
**ART MUSEUM SUBDISTRICT OF THE
METROPOLITAN ZOOLOGICAL PARK
AND MUSEUM DISTRICT OF THE CITY
OF ST. LOUIS AND ST. LOUIS COUNTY**
COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2014

SAINT LOUIS ART MUSEUM

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Independent Auditors' Report

Board of Commissioners
Art Museum Subdistrict of the Metropolitan
Zoological Park and Museum District of the
City of St. Louis and St. Louis County
St. Louis, Missouri

Report On The Financial Statements

We have audited the accompanying combined financial statements of the business-type activities of the Art Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Subdistrict) and its blended component unit, the Saint Louis Art Museum Foundation (the Foundation), as of and for the year ended December 31, 2014, and the related notes to the combined financial statements, which collectively comprise the Subdistrict's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these combined financial statements based on our audit. We conducted our audit 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Subdistrict and the Foundation as of December 31, 2014, and the respective changes in its financial position and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

RubinBrown LLP

April 8, 2015

ART MUSEUM SUBDISTRICT OF THE METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE CITY OF ST. LOUIS AND ST. LOUIS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS (*Unaudited*) For The Year Ended December 31, 2014

Background Information

The Art Museum Subdistrict of the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (Subdistrict) and the Saint Louis Art Museum Foundation (Foundation) are included within these financial statements. Both entities are tax exempt under section 501(c)(3) of the Internal Revenue Code. The management's discussion and analysis relates to the total of both the activities of the Subdistrict and the Foundation.

The audited financial statements cover the one year ended December 31, 2014. However, the management's discussion and analysis does include comparisons to the prior year.

The management's discussion and analysis of the Museum's and Foundation's financial performance provides an overview of the financial activities for the year ended December 31, 2014. The management's discussion and analysis should not be taken as a replacement for the financial statements but should be read in conjunction with them to enhance understanding of the organization's financial performance.

Financial Highlights

- Tax revenue from the Metropolitan Zoological Park and Museum District (Zoo-Museum District) is a result of an allocation of property taxes levied by the Zoo-Museum District on behalf of the Subdistrict per \$100 of assessed valuation equal to 8.00 cents for the years ended December 31, 2014 and 2013.
- Support from the Zoo-Museum District under the accrual basis method was \$21,181,369 and \$21,070,388 for the years ended December 31, 2014 and 2013, respectively.
- The Foundation provided support to the Subdistrict in the amount of \$4,450,034 and \$5,861,512 for the years ended December 31, 2014 and 2013, respectively.

Financial Statements

The Statement of Net Position includes the assets, liabilities, and net position as of December 31, 2014. The statement is prepared under the accrual basis of accounting. The statement of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during the year. The statement of cash flows' primary purpose is to provide information about the cash receipts and payments summarized by operating, noncapital financing, investing, and capital and related financing activities.

The Subdistrict meets the criterion for presenting its financial statements as a government.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Management's Discussion And Analysis *(Continued)*

The Foundation, although legally separate from the Subdistrict, is a blended component unit, reported as a separate business activity and major enterprise fund. Since the Foundation is blended, the two entities are combined and reported as one financial reporting entity.

The Foundation is incorporated under Missouri nonprofit law and its primary purpose is to raise funds for the benefit of the Subdistrict and then subsequently make gifts to the Subdistrict. Its other purpose is to manage the Foundation's endowment portfolio.

Notes To The Financial Statements

The notes to the combined financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Condensed Combined Schedule Of Net Position

	<i>(In Thousands)</i>	
	2014	2013
Assets:		
Cash and cash equivalents	\$ 28,761	\$ 46,404
Due from the Sub-district by the Zoo-Museum District	10,092	10,613
Investments	170,576	159,945
Receivables:		
Tax revenue from the Zoo-Museum District	11,644	12,419
Contributions	9,886	10,819
Interest and investment proceeds	254	212
Grants	100	81
Accounts	236	156
Prepaid expenses	391	362
Inventory held for resale	288	232
Capital assets, net	142,196	146,170
Total assets	<u>374,424</u>	<u>387,413</u>
Liabilities:		
Current liabilities	3,386	3,288
Noncurrent liabilities	27,732	47,737
Total liabilities	<u>31,118</u>	<u>51,025</u>
Net Position:		
Net investment in capital assets	116,263	100,244
Restricted	110,522	125,110
Unrestricted	116,521	111,034
Total net position	<u>\$ 343,306</u>	<u>\$ 336,388</u>

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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Management's Discussion And Analysis (*Continued*)

Analysis:

- Cash and cash equivalents decreased in 2014 due to the \$20 million redemption of the variable rate debt.
- Market value on endowment investments increased by over \$8 million in 2014. Contributions for endowment exceeded \$2.1 million in 2014.
- Contribution receivables continue to decline due to the completion of the capital campaign which helped fund the East building addition completed in 2013.
- Increases in net investment in capital assets and the decrease in restricted net position are due to the \$20 million redemptions of the variable rate debt. The increase in market value of the investments caused the unrestricted net position to increase.

Condensed Combined Schedule Of Changes In Net Position

	<i>(In Thousands)</i>	
	2014	2013
Operating revenues:		
Merchandise sales and admissions	\$ 1,451	\$ 981
Members' contributions	3,293	2,862
Proceeds from deaccessions of collections	—	6
Contributions of art	38,933	563
Other earned revenue	855	343
Total operating revenues	44,532	4,755
Operating expenses:		
Program services	46,982	9,100
Gallery operations	11,832	11,746
Management and general	8,861	9,903
Fundraising	2,389	2,476
Total operating expenses	70,064	33,225
Non-operating revenue (expenses)s:		
Tax revenue from Zoo-Museum District	21,181	21,070
Contributions and bequests	2,521	2,362
Grants	100	108
Investment income	8,695	24,592
Interest expense	(1,055)	(574)
Total non-operating revenues	31,442	47,558
Capital contributions and bequests	828	1,314
Change from donor restriction	(2,000)	—
Additions to permanent endowment	2,180	1,748
Increase in net position	6,918	22,150
Net position - beginning of year	336,388	314,238
Net position - end of year	\$ 343,306	\$ 336,388

