

REPORT OF
STATE HISTORICAL SOCIETY OF MISSOURI
JUNE 30, 2021

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
State Historical Society of Missouri

We have audited the accompanying financial statements of the State Historical Society of Missouri, which comprise the statement of financial position – modified cash basis as of June 30, 2021; the related statement of activities – modified cash basis, the statement of functional expenses – modified cash basis, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis statement of financial position of the State Historical Society of Missouri as of June 30, 2021, and the related statement of activities – modified cash basis in conformity with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describe the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Williams - Keepers LLC

February 4, 2022

STATE HISTORICAL SOCIETY OF MISSOURI

STATEMENT OF FINANCIAL POSITION - MODIFIED CASH BASIS

June 30, 2021

ASSETS

| | |
|---|----------------------------|
| Cash and cash equivalents | \$ 787,046 |
| Investments | 5,777,393 |
| Fixed assets, net of accumulated depreciation | 1,017,918 |
| Purchased collections | <u>418,237</u> |
| Total assets | <u><u>\$ 8,000,594</u></u> |

NET ASSETS

| | |
|--|----------------------------|
| Without donor restrictions: | |
| Board designated | 1,659,238 |
| Invested in fixed assets and purchased collections | 1,436,155 |
| Undesignated | <u>2,135,494</u> |
| Total without donor restrictions | <u>5,230,887</u> |
| With donor restrictions | <u>2,769,707</u> |
| Total net assets | <u><u>\$ 8,000,594</u></u> |

The notes to financial statements are an integral part of these statements.

STATE HISTORICAL SOCIETY OF MISSOURI

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|--------------|
| REVENUES | | | |
| Membership dues | \$ 119,009 | \$ - | \$ 119,009 |
| Donations and dedicated funds | 728,799 | 1,347,694 | 2,076,493 |
| Grants | 137,999 | - | 137,999 |
| Merchanise sales | 26,348 | - | 26,348 |
| Fees | 82,138 | - | 82,138 |
| Reimbursed expenses | 81,553 | - | 81,553 |
| Miscellaneous | 50,053 | - | 50,053 |
| Investment income | 715,096 | 33,067 | 748,163 |
| Total revenues | 1,940,995 | 1,380,761 | 3,321,756 |
| Net assets released from restrictions: | | | |
| For expenditures that met donors' restrictions | 34,346 | (34,346) | - |
| Total revenues and other support | 1,975,341 | 1,346,415 | 3,321,756 |
| EXPENSES | | | |
| Program | 927,551 | - | 927,551 |
| General and administrative | 198,320 | - | 198,320 |
| Total expenses | 1,125,871 | - | 1,125,871 |
| Change in net assets | 849,470 | 1,346,415 | 2,195,885 |
| Net assets, beginning of year | 4,381,417 | 1,423,292 | 5,804,709 |
| Net assets, end of year | \$ 5,230,887 | \$ 2,769,707 | \$ 8,000,594 |

The notes to financial statements are an integral part of these statements.

STATE HISTORICAL SOCIETY OF MISSOURI

STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS

For the Year Ended June 30, 2021

| | Program | General and Administrative | Total |
|---------------------------------------|-------------------|-------------------------------|---------------------|
| Professional development and services | \$ 327,803 | \$ 49,247 | \$ 377,050 |
| Depreciation | 177,186 | - | 177,186 |
| Purchases | 174,043 | 70,860 | 244,903 |
| Miscellaneous | 109,652 | 9,559 | 119,211 |
| Awards and fellowships | 44,515 | - | 44,515 |
| Accounting and legal | - | 36,413 | 36,413 |
| Printing | 32,862 | 3,389 | 36,251 |
| Supplies | 21,791 | (2,890) | 18,901 |
| Travel and meetings | 14,625 | 659 | 15,284 |
| Advertising | 9,954 | 861 | 10,815 |
| Information technology | 9,212 | 14,310 | 23,522 |
| Postage and shipping | 4,831 | 7,801 | 12,632 |
| Utilities | 1,040 | 4,103 | 5,143 |
| Bank fees | 37 | 4,008 | 4,045 |
| | <u>\$ 927,551</u> | <u>\$ 198,320</u> | <u>\$ 1,125,871</u> |

The notes to financial statements are an integral part of these statements.

STATE HISTORICAL SOCIETY OF MISSOURI

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities: The State Historical Society of Missouri (the Society) is a nonprofit organization established for the general purpose of collecting, preserving, publishing, exhibiting, and making available materials related to all aspects and periods of Missouri history. The Society is a trustee of the State of Missouri, and the state legislature appropriates funds based on annual budgets to offset operating expenses of the Society. The Society receives additional funding through donations, memberships, publications, seminars, fees, and grants.

Modified cash basis of accounting: Except for the modifications mentioned below, the financial statements of the Society have been prepared on the cash basis of accounting. Consequently, revenues are recognized when received rather than when earned and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. Accordingly, the accompanying financial statements are not intended to present the Society's financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. The modifications to the cash basis include the reporting of investments at fair value and the capitalization and depreciation of fixed assets.

