, Expenses, and Changes  
in Net Assets – Discretely Presented Component Unit –  
Missouri Historical Society

Years ended December 31, 2002 and 2001

	2002	2001
Public support and revenue:		
Services provided for the Missouri History Museum Subdistrict	\$ 8,099,463	7,746,459
Contribution and bequests	1,246,114	1,634,303
Memberships	664,150	402,286
Grant income	301,713	304,115
Investment income	486,312	722,465
Gains (losses) from endowment securities, net	(1,649,788)	(1,066,354)
Facility rental/restaurant income	203,678	224,922
Special exhibition ticket revenue	224,417	74,707
Other income, net	235,002	387,518
	9,811,061	10,430,421
Operating expenses:		
Program services	8,627,837	8,293,788
Supporting services	3,016,005	3,151,884
Change in value of split-interest agreements	61,178	89,691
	11,705,020	11,535,363
Deficiency of public support and revenues over operating expenses	(1,893,959)	(1,104,942)
Net assets:		
Beginning of year	53,331,966	54,436,908
End of year	\$ 51,438,007	53,331,966

See accompanying notes to general purpose financial statements.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT  
OF THE METROPOLITAN ZOOLOGICAL PARK  
AND MUSEUM DISTRICT OF THE CITY OF  
ST. LOUIS AND ST. LOUIS COUNTY**

Statements of Cash Flows –  
Discretely Presented Component Unit –  
Missouri Historical Society

Years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Public support and revenue:		
Cash received from the Missouri History Museum Subdistrict	\$ 8,099,463	7,746,459
Cash received from contributions	2,839,616	3,588,835
Cash received for memberships	456,985	402,286
Interest and dividends received	512,400	707,676
Grant income received	299,688	344,941
Other cash receipts	1,133,423	1,243,078
Cash paid to employees and suppliers	<u>(10,371,658)</u>	<u>(10,108,527)</u>
Net cash provided by operating activities	<u>2,969,917</u>	<u>3,924,748</u>
Cash flows from investing activities:		
Purchases of investments	(11,594,208)	(12,589,623)
Maturing of investments	11,589,650	10,942,729
Additions to construction in progress and leasehold improvements and purchase of furniture and equipment	<u>(323,983)</u>	<u>(237,354)</u>
Net cash used in investing activities	<u>(328,541)</u>	<u>(1,884,248)</u>
Cash flows from financing activities:		
Payments on line of credit	(3,891,500)	—
Payments on split-interest agreements	<u>(81,348)</u>	<u>(81,348)</u>
Net cash used in financing activities	<u>(3,972,848)</u>	<u>(81,348)</u>
Net increase (decrease) in cash and cash equivalents	(1,331,472)	1,959,152
Cash and cash equivalents at beginning of year	<u>11,604,646</u>	<u>9,645,494</u>
Cash and cash equivalents at end of year	<u>\$ 10,273,174</u>	<u>11,604,646</u>
Deficiency of public support and revenues over operating expenses	\$ (1,893,959)	(1,104,942)
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	1,487,095	1,497,276
Net increase in receivables and other assets	1,223,640	2,251,222
Losses on investments, net	1,649,788	1,066,356
Change in value of split-interest agreements	61,178	89,691
Net increase in liabilities	<u>442,175</u>	<u>125,145</u>
Net cash provided by operating activities	<u>\$ 2,969,917</u>	<u>3,924,748</u>
Detail of cash and cash equivalents at end of year as presented on the combined balance sheet:		
Cash	\$ 285,936	238,737
Investments	<u>9,987,238</u>	<u>11,365,909</u>
Cash and cash equivalents at end of year	<u>\$ 10,273,174</u>	<u>11,604,646</u>

See accompanying notes to general purpose financial statements.



**THE MISSOURI HISTORY MUSEUM SUBDISTRICT  
OF THE METROPOLITAN ZOOLOGICAL PARK  
AND MUSEUM DISTRICT OF THE CITY OF  
ST. LOUIS AND ST. LOUIS COUNTY**

Notes to General Purpose Financial Statements

December 31, 2002 and 2001

**(1) Summary of Significant Accounting Policies**

The following is a summary of the more significant accounting policies of the Subdistrict:

**(a) Reporting Entity**

On November 3, 1987, the voters of the City of St. Louis and St. Louis County approved the formation of The Missouri History Museum Subdistrict (Subdistrict) of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (District). The Subdistrict was established to receive tax revenues from the District and to pay for history museum services (currently provided by the Missouri Historical Society).

As required by generally accepted accounting principles, these financial statements present the accounts of the Subdistrict and the Missouri Historical Society (the Society). The financial activity of the Society is included in the Subdistrict's reporting entity because of the nature and significance of the Society's relationship with the Subdistrict. However, the Subdistrict's relationship with the Society is based on a formal contractual arrangement which the Subdistrict has no obligation to continue beyond the annually renewable term (see note 7).

The financial activity of the Society is presented in a separate column in the accompanying general purpose financial statements to emphasize that it is legally separate from the Subdistrict. The Subdistrict has no authority over the selection of the Society's Board of Trustees or management. The accompanying general purpose financial statements present condensed financial statements for the Society. Complete financial statements can be obtained from the Society's administrative offices at P.O. Box 11940, St. Louis, Missouri, 63112.

**(b) Fund Accounting**

The accounts of the Subdistrict and Society are organized on the basis of funds and account groups, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity or net assets, public support, revenues, and expenditures or expenses. The Subdistrict uses only one governmental fund type, a general fund, to account for all activities of the Subdistrict. An account group is used to establish accounting control and accountability for the Subdistrict's general fixed assets.