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Management's Discussion And Analysis (*Continued*)

Analysis:

- Merchandise sales and admissions increased in 2014 as compared to 2013 due to two ticketed exhibitions which drove attendance and shop sales. There were no ticketed events in 2013.
- Contributions of art increased in 2014 by over \$38 million as compared to 2013 primarily due to receipt of a bequest of a collection of Asian Art in 2014 valued at \$37.7 million. Gifts of art consist of objects which are accessioned into the collection. Acquisitions of art for the collection, whether by gift or purchase, fluctuate from year to year.
- Other earned revenue increased in 2014 due to recovery of \$425,000 in legal fees expended to defend the Museum's ownership in the Mummy Mask and a full year of the parking garage revenue in 2014. The garage opened in June of 2013.
- In 2013, investment income of \$24.6 million includes market gains over investment returns recorded in 2014.
- Contributions declined in 2014 primarily due to the end of the capital campaign which raised funds for the East Building completed in 2013.
- Operating expenses increased in 2014 due to the recording of \$39.9 million of art acquisitions. Of this amount, approximately \$37.7 million was acquired through a bequest.
- In 2013, the Foundation received a \$5 million gift subject to restrictions mutually agreeable to the donor and the Foundation. In 2014, the donor and the Foundation entered into a gift agreement providing \$2.5 million to support the Outdoor Improvements Project, establish a \$2 million endowment fund to provide for maintenance of the Outdoor Improvements Project and \$500,000 to support other outdoor improvements.

Schedule Of Capital Assets, Net (Amounts In Thousands)

	2014	2013
Non-depreciable:		
Construction in process	\$ 1,590	\$ —
Depreciable:		
Buildings and building improvements	140,367	145,531
Furniture, fixtures and equipment	239	639
Total capital assets	\$ 142,196	\$ 146,170

The Subdistrict has invested \$142.2 million in capital assets (net of accumulated depreciation) as of the close of the fiscal year. These capital assets consist of buildings and building improvements, furniture, fixtures, and equipment.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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Management's Discussion And Analysis (*Continued*)

Construction in process is associated with the Outdoor Improvement Project which will be completed in 2015.

Additional information on Capital Assets may be found in Note 4 of the financial statements. Additional information on the Cultural Facilities Revenue Bonds may be found in Note 6 of the financial statements.

Requests for Information

These basic financial statements are designed to provide a general overview of the Subdistrict's and Foundation's finances. Questions concerning any information provided in this report should be addressed to the Finance Department, Saint Louis Art Museum, One Fine Arts Drive, Forest Park, St. Louis, Missouri 63110-1380.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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COMBINED STATEMENT OF NET POSITION

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December 31, 2014

	<u>Business-Type Activities</u>		
	<u>Museum Subdistrict</u>	<u>Foundation</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents:			
Unrestricted	\$ 16,014,943	\$ 719,387	\$ 16,734,330
Restricted	3,718,820	8,307,082	12,025,902
Due from the Metropolitan Zoological Park and Museum District	10,091,724	—	10,091,724
Investments:			
Unrestricted	197,548	1,746,529	1,944,077
Restricted	3,788	76,068	79,856
Receivables:			
Tax revenue from the Metropolitan Zoological Park and Museum District, net of an allowance of \$788,299	11,644,415	—	11,644,415
Unrestricted contributions	—	86,625	86,625
Restricted contributions	41,580	1,380,825	1,422,405
Unrestricted interest and investment proceeds	63,712	90,991	154,703
Restricted interest and investment proceeds	24,061	75,511	99,572
Grants	100,408	—	100,408
Accounts:			
Unrestricted	235,573	—	235,573
Prepaid expenses	391,164	—	391,164
Inventory held for resale	287,922	—	287,922
Total Current Assets	42,815,658	12,483,018	55,298,676
Noncurrent Assets			
Receivables:			
Restricted contributions	63,499	8,313,077	8,376,576
Investments:			
Unrestricted	18,466,625	61,567,678	80,034,303
Restricted	6,793,080	81,724,947	88,518,027
Capital assets, net:			
Nondepreciable:			
Construction in process	1,589,809	—	1,589,809
Depreciable:			
Buildings and building improvements	140,367,084	—	140,367,084
Furniture, fixtures, and equipment	239,182	—	239,182
Total Noncurrent Assets	167,519,279	151,605,702	319,124,981
Total Assets	210,334,937	164,088,720	374,423,657

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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COMBINED STATEMENT OF NET POSITION

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December 31, 2014

	<u>Business-Type Activities</u>		
	<u>Museum Subdistrict</u>	<u>Foundation</u>	<u>Total</u>
Liabilities			
Current Liabilities			
Bonds payable - due within one year	\$ —	\$ 100,000	\$ 100,000
Accounts payable	1,546,926	80	1,547,006
Accrued expenses	1,126,551	—	1,126,551
Interest payable	78,360	—	78,360
Obligations under split-interest agreements	—	86,691	86,691
Other liabilities	247,748	199,875	447,623
Total Current Liabilities	2,999,585	386,646	3,386,231
Noncurrent Liabilities			
Obligations under split-interest agreements	—	420,832	420,832
Bonds payable due in more than one year	—	25,833,660	25,833,660
Other liabilities	1,477,029	—	1,477,029
Total Noncurrent Liabilities	1,477,029	26,254,492	27,731,521
Total Liabilities	4,476,614	26,641,138	31,117,752
Net Position			
Net investment in capital assets	142,196,075	(25,933,660)	116,262,415
Restricted:			
Expendable:			
Art acquisition and other	6,132,376	38,792,664	44,925,040
Capital campaign	3,788	14,041,520	14,045,308
Nonexpendable:			
Endowment principal	4,508,664	47,043,326	51,551,990
Unrestricted	53,017,420	63,503,732	116,521,152
Total Net Position	\$ 205,858,323	\$ 137,447,582	\$ 343,305,905