Basis of presentation: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. These net assets may be used at the discretion of the Society's management and the Board of Trustees.

Net assets with donor restrictions: Net assets that are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are permanent in nature, where the donor stipulates that resources be maintained in perpetuity. Permanent restrictions are those donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Society. Such stipulations generally specify that the donor gifts are to be invested and that the earnings, or a portion thereof, are either unrestricted or donor restricted as to purpose or time period for use. Accordingly, the classification of such earnings as either unrestricted or donor restricted depends upon the presence or absence of such donor stipulations. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contribution revenue recognition: Contributions to the Society are recognized as revenues at their fair value in the period received and are considered available for the general mission of the Society unless specifically restricted by the donor. The Society recognizes gifts as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor's restriction expires, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that may be met in the same year in which the contributions, if any, are received are classified as contributions without donor restrictions.

Donated services: In accordance with the modified cash basis of accounting, the accompanying financial statements do not include the value of donated goods and services. A substantial number of volunteers donate significant amounts of time to the Society's projects, and the University of Missouri provides the Society with space, program, and administrative support. Management has not attempted to determine the value of these items.

Cash and cash equivalents: The Society maintains checking accounts at a financial institution which are insured by the Federal Deposit Insurance Corporation (FDIC). Depending upon the level of insurance in effect, these account balances periodically exceed the FDIC insurance limit. The Society considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for cash funds in the investment portfolio.

Investments: Investments in debt and equity securities are reported in the financial statements at fair value as of the end of the fiscal year. Fair value is determined by quoted market prices for securities listed on national exchanges or over-the-counter markets. Realized and unrealized gains and losses, along with investment income, net of fees, for net assets with and without donor restrictions, are reported as investment income (loss), net in the statement of activities. Investments which have been donated to the Society are recorded at fair value at the date of the gift.

Fixed assets: Fixed assets are recorded at cost if purchased or fair value if contributed. Assets with an original cost of more than \$1,000 are capitalized and depreciated over their estimated useful lives, ranging from 5-7 years, using the straight-line method. Depreciation expense of \$177,186 was recorded for the year ended June 30, 2021.

Purchased collections: Purchased artwork and historically significant items are recorded at historical cost, and donated items are recorded at assessed market value. Such collectibles are not depreciated. As of June 30, 2021, the Society had \$418,237 in purchased and donated collectables.

Income taxes: The Society is exempt from Federal income tax as an organization under Internal Revenue Code Section 501(c)(3). The Society is not a private foundation pursuant to Section 509(a) of the code.

Functional allocation of expenses: The costs of program and general and administrative expenses have been summarized on a functional basis in the statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited, primarily based on estimates of the Society staff's time spent on various activities.

Use of estimates: The preparation of financial statements in conformity with the modified cash basis of accounting which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. The primary estimates affecting the Society's financial statements are the valuation of investments and depreciable lives of fixed assets.

Subsequent events: Events that have occurred subsequent to June 30, 2021, have been evaluated through February 4, 2022, which represents the date the Society's financial statements were approved by management and therefore were available to be issued.

2. LIQUIDITY AND AVAILABILITY

The Society receives contributions with donor restrictions to be used in accordance with the associated purpose or time restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs, preserve and maintain collections, and for various other donor-directed purposes. The Society also receives gifts with no donor restrictions that the Society's Board of Trustees has designated for specific purposes. Donor restricted funds, perpetual endowments, and board designated net assets are not available for general expenditures.

General expenditures include administrative and general expenses, and grant and program commitments expected to be paid in the subsequent year. The Society's financial assets available within one year from June 30, 2021 to meet cash needs for general expenditures consists of the following:

| | |
|---|----------------------------|
| Cash and cash equivalents | \$ 787,046 |
| Investments | <u>5,777,393</u> |
| Total financial assets | 6,564,439 |
| Funds subject to donor-imposed restrictions | <u>(2,769,707)</u> |
| Net financial assets after donor-imposed restrictions | 3,794,732 |
| Other limitations: | |
| Board designated funds | (1,659,238) |
| Net financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 2,135,494</u></u> |

3. INVESTMENTS

The Society's investments are reported at fair value. The unrealized increase in market value during the year is reported in the statement of activities. The Society's policy is to include cash and cash equivalents held by the broker in a managed portfolio as investments. Investments consist of the following at June 30, 2021:

| | Cost or Donated Fair Value | Carrying Amount |
|--------------------|----------------------------------|----------------------------|
| Equity funds | \$ 2,064,064 | \$ 2,868,478 |
| Fixed income funds | 1,255,631 | 1,262,160 |
| Money market funds | 755,704 | 755,704 |
| Commodities | 514,410 | 520,427 |
| Mutual funds | <u>357,543</u> | <u>370,624</u> |
| Total investments | <u><u>\$ 4,947,352</u></u> | <u><u>\$ 5,777,393</u></u> |