**(c) Basis of Accounting**

Basis of accounting refers to the period in which revenues and expenditures are recognized in the accounts and reported in the general purpose financial statements. The accounts of the Subdistrict are maintained on the cash basis, which approximates the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized when they are both measurable and available. The term "available" is defined as collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when the related fund liability is incurred.

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Notes to General Purpose Financial Statements

December 31, 2002 and 2001

The financial statements of the Society are prepared on the accrual basis of accounting.

**(d) Investments**

Investments in marketable securities are carried at fair value. Fair value is established as readily determinable current market values for equity and debt securities.

**(e) Fixed Assets**

Purchased property and equipment of the Subdistrict are accounted for as expenditures in the general fund and recorded in the general fixed asset account group at cost. Donated property and equipment are recorded in the general fixed asset account group at estimated fair market value at date of donation unless fair market value is not readily determinable, in which case the asset is recorded at nominal value to establish accountability. No depreciation expense has been provided on general fixed assets.

The Society's property and equipment consist of leasehold improvements; furniture, fixtures, and equipment; and construction in progress, which is stated at cost or, if, donated, at fair market value at date of donation. Amortization on leasehold improvements and depreciation on furniture, fixtures, and equipment is computed on the straight-line basis over the estimated useful life of the assets ranging from five to forty years. Total amortization and depreciation for 2002 and 2001 amounted to \$1,487,095 and \$1,497,276, respectively.

**(f) Museum Collections**

Purchased historic material is expensed at the time of purchase and not capitalized. Contributed historic material is not valued and thus not reflected in the accompanying general purpose financial statements.

**(g) Contributions**

The Society reports contributions, including unconditional promises to give due in future periods, as revenue in the period received.

**(h) Federal Income Taxes**

The Subdistrict and Society are exempt from Federal income taxes under Sections 115(a) and 501(c)(3) of the Internal Revenue Code, respectively.

**(i) Total "Memorandum Only" Columns**

The information in the total "memorandum only" columns on the combined balance sheets does not present the financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such information comparable to a consolidation.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT  
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Notes to General Purpose Financial Statements

December 31, 2002 and 2001

**(j) 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.

**(k) Use of Estimates**

The preparation of general purpose financial statements in conformity with accounting principles generally accepted in the United States of America requires the Subdistrict and Society to make estimates and assumptions that affect the reported amounts of assets and liabilities as of 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.

**(2) Cash and Investments**

At December 31, 2002 and 2001, the carrying amount of the Subdistrict's cash deposits was \$5,391 and \$5,147, respectively, and the bank balance was \$18,906 and \$6,061, respectively. These amounts were entirely covered by federal depository insurance.

The Society is a private not-for-profit organization and, as such, its deposits and investments are not subject to collateralization and categorization as required by accounting principles generally accepted in the United States of America related to governmental entities. At December 31, 2002 and 2001, the Society's investments are comprised of the following:

	<u>2002</u>		<u>2001</u>	
	<u>Cost</u>	<u>Market value</u>	<u>Cost</u>	<u>Market Value</u>
Money market funds and cash equivalents	\$ 3,814,219	3,814,219	4,025,602	4,025,601
Corporate stocks	6,376,966	5,182,756	6,277,944	5,881,265
Corporate papers	6,972,639	6,973,191	6,198,479	6,205,775
Corporate bonds and debentures	1,881,115	1,987,927	3,273,000	3,340,281
U.S. Government obligations	2,189,601	2,325,046	3,688,050	3,839,351
	<u>\$ 21,234,540</u>	<u>20,283,139</u>	<u>23,463,075</u>	<u>23,292,273</u>

**(3) Fixed Assets**

In 1989, the Subdistrict purchased land and buildings for \$843,474. In addition, a building was transferred to the Subdistrict from the City of St. Louis, Missouri and was recorded at a nominal amount of \$3, as fair market value of this asset was not readily determinable.

**THE MISSOURI HISTORY MUSEUM SUBDISTRICT  
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Notes to General Purpose Financial Statements

December 31, 2002 and 2001

**(4) Line of Credit**

The Society had entered into a line of credit agreement with Commerce Bank to provide interim financing for the renovation and expansion of the Jefferson Memorial Building. The line of credit allowed the Society to borrow up to \$10,000,000 at an interest rate of 1.25% in excess of the federal funds rate. The line of credit was terminated in 2002. \$3,851,500 was outstanding on the line of credit at December 31, 2001. Interest expense was \$32,453 and \$207,760 for the years ended December 31, 2002 and 2001, respectively. The federal funds rate was 1.52% at December 31, 2001.

**(5) Property Taxes**

The District levies property taxes on the assessed value listed as of each January 1 for all real and personal property located in the City of St. Louis and St. Louis County. The levy is based on an annual submission from the Subdistrict, which cannot exceed 4.0 cents per \$100 of assessed valuation. The tax levy was 3.8 cents per \$100 of assessed valuation for 2002 and 2001. Taxes are levied each October and are due on December 31 for the previous January 1 assessment. Taxes collected by the District on behalf of the Subdistrict are recognized as revenue when credited to the Subdistrict's account with the District.

**(6) Budgetary Data**

The Subdistrict adopts an annual budget based on the operating budget submitted to the Subdistrict by the Society and estimated Subdistrict administrative expenses. The annual budget is prepared on the cash basis of accounting, approved by the Subdistrict's Board of Commissioners, and submitted to the District for use in establishing the annual tax levy.

**(7) Contract With the Missouri Historical Society**

The Subdistrict and the Society entered into an annually renewable contract for history museum services in 1988 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 in exchange for compensation not to exceed the amount of tax revenues received by the Subdistrict from the District, less any Subdistrict expenses. The annual compensation is determined each year based upon an annual budget submitted by the Society to the Subdistrict.

**(8) 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 \$205,936 and \$201,511 for the years ended December 31, 2002 and 2001, respectively.