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION**

For The Year Ended December 31, 2014

	Business-Type Activities		Total
	Museum Subdistrict	Foundation	
Operating Revenues			
Merchandise sales and admissions	\$ 1,450,932	\$ 295	\$ 1,451,227
Members' contributions	—	3,292,745	3,292,745
Contributions of art	38,933,418	—	38,933,418
Other earned revenue	846,473	8,591	855,064
Total Operating Revenues	41,230,823	3,301,631	44,532,454
Operating Expenses			
Program services:			
Curatorial and conservation	4,026,361	—	4,026,361
Exhibitions	1,197,545	—	1,197,545
Education and library	1,835,690	—	1,835,690
Accessions of art for collections	39,922,450	—	39,922,450
Gallery operations:			
Building operations and maintenance	8,756,373	10,173	8,766,546
Protective services	3,065,222	—	3,065,222
Management and general:			
Administration	7,845,729	162,444	8,008,173
Museum shop	853,378	—	853,378
Fundraising:			
Development	2,387,604	1,545	2,389,149
Total Operating Expenses	69,890,352	174,162	70,064,514
Operating Income (Loss)	(28,659,529)	3,127,469	(25,532,060)
Nonoperating Revenues (Expenses)			
Tax revenue from the Metropolitan Zoological Park and Museum District	21,181,369	—	21,181,369
Contributions and bequests	1,024,909	1,496,157	2,521,066
Grants	100,408	—	100,408
Investment income	372,160	8,384,093	8,756,253
Change in value of split-interest agreements	—	(61,999)	(61,999)
Interest expense	(1,055,207)	—	(1,055,207)
Payments from the Foundation (payments to the Subdistrict)	4,450,034	(4,450,034)	—
Total Nonoperating Revenues (Expenses)	26,073,673	5,368,217	31,441,890
Income (Loss) Before Capital Contributions And Bequests And Additions To Permanent Endowment	(2,585,856)	8,495,686	5,909,830
Capital Contributions And Bequests	—	827,984	827,984
Change From Donor Restriction	—	(2,000,000)	(2,000,000)
Additions To Permanent Endowment	145,888	2,033,580	2,179,468
Increase (Decrease) In Net Position	(2,439,968)	9,357,250	6,917,282
Net Position - Beginning Of Year	208,298,291	128,090,332	336,388,623
Net Position - End Of Year	\$ 205,858,323	\$ 137,447,582	\$ 343,305,905

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

**COMBINED STATEMENT OF CASH FLOWS
For The Year Ended December 31, 2014**

	Business-Type Activities		
	Museum		
	Subdistrict	Foundation	Total
Cash Flows From Operating Activities			
Receipts from patrons	\$ 1,450,932	\$ 3,442,915	\$ 4,893,847
Other operating cash receipts	766,710	—	766,710
Payments to suppliers of goods and services	(11,612,302)	(156,309)	(11,768,611)
Payments to employees	(13,965,327)	—	(13,965,327)
Net Cash Provided By (Used In) Operating Activities	(23,359,987)	3,286,606	(20,073,381)
Cash Flows From Noncapital Financing Activities			
Cash collections of support from Zoo Museum District	22,370,081	—	22,370,081
Payments to (from) the Foundation	4,450,034	(4,450,034)	—
Proceeds from contributions	1,391,395	1,430,455	2,821,850
Investment subject to split-interest agreements	—	(61,919)	(61,919)
Net payments received for split-interest agreements	—	53,620	53,620
Net Cash Provided By (Used In) Noncapital Financing Activities	28,211,510	(3,027,878)	25,183,632
Cash Flows From Investing Activities			
Purchase of investments	(5,570,106)	(21,733,166)	(27,303,272)
Investment income	600,100	3,487,175	4,087,275
Proceeds from sale of investments	4,914,398	16,432,923	21,347,321
Net Cash Used In Investing Activities	(55,608)	(1,813,068)	(1,868,676)
Cash Flows From Capital And Related Financing Activities			
Cash collections of grant support	80,980	—	80,980
Proceeds from capital contributions	—	1,527,885	1,527,885
Payments on bonds payable	—	(20,000,000)	(20,000,000)
Interest paid	(1,055,207)	—	(1,055,207)
Purchase of property and equipment	(1,439,363)	—	(1,439,363)
Net Cash Used In Capital And Related Financing Activities	(2,413,590)	(18,472,115)	(20,885,705)
Net Increase (Decrease) In Cash And Cash Equivalents	2,382,325	(20,026,455)	(17,644,130)
Cash And Cash Equivalents - Beginning Of Year	17,351,438	29,052,924	46,404,362
Cash And Cash Equivalents - End Of Year	\$ 19,733,763	\$ 9,026,469	\$ 28,760,232
Reconciliation Of Operating Income (Loss) To Net Cash Provided By (Used In) Operating Activities			
Operating income (loss)	\$ (28,659,529)	\$ 3,127,469	\$ (25,532,060)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	5,709,815	7,668	5,717,483
Write off of contributions receivable	—	1,514	1,514
Provision for uncollectible taxes	106,860	—	106,860
Changes in assets and liabilities:			
Accounts receivable	(79,763)	—	(79,763)
Prepaid expenses	(29,344)	—	(29,344)
Inventory held for resale	(55,550)	—	(55,550)
Accounts payable	(501,628)	80	(501,548)
Interest payable	5	—	5
Accrued expenses	2,558	—	2,558
Other liabilities	146,589	149,875	296,464
Total adjustments	5,299,542	159,137	5,458,679
Net Cash Provided By (Used In) Operating Activities	\$ (23,359,987)	\$ 3,286,606	\$ (20,073,381)
Supplemental Disclosure Of Cash Flow Information			
Accounts payable incurred for capital asset purchases	\$ 296,215	\$ —	\$ 296,215
Unrealized gain (loss) on investments	(231,619)	3,820,196	3,588,577
Noncash contributions held at year end	13,365	76,666	90,031

ART MUSEUM SUBDISTRICT OF THE METROPOLITAN ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE CITY OF ST. LOUIS AND ST. LOUIS COUNTY

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2014

1. Summary Of Significant Accounting Policies

The Art Museum Subdistrict (the Subdistrict) was established by an act of the Missouri State Legislature in 1971. The Subdistrict operates the Saint Louis Art Museum, and is supported by tax revenue from the Metropolitan Zoological Park and Museum District of the City of St. Louis and St. Louis County (the Zoo-Museum District). Support from the Zoo-Museum District represents a continuous appropriation of an allocation of property tax revenues from the City of St. Louis and St. Louis County, which are levied on behalf of the Sub-district by the Zoo-Museum District. The Sub-district has no authority to levy taxes on its own.