Investment income consists of the following at June 30, 2021:

| | |
|---------------------------|-------------------|
| Interest income | \$ 77 |
| Dividends | 59,304 |
| Unrealized gains (losses) | 431,549 |
| Realized gains (losses) | 281,804 |
| Taxes and fees | <u>(24,570)</u> |
| Total investment income | <u>\$ 748,164</u> |

4. FAIR VALUE OF INVESTMENTS

A fair value hierarchy is used that prioritizes the inputs to valuation techniques used to measure fair value of balances that are required or permitted to be measured at fair value for reporting in financial statements. The hierarchy gives the highest priority to the unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to the unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

| | |
|---------|---|
| Level 1 | Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date. |
| Level 2 | Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals. |
| Level 3 | Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, because there is little, if any, related market activity. |

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The Society's assets measured at fair value at June 30, 2021, aggregated by the level in the fair value hierarchy within which those measurements fall, are as follows:

| | Total | Level 1 | Level 2 | Level 3 |
|-------------------------------------|---------------------|---------------------|-------------|-------------|
| Investments measured at fair value: | | | | |
| Equity funds: | | | | |
| Common stock | 1,267,524 | 1,267,524 | - | - |
| U.S. large-cap stocks | 501,256 | 501,256 | - | - |
| U.S. mid-cap stocks | 17,322 | 17,322 | - | - |
| U.S. small-cap stocks | 372,962 | 372,962 | - | - |
| Emerging market funds | 325,428 | 325,428 | - | - |
| International developed funds | 241,266 | 241,266 | - | - |
| Hedged equity funds | 142,720 | 142,720 | - | - |
| Total equity funds | 2,868,478 | 2,868,478 | - | - |
| Fixed income funds | 1,262,160 | 1,262,160 | - | - |
| Money market funds | 755,704 | 755,704 | - | - |
| Commodities | 520,427 | 520,427 | - | - |
| Mutual funds | 370,624 | 370,624 | - | - |
| Total investments | <u>\$ 5,777,393</u> | <u>\$ 5,777,393</u> | <u>\$ -</u> | <u>\$ -</u> |

5. FIXED ASSETS

The following is a schedule of fixed assets and accumulated depreciation at June 30, 2021:

| | |
|------------------------------------|---------------------|
| Furniture, fixtures, and equipment | 1,437,336 |
| Less: accumulated depreciation | <u>(419,418)</u> |
| Fixed assets, net | <u>\$ 1,017,918</u> |

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes at June 30, 2021:

| | |
|---------------------------------|---------------------|
| Miller Nichols expansion | \$ 2,599,523 |
| Bicentennial funds | 71,042 |
| Missouri Militia endowment | 42,717 |
| Burns endowment and income fund | 30,070 |
| Eagleton-Waters fund | 25,116 |
| Civil War endowment | <u>1,239</u> |
| | <u>\$ 2,769,707</u> |

Net assets of \$34,346 were released from donor restrictions by satisfying the restriction specified by the donors during the year ended June 31, 2021.

7. ENDOWMENT FUNDS

The Society's endowment at June 30, 2021, consists of three individual donor-restricted endowment funds established for a variety of purposes. Net assets associated with endowment funds are classified and reported in the financial statements based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

A version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is the law governing the management of donor-restricted endowment funds in Missouri. UPMIFA provides guidance for investment management and expenditure decisions related to endowment funds.

The Board of Trustees of the Society has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as described above is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation (depreciation) of investments
- (6) Other resources of the Society

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Society to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2021.

Return Objectives and Risk Parameters

The Society withdraws funds from the endowment assets in an attempt to provide a predictable stream of funding to programs supported by its endowment. Under this policy, the endowment assets are invested in a prudent manner through a broadly diversified approach, unless otherwise specified by the donor, that is intended to produce income to be used to carry out the purposes and objectives of the donor fund and the Society, as well as to allow growth within the endowment funds. The Society expects its endowment funds, over time, to provide an average rate of return that will meet or exceed investment costs, inflation, and spending.

Strategies Employed for Achieving Objectives

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

Endowment Financial Information

Changes in the endowment for the year ended June 30, 2021 was as follows:

| | |
|------------------------|------------------|
| Balance, June 30, 2020 | \$ 64,307 |
| Investment return, net | 789 |
| Contributions | 1,000 |
| Expenditures | - |
| Balance, June 30, 2021 | <u>\$ 66,096</u> |

8. BOARD DESIGNATIONS

The Board of Directors of SHSMO have designated net assets without donor restrictions for the following purposes as of June 30, 2021:

| | |
|-----------------------------|---------------------|
| Comprehensive campaign fund | \$ 1,347,293 |
| Brownlee fund | 269,599 |
| Neth fund | 6,919 |
| Teachers Award fund | 35,427 |
| Total | <u>\$ 1,659,238</u> |