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

Reporting Entity

The Subdistrict's financial reporting entity has been determined in accordance with governmental accounting standards for defining the reporting entity and identifying entities to be included in its basic financial statements. The Subdistrict's financial reporting entity consists of the Subdistrict (the primary government) and its blended component unit, the Saint Louis Art Museum Foundation (the Foundation).

The Foundation, a separate legal entity, was incorporated as a Missouri not-for-profit organization to act as an organization for certain of the Saint Louis Art Museum's fundraising activities. Members of the Board of Commissioners for the subdistrict appoint the members of the Board of Directors for the Foundation. In addition, the Foundation manages the endowment of the Subdistrict and the income and resources generated by the Foundation support the efforts of the Subdistrict. Consequently, the Foundation is included as a blended component unit of the Subdistrict. The financial activity of the Foundation is presented as a separate enterprise fund and in a separate column in the accompanying basic financial statements to emphasize that it is legally separate from the Subdistrict. Separate financial statements of the Foundation are not prepared.

Basis Of Accounting

The Subdistrict and Foundation prepare their financial statements in accordance with accounting principles generally accepted in the United States of America for business-type activities, as prescribed by The Governmental Accounting Standards Board (GASB). Accordingly, the economic resource measurement focus and the accrual basis of accounting are used. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from nonexchange transactions (principally tax revenue from the Metropolitan Zoological Park and Museum District, grants and contributions) are recognized when all applicable eligibility requirements are met.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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Notes To Combined Financial Statements (*Continued*)

Business-type activities distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with business-type activities ongoing operations. Revenues from merchandise sales and admissions, proceeds from deaccessions of collections, and members' contributions are reported as operating revenues. All expenses related to operating the Subdistrict or Foundation are reported as operating expenses. Transactions which are capital, financing, or investing related are reported as nonoperating revenues and expenses in its own category in the Statement of Revenues, Expenses and Changes in the Net Position.

Revenue Recognition

The Subdistrict recognizes merchandise sales as revenue at the point of sale. The Subdistrict and Foundation recognize members' contributions as revenue when received.

Tax revenue from the Zoo-Museum District represents a continuous appropriation to the Subdistrict by the Zoo-Museum District. Accordingly, the Subdistrict recognizes support from the Zoo-Museum District based on an allocation of property taxes which are levied by the Zoo-Museum District, net of the Zoo-Museum District management fee and an allowance for uncollectible accounts.

The Subdistrict and Foundation recognize contributions, including contributions receivable due in future periods, when the contribution is received and all eligibility requirements, including time requirements, are met.

Cash And Cash Equivalents

For purposes of the statements of cash flows, cash and cash equivalents consist of cash on hand and in banks.

Investments

The Subdistrict and Foundation's investments are stated at fair value. Fair value of all debt and equity securities with a readily determinable fair value is based on quotations obtained from national securities exchanges.

The Subdistrict and Foundation invest in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

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

Notes To Combined Financial Statements (*Continued*)

Capital Assets

Capital assets of the Subdistrict are recorded at original cost or, if donated, at fair value at date of donation. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and building improvements need to increase the value of the building or asset. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years for furniture, fixtures, and equipment, 10 years for certain building improvements, and 30 to 75 years for buildings.

Prepaid Expenses

At December 31, 2014, prepaid expenses represent \$228,044 of payments to vendors for insurance costs and \$163,120 of other payments to vendors and contractors applicable to future accounting periods.

Inventory Held For Resale

Inventory held for resale by the Subdistrict's Museum Shop is stated at the lower of cost (determined on a first-in, first-out basis) or market.

Collections

The Subdistrict collects works of art representing many periods and cultures. The Subdistrict's collections, as permitted by accounting principles generally accepted in the United States of America, are not capitalized in the accompanying financial statements because they meet all of the following criteria:

- The collections are held for public exhibition.
- The collection is cataloged, preserved, and cared for, with activities verifying the existence and condition of the collection performed annually.
- The Subdistrict's collections' policy requires the proceeds from the sales of deaccessioned items, which are items removed from the collection, to be used to acquire other objects for the collections.

The Subdistrict preserves, collects and interprets the collection through curatorial research and educational outreach. The Subdistrict's curatorial, conservation, library and registrarial staff work to interpret and present the permanent collections in the historic galleries of the Beaux Art building and the new East Building.

Objects can be acquired, or accessioned, by purchase or by outright gift. Items acquired by outright gift are recorded as operating revenue and accessions of art for collections at their estimated fair value in the year of donation.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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Notes To Combined Financial Statements (*Continued*)

A summary of the Subdistrict's deaccessions and accessions for the year ended December 31, 2014 are as follows:

Accessions of art for collections:	
Value of objects acquired by gift	\$ 38,933,418
Purchase of accessions of art for collections	<u>989,032</u>
	<u>\$ 39,922,450</u>

Accrued Expenses

The Subdistrict's accrued expenses balance of as of December 31, 2014 represents \$545,008 of accrued salaries due to employees, \$69,754 of accrued contributions to the Employee Retirement System of the City of St. Louis, and \$511,789 of benefit time due to employees. Benefit time is granted to all full-time employees based on years of continuous service. No employee shall be allowed to exceed the maximum carryover of days, based on the employee's years of service, past December 31 of any given year without the written approval of the Director.

Other Liabilities

The Subdistrict's other liabilities as of December 31, 2014 represent \$1,665,002 of amounts due under deferred compensation plans, \$4,775 of withholdings from employees and \$55,000 of unearned income. Other liabilities for the Foundation include \$199,875 of unearned income.

Deferred Outflows Of Resources

In addition to assets, the statement of net position will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then.

Deferred Inflows Of Resources

In addition to liabilities, the statement of net position will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then.

Net Position

The Subdistrict and Foundation's net position is classified for financial reporting purposes in the following categories:

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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Notes To Combined Financial Statements (*Continued*)

Net investment in capital assets - This component of net position reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended bond proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.

Restricted - Expendable - This component of net position includes net position whose use by the Subdistrict or the Foundation is subject to externally imposed stipulations that can be fulfilled by actions of the Subdistrict or the Foundation.

Restricted - Nonexpendable - This component of net position includes amounts subject to externally imposed stipulations that the assets be maintained permanently by the Subdistrict or the Foundation. Such assets include the Subdistrict or the Foundation's permanent endowment fund. The current spending rate has been set at 4.5% of the trailing five-year (20 quarter) average account balance. If, due to market conditions or other issues, the Director and/or Controller deem it inadvisable to withdraw the entire 4.5% amount during any one year, they will have the authority to either take less than the 4.5%, or to withhold taking any withdrawal from the account during that year. The net amount of appreciation available for authorization of expenditure as of December 31, 2014 was \$2,368,202 and \$35,619,647 reported in restricted expendable net position of the Subdistrict and Foundation, respectively. Depending on the presence or absence of donor stipulations as to use, the amount harvested is recorded as a part of unrestricted or restricted - expendable net positions.

Unrestricted - For the Subdistrict, this component of net position includes net positions that are not subject to externally imposed stipulations. For the Foundation, this component of net position includes amounts that are for the support of the Subdistrict, but that are not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board of Commissioners of the Subdistrict or the Board of Directors of the Foundation. When an expense is incurred that can be paid using either restricted or unrestricted resources, the Subdistrict and the Foundation's policy is to first apply the expense toward restricted resources, and then toward unrestricted resources.

Estimates And Assumptions

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Subdistrict and Foundation 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.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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Notes To Combined Financial Statements (*Continued*)

Contributed Services

A substantial number of unpaid volunteers contribute services to the Subdistrict. The estimated value of this contributed time for the year ending December 31, 2014 is \$183,642. The value of contributed services is not reflected in the accompanying statement of revenues, expenses and changes in net position.

Federal Income Tax

The Subdistrict is exempt from federal income taxes under Sections 115(a) and 501(c)(3) of the Internal Revenue Code, except for any unrelated business income activities.

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income activities.

2. Investments

All investment decisions of the Subdistrict and Foundation are recommended by the Investment Committee, and made in accordance with the Investment Policy Statement adopted by the Subdistrict and the Foundation in May 2014.

Subdistrict

The Subdistrict's investments are maintained in accordance with state laws governing the investment of public funds; specifically those contained in Article 6, Section 23 of the Missouri Constitution. As such, the Subdistrict's investments consist of fixed income securities, specifically U.S. Treasury and U.S. Agency securities. The Subdistrict's Investment Committee has the responsibility of ensuring compliance with the existing investment policy, monitoring management's compliance with state laws, and recommending any changes to investment custodians, managers or changes to the policy.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The Subdistrict's investment policy provides that the Subdistrict's investment pool, excluding assets related to deferred compensation plans or which were donated, should consist entirely of fixed income securities, specifically U.S. Treasury and U.S. Agency securities, with maturity dates staggered over approximately a five-year maturity.

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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Notes To Combined Financial Statements (*Continued*)

As of December 31, 2014, the Subdistrict had the following investments and related maturities:

	Fair Value	Investment Maturities (In Years)			
		Less Than One	One To Five	Six To Ten	No Maturity
Investment type:					
U.S. Treasury	\$ 1,615,286	\$ 31,409	\$ 1,583,877	\$ —	\$ —
U.S. Agencies	12,875,551	3,248,403	9,388,763	238,385	—
Municipal bonds	61,153	—	—	61,153	—
Stocks	760,677	—	—	—	760,677
Mutual funds	276,946	—	—	—	276,946
Money market mutual funds	226,850	226,850	—	—	—
Total	\$ 15,816,463	\$ 3,506,662	\$ 10,972,640	\$ 299,538	\$ 1,037,623

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's.

The Subdistrict's investment policy requires the average credit quality of the portfolio be maintained at AA- or higher, as rated by Moody's and/or Standard and Poor's. The policy dictates that split-rated issues in which one of the ratings is below investment grade are not permissible.

The following table lists the credit quality ratings per Moody's and/or Standard and Poor's of the Subdistrict's investments as of December 31, 2014:

Investment type:	Fair Value	Quality Ratings		
		AA+	AA	Unrated
U.S. Treasury	\$ 1,615,286	\$ 1,615,286	\$ —	\$ —
U.S. Agencies	12,875,551	12,875,551	—	—
Municipal bonds	61,153	—	61,153	—
Stocks	760,677	—	—	760,677
Mutual funds	276,946	—	—	276,946
Money market mutual funds	226,850	—	—	226,850
Total	\$ 15,816,463	\$ 14,490,837	\$ 61,153	\$ 1,264,473

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Notes To Combined Financial Statements (*Continued*)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counter party to a transaction for investments or a bank failure for deposits, the Subdistrict will not be able to recover the value of the investments, collateral securities, or deposits that are in the possession of the counterparty or bank. The Subdistrict does not have a formal policy related to custodial credit risk of investments or deposits. At December 31, 2014, \$1,890 of the Subdistrict's bank balance of \$31,725,947 was uninsured and uncollateralized, and thus exposed to custodial credit risk.

Concentration Of Credit Risk

The Subdistrict's investment policy provides that the Subdistrict's investment pool, excluding assets related to deferred compensation plans or which were donated, should consist entirely of fixed income securities, specifically U.S. Treasury and U.S. Agency securities and corporate bonds.

At December 31, 2014, the Subdistrict held the following investments that, individually, were greater than 5% of the Subdistrict's total investments:

<u>Investment Type</u>	<u>Percentage</u>
U.S. Treasury	10.21
FFCB	12.64
FHLB	18.69
FHLMC	8.57
FICO	19.03
FNMA	22.49

Investments which include \$9,644,578 of certificates of deposit are reported in the Subdistrict's accompanying statement of net position as of December 31, 2014 as follows:

Current investments:	
Unrestricted	\$ 197,548
Restricted	3,788
Noncurrent investments:	
Unrestricted	18,466,625
Restricted	6,793,080
Total Investments	<u><u>\$ 25,461,041</u></u>

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Notes To Combined Financial Statements (*Continued*)

Foundation

The Foundation is incorporated as a Missouri not-for-profit organization organized under Chapter 355 of the Missouri revised Statutes, and as such, is not subject to the restrictions on investments of governmental subdivisions contained in Article 6, Section 23 of the Missouri Constitution. Specifically, not-for-profit corporations are not restricted under Missouri law from investing in corporate stock and similar investments.

Interest Rate Risk

Interest rate risk is the risk that the fair value of securities will be adversely affected by a change in interest rates. The Foundation's investment policy provides that the Foundation's investment pool may consist of fixed income securities with maturity dates not exceeding 10 years.

As of December 31, 2014, the Foundation had the following investments and maturities:

	Fair Value	Investment Maturities (In Years)				No Maturity
		Less Than One	One To Five	Six To Ten	More Than Ten	
Investment type:						
U.S. Treasury	\$ 2,192,584	\$ 1,179,966	\$ 237,575	\$ 775,043	\$ —	\$ —
U.S. Agencies	13,508,186	501,468	7,587,018	4,990,271	429,429	—
Corporate bonds	330,076	143,543	186,533	—	—	—
Taxable municipal bonds	8,605,070	456,504	4,039,490	3,988,673	120,403	—
Stocks	76,666	—	—	—	—	76,666
Mutual funds	107,127,998	—	—	—	—	107,127,998
Money market mutual funds	1,203,100	1,203,100	—	—	—	—
Other investments	10,707	—	—	—	—	10,707
Total	\$ 133,054,387	\$ 3,484,581	\$ 12,050,616	\$ 9,753,987	\$ 549,832	\$ 107,215,371

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Standard & Poor's and Moody's.

The Foundation's investment policy requires that the average credit quality of the portfolio of investments be maintained at AA or higher, and that corporate fixed income securities be limited to quality ratings of BBB or above, as rated by Moody's and/or Standard and Poor's. The policy dictates that split-rated issues in which one of the ratings is below investment grade are not permissible.

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Notes To Combined Financial Statements (*Continued*)

The following table lists the credit quality ratings per Moody's and/or Standard and Poor's of the Foundation's investments as of December 31, 2014:

Investment type:	Fair Value	Quality Ratings				
		AAA	AA+	AA	AA-	A+
U.S. Treasury	\$ 2,192,584	\$ —	\$ 2,192,584	\$ —	\$ —	\$ —
U.S. Agencies	13,508,186		13,471,987	—	—	112
Corporate bonds	330,076	—	143,543	—	—	—
Taxable municipal bonds	8,605,070	907,066	3,179,288	3,516,924	692,611	—
Stocks	76,666	—	—	—	—	—
Mutual funds	107,127,998	—	—	—	—	—
Money market mutual funds	1,203,100	—	—	—	—	—
Other investments	10,707	—	—	—	—	—
Total	\$ 133,054,387	\$ 907,066	\$ 18,987,402	\$ 3,516,924	\$ 692,611	\$ 112

Investment type:	Quality Ratings			
	A-	BBB	CC	Unrated
U.S. Treasury	\$ —	\$ —	\$ —	\$ —
U.S. Agencies	—	662	31,109	4,316
Corporate bonds	—	—	—	186,533
Taxable municipal bonds	309,181	—	—	—
Stocks	—	—	—	76,666
Mutual funds	—	—	—	107,127,998
Money market mutual funds	—	—	—	1,203,100
Other investments	—	—	—	10,707
Total	\$ 309,181	\$ 662	\$ 31,109	\$ 108,609,320

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction for investments or a bank failure for deposits, the Foundation will not be able to recover the value of the investments or collateral securities that are in the possession of the counterparty or bank. The Foundation does not have a formal policy related to custodial credit risk of investments or deposits. At December 31, 2014, \$5,384,828 of the Foundation's bank balance of \$18,343,749 was uninsured and uncollateralized, and thus exposed to custodial credit risk.

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Notes To Combined Financial Statements (*Continued*)

Concentration Of Credit Risk

The Foundation's Investment Policy includes an asset allocation policy, which includes the following target investment allocations with a permissible variance of +/-10%:

<u>Investment Type</u>	<u>Percentage</u>
Equity investments:	
Total market	11.50
Large capitalization value	16.00
Small capitalization value	11.00
Small capitalization market	7.00
REIT's	3.50
International	21.00
Fixed income investments	30.00
Total	100.00

At December 31, 2014, the Foundation held the following investments that, individually, were greater than 5% of the Foundation's total investments:

<u>Investment Type</u>	<u>Percentage</u>
FHLB	7.11
MF - Vanguard FTSE All World	8.40
MF - Vanguard Small Cap Index	8.13
MF - Vanguard Small Cap Value	12.75
MF - Vanguard Total Stock Mkt	13.42
MF - Vanguard Value Index	18.66
MF - Ishares MSCI Val Idx Fd	5.54
MF - Ishares Trust	9.47

Investments, which include \$12,060,835 of certificates of deposit, are reported in the Foundation's accompanying statement of net position as of December 31, 2014 as follows:

Current investments:	
Unrestricted	\$ 1,746,529
Restricted	76,068
Noncurrent investments:	
Unrestricted	61,567,678
Restricted	81,724,947
Total Investments	\$ 145,115,222

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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Notes To Combined Financial Statements (*Continued*)

3. Contributions Receivable

At December 31, 2014, the present value of the Subdistrict's contributions receivable is expected to be collected in the future as follows:

Year	Amount
2015	\$ 42,000
2016	25,000
2017	25,000
2018	25,000
	<hr/> 117,000
Less: Allowance for uncollectibility	1,170
Less: Unamortized discount	10,751
	<hr/>
	\$ 105,079

At December 31, 2014, the present value of the Foundation's contributions receivable are expected to be collected in the future as follows:

Year	Amount
2015	\$ 1,482,271
2016	22,653
2017	10,000
2018	8,283,173
	<hr/> 9,798,097
Less: Allowance for uncollectibility	15,149
Less: Unamortized discount	2,421
	<hr/>
	\$ 9,780,527

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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Notes To Combined Financial Statements (*Continued*)

4. Capital Assets

The following is a summary of changes in capital assets for the Subdistrict for the year ended December 31, 2014:

	Balance January 1, 2014	Additions And Reclassifications	Retirements And Reclassifications	Balance December 31, 2014
Capital assets not being depreciated:				
Construction in process	\$ —	\$ 1,589,809	\$ —	\$ 1,589,809
Capital assets being depreciated:				
Buildings and building improvements	168,000,659	—	—	168,000,659
Furniture, fixtures and equipment	3,513,089	145,769	—	3,658,858
Total capital assets being depreciated	171,513,748	145,769	—	171,659,517
Less accumulated depreciation for:				
Buildings and building improvements	(22,469,650)	(5,163,925)	—	(27,633,575)
Furniture, fixtures and equipment	(2,873,786)	(545,890)	—	(3,419,676)
Total accumulated depreciation	(25,343,436)	(5,709,815)	—	(31,053,251)
Total capital assets being depreciated, net	146,170,312	(5,564,046)	—	140,606,266
Capital assets, net	\$ 146,170,312	\$ (3,974,237)	\$ —	\$ 142,196,075

Depreciation expense for 2014 was allocated to the following functions of the Subdistrict:

Building operations and maintenance	\$ 5,457,487
Administration	228,869
Museum shop	23,459
	<u>\$ 5,709,815</u>

5. Tax Revenue From The Zoo-Museum District

Tax revenue from the Zoo-Museum District represents property tax revenues allocated to the Subdistrict from the following sources:

City of St. Louis, Missouri	\$ 3,575,624
St. Louis County, Missouri	17,605,745
	<u>\$ 21,181,369</u>

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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Notes To Combined Financial Statements (*Continued*)

6. Noncurrent Liabilities

During the year ended December 31, 2009, the Industrial Development Authority of the City of St. Louis, (the IDA) issued \$20,710,000 in Cultural Facilities Revenue Bonds (Series 2009A) with interest rates ranging from 2% to 5%. The bond proceeds were used to finance a portion of the costs of improvements to the Museum's existing 269,900 square foot facility, construction of an approximate 82,000 square foot expansion to the Museum's existing facility, and constructing an approximate 128,000 square foot, 300 space underground parking facility. The bonds are scheduled to mature on December 1, 2013 through December 1, 2040.

During the year ended December 31, 2009, the IDA also issued \$25,515,000 (Series 2009B) in Variable Rate Demand Cultural Facilities Revenue Bonds. The bond proceeds were used in conjunction with the Series 2009A bonds to finance the portion of the costs of improvements to the Museum's existing 269,900 square foot facility, construction of an approximate 82,000 square foot expansion to the Museum's existing facility, and constructing an approximate 128,000 square foot, 300 space underground parking facility. The bonds are scheduled to mature in 2040.

The bonds were issued pursuant to a Trust Indenture dated December 1, 2009 between the IDA and UMB Bank, N. A., as Bond Trustee. Under the terms of the Trust Indenture, the IDA assigned and pledged to the Trustee all of its interest in the Loan Agreement (except its rights to receive indemnification and reimbursement and certain other rights).

The Foundation entered into Loan Agreements with the IDA whereby the IDA loaned the Series 2009A and Series 2009B bond proceeds to the Foundation. In return, the Loan Agreement requires the Foundation to make payments on the loan in the amount of the interest and principal on the bonds. In order to provide revenues to the Foundation to make payments under the Loan Agreement, the Museum and Foundation entered into a Ground Lease, dated December 1, 2009, pursuant to which the Museum will lease certain of its real property, commonly known as the "South Wing" (the Leased Property) to the Foundation. The Foundation and the Museum entered into a Lease/Purchase Agreement, dated December 1, 2009, (the Lease) pursuant to which the Foundation will sublease the Leased Property to the Museum and the Museum agrees, subject to the availability of appropriations of funds therefore to pay Base Rentals (as defined in the Lease) in amounts sufficient for the Foundation to make the Loan Payments under the Loan Agreement.

Pursuant to these agreements, the capital assets and improvements are capitalized on the books of the Museum. Construction costs were funded by the transfer of funds from the Foundation to the Museum.

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Notes To Combined Financial Statements (*Continued*)

The Series 2009B bonds are secured by an irrevocable direct-pay letter of credit issued by U.S. Bank National Association (the Credit Bank) in favor of the Trustee pursuant to a Reimbursement Agreement, dated as of December 1, 2009 and amended September 1, 2012 among the Museum, the Foundation and the Credit Bank, and expires December 31, 2015. Under the terms of the letter of credit, the remarketing agent, J.P. Morgan Securities, Inc., is authorized to use their best efforts to sell the repurchased bonds at par value by adjusting the interest rate on a weekly basis.

Interest requirements for variable rate debt are calculated using the interest rate effective the last Wednesday of October plus 200 basis points. The interest rate is reset weekly based upon the Municipal Swap Index published by the Securities Industry and Financial Markets Association (SIFMA). The interest rate is determined by the Remarketing Agent as the lowest rate of interest, which, in the judgment of the Remarketing Agent, would cause the bonds to have a market value as of the date of determination equal to the principal amount of the bonds, taking into account prevailing market conditions; provided that in no event will the interest rate on the bonds exceed 10% per annum. The SIFMA rate and the rate set by the Remarketing Agent on the bonds at December 31, 2014 was 0.03% and 0.03%, respectively. In 2014, the Museum effected a \$20 million redemption of the variable rate debt payment.

The Series 2009 bonds subject the Foundation to certain restrictions and covenants including refraining from taking any action which causes the interest on the bonds to be includable in gross income for federal income tax purposes, maintaining a ratio of the Foundation's and Museum's unrestricted net assets to total outstanding indebtedness of at least 0.75 to 1, furnishing audited financial statements to the bank and other restrictions and covenants. The Foundation further covenants that it will maintain its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

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Notes To Combined Financial Statements (*Continued*)

Principal And Interest Requirements To Maturity

Obligations related to the cultural facilities revenue bonds are payable in varying amounts through 2040. Annual principal and interest requirements to maturity on the bonds as of December 31, 2014 are as follows:

Year Ending December 31,	Cultural Facilities Revenue Bonds	
	Principal	Interest
2015	\$ 100,000	\$ 952,975
2016	495,000	950,225
2017	505,000	935,375
2018	300,000	918,710
2019	535,000	908,210
2020-2024	3,005,000	4,211,045
2025-2029	3,700,000	3,513,090
2030-2034	4,660,000	2,557,275
2035-2039	5,940,000	1,270,525
2040	6,885,000	70,155
	\$ 26,125,000	\$ 16,287,585

The Series 2009B variable rate interest rate for purposes of the maturity schedule is assumed to be 0.03%. Bond interest paid in 2014 was \$951,320 and \$103,887 for 2009A and 2009B bonds, respectively. No bond interest was capitalized in 2014.

Following is a summary of the changes in noncurrent liabilities of the Subdistrict for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Other liabilities	\$ 1,578,188	\$ 4,683,636	\$ (4,537,047)	\$ 1,724,777	\$ 247,748

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Notes To Combined Financial Statements (*Continued*)

Following is a summary of the changes in noncurrent liabilities of the Foundation for the year ended December 31, 2014:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Revenue bonds:					
Series 2009A	\$ 20,610,000	\$ —	\$ —	\$ 20,610,000	\$ 100,000
Series 2009B	25,515,000	—	(20,000,000)	5,515,000	—
Obligations under split-interest agreements	515,822	78,833	(87,132)	507,523	86,691
				<u>26,632,523</u>	
	<u>\$ 46,640,822</u>	<u>\$ 78,833</u>	<u>\$ (20,087,132)</u>		<u>\$ 186,691</u>
Less:					
Unamortized discount on bonds				<u>(191,340)</u>	
Total Noncurrent Liabilities				<u>\$ 26,441,183</u>	

7. Operating Lease Commitment

In 2011, the Museum entered into an operating lease agreement for warehouse space which began February 2011 and ends January 31, 2016. The amount of base rent and additional rent for common areas is estimated at the maximum rate allowed under the contract. Property taxes owed for the rental space are proportionate to the square footage rented and utility costs are separately contracted by the Subdistrict. For the year ended December 31, 2014, the Subdistrict incurred operating lease expenses of \$82,778. The estimated annual lease payments including any additional rent and taxes due under the terms of the lease agreement are as follows.

Year	Amount
2015	\$ 104,331
2016	8,694
	<u>\$ 113,025</u>

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
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CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

8. Split-Interest Agreements

The Foundation administers gift annuities subject to obligations to pay fixed amounts periodically to the respective donor or designated beneficiaries during their lifetimes. Assets held under these split-interest agreements are included in investments and long-term investments. Contribution revenue is recorded at the inception date of each split-interest agreement, net of the related obligation under split-interest agreement, which is recorded at present value utilizing interest rates ranging between 4.5% and 12.6%, 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 the assets, accretion of the discount, and other changes in estimates of future benefits.

9. Retirement Plans

Pension Plan

The Subdistrict provides retirement benefits to substantially all regular employees through participation in the Employee Retirement System of the City of St. Louis (Employee Retirement System), a cost-sharing multiple-employer public defined benefit retirement plan. Responsibility for the operation and administration of the Employee Retirement System is vested with the Employee Retirement System's Board of Trustees.

The Employee Retirement System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employee Retirement System of the City of St. Louis; 1114 Market Street, Room 900; St. Louis, Missouri 63101.

The Employee Retirement System provides for defined benefit payments for retirement, death, or disability to eligible employees or their beneficiaries based upon creditable service, final average compensation, and a benefit compensation base. Benefits vest to employees covered by the Employee Retirement System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65, or if an employee's age and creditable service combined equal or exceed 85. Employees may retire and receive a reduced benefit after age 60 with five years of creditable service, age 55 with at least 20 years of creditable service, or any age with 30 years of creditable service.

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

Notes To Combined Financial Statements (*Continued*)

Contributions to the Employee Retirement System represent percentages of annual covered payroll sufficient to accumulate assets to pay benefits when due. Level percentages of payroll employer contribution rates are determined using the projected unit credit actuarial cost method. The Board of Trustees of the Employee Retirement System elected to require employer contributions at a rate of 15.12%, 15.54% and 14.27% of active member payroll effective July 2014, 2013 and 2012, respectively. Contributions to the Employee Retirement System, based upon the October 1, 2013 annual actuarial valuation using the projected unit credit method, were \$1,330,073, \$1,224,679, and \$1,030,932 for the years ended December 31, 2014, 2013 and 2012, respectively, which were equal to the required contributions each year. This amount was recorded to the appropriate functional expense line as a cost of operations in the accompanying Subdistrict's statement of revenues, expenses and changes in net position. There is no separately determined actuarial information with respect to the Sub-district's participation in the Employee Retirement System.

Deferred Compensation

The Subdistrict maintains deferred compensation plans for the purpose of providing deferred compensation to a select group of current and previous key employees. The plans require the Subdistrict to establish a Reserve Account and make annual distributions based upon terms of the deferred compensation agreements. The balance of the Reserve Accounts and the corresponding other liabilities accounts at December 31, 2014 was \$1,665,002.

10. Risk Management

The Subdistrict and the Foundation are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; theft of, damage to, and destruction of collections; errors and omissions; injuries to employees; and natural disasters. The Subdistrict and Foundation purchase commercial insurance for these risks of loss. Settled claims did not exceed commercial coverage in the past three years.