
**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, 2019

SAINT LOUIS ART MUSEUM

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RubinBrown LLP
Certified Public Accountants &
Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

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 Combined 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 St. Louis Art Museum Foundation (the Foundation), as of and for the years ended December 31, 2019 and 2018, 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 Combined 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 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 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, 2019 and 2018, and the respective changes in its financial position and cash flows for the years 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 and the schedules of selected pension information, as listed in the table of contents, 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

March 27, 2020

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, 2019 And 2018

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 St. 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 years ended December 31, 2019 and 2018. However, the management's discussion and analysis does include comparisons to the year ended December 31, 2017.

The management's discussion and analysis of the Museum's and Foundation's financial performance provides an overview of the financial activities for the years ended December 31, 2019 and 2018. 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 7.27 cents, 7.77 cents and 7.68 cents for the years ended December 31, 2019, 2018 and 2017, respectively.
- Support from the Zoo-Museum District under the accrual basis method was \$24,191,107, \$22,876,522 and \$22,750,584 for the years ended December 31, 2019, 2018 and 2017, respectively.
- The Foundation provided support to the Subdistrict in the amount of \$7,345,331, \$8,028,871 and \$7,376,134 for the years ended December 31, 2019, 2018 and 2017, respectively.

Financial Statements

The Statement of Net Position includes the assets, liabilities, and net position as of December 31, 2019 and 2018. These statements are prepared under the accrual basis of accounting. The statements of revenues, expenses, and changes in net position presents the revenues earned and expenses incurred during each 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 criteria for presenting its financial statements as a government. 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.

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

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

(In Thousands)

	2019	2018	2017
Assets:			
Cash and cash equivalents	\$ 44,155	\$ 53,263	\$ 50,046
Due to the Subdistrict from the Zoo-Museum District	11,945	6,267	7,610
Investments	239,508	210,568	230,014
Receivables:			
Tax revenue from the Zoo-Museum District	13,636	13,104	13,610
Contributions	401	845	8,376
Interest and investment proceeds	245	235	265
Grants	64	96	84
Accounts	57	451	324
Prepaid expenses	675	143	939
Beneficial interest in trust held by others	—	66	78
Inventory held for resale	244	274	283
Capital assets, net	119,813	123,736	128,544
Total assets	430,743	409,048	440,173
Deferred outflows of resources	3,097	1,036	880
Liabilities:			
Current liabilities	2,995	6,385	7,038
Noncurrent liabilities	12,747	18,272	27,307
Total liabilities	15,742	24,657	34,345
Deferred inflows of resources	807	521	251
Net Position:			
Net investment in capital assets	119,813	114,106	109,574
Restricted	146,018	134,801	155,710
Unrestricted	151,459	135,999	141,173
Total net position	\$ 417,290	\$ 384,906	\$ 406,457

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

Analysis:

- Cash and cash equivalents decreased approximately \$9.1 million in 2019 primarily due to the early redemption of \$9,630,000 of the 2016 Series bond principal. The increase in 2018 is due to the receipt of \$3.6 million due to the timing of the cash draw from the Zoo-Museum District.
- Changes in the Investment balances are primarily the result of market value changes. In 2019, market value gains were \$27.6 million and in 2018 market value losses were \$19.4 million.
- Contributions receivable decreased \$400,000 in 2019 due to receipt of pledge payments. The \$7.5 million decrease from 2017 to 2018 is due to receipt of payment of a capital campaign pledge in a charitable remainder unitrust (CRUT) that matured in 2018.
- Prepaid expenses increased and decreased approximately \$532,000 and \$796,000, respectively, in 2019 and 2018, respectively, due to deposits and expenses related to insurance and the 2018 blockbuster exhibition, Sunken Cities.
- Noncurrent liabilities decreased over \$5.5 million and \$9 million, in 2019 and 2018, respectively, due to the early redemption of \$9,630,000 and \$8,495,000, respectively, of the 2016 Series bond principal. Current liabilities decreased \$3.4 million in 2019 due to payment of the 2016 Series bond principal and 2018 payable for the Friedrich painting.
- The increase in both restricted and unrestricted net position is primarily due to market value appreciation of endowment assets in 2019. The decrease in 2018 is due to market value depreciation of endowment assets.

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

Condensed Combined Schedule Of Changes In Net Position

(In Thousands)

	2019	2018	2017
Operating revenues:			
Merchandise sales and admissions	\$ 1,329	\$ 2,534	\$ 1,488
Members' contributions	3,929	4,074	3,617
Proceeds from deaccessions of collections	580	845	622
Contributions of art	5,764	5,528	3,493
Other earned revenue	1,283	3,046	2,787
Total operating revenues	12,885	16,027	12,007
Operating expenses:			
Program services	17,867	19,409	16,929
Gallery operations	13,826	14,801	13,967
Management and general	11,745	13,117	11,935
Fundraising	2,690	3,523	2,605
Total operating expenses	46,128	50,850	45,436
Non-operating revenue (expenses):			
Tax revenue from Zoo-Museum District	24,191	22,876	22,751
Contributions and bequests	4,551	3,255	2,016
Grants	101	96	130
Investment income (loss)	36,620	(13,022)	27,074
Bond interest expense	(22)	(299)	(358)
Total non-operating revenues	65,441	12,906	51,613
Capital contributions and bequests	1	204	5,873
Additions to permanent endowment	185	162	583
Increase (decrease) in net position	\$ 32,384	\$ (21,551)	\$ 24,640

Analysis:

- Merchandise sales and admissions decreased \$1.2 million compared to 2018 as a result of the Sunken Cities exhibition ending in 2018. The Museum offered a dedicated retail shop featuring exhibition merchandise. Both the exhibition ticket price and attendance exceeded current year results.
- Membership contributions decreased \$145,000 in 2019 consisting of a \$207,000 decrease in general membership offset by an increase of \$61,000 in upper-level membership. Membership contributions increased \$457,000 in 2018 consisting of a \$445,000 increase in general membership and \$12,000 in upper-level membership.
- Proceeds from deaccessions decreased in 2019 by \$265,000 and contributions of art increased \$236,000. In 2018, proceeds from deaccessions increased by \$223,000 and contributions of art increased \$2,035,000. Deaccessions and gifts of art fluctuate from year to year.

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

- Contributions and bequests increased in 2019 by \$1,295,000 due to receipt of a \$1,494,000 bequest. In 2018, contributions and bequests increased by \$1,239,000 due to corporate sponsorship for the Sunken Cities exhibition. Contributions and bequests fluctuate from year to year.
- Changes in Investment income are primarily driven by changes in market value. In 2019, market value increased \$50 million as compared to 2018, while 2018 market value decreased \$40 million as compared to 2017 results.
- Additions to the permanent endowment were higher in 2017 due to receipt of \$500,000 to create a new permanently endowed fund.
- The decrease in 2019 operating expenses is primarily due to exhibition loan fees and shipping expenses related to the 2018 Sunken Cities exhibition. The 2019 program expenses also include \$7.6 million for art purchases, a decrease of \$2.8 million, as compared to 2018. The 2018 program expenses also include \$10.4 million for art purchases, an increase of \$1.7 million, as compared to 2017.

Schedule Of Capital Assets, Net (Amounts Thousands)

	<u>2019</u>	2018	<u>2017</u>
Depreciable:			
Buildings and building improvements	\$ 119,766	\$ 123,630	\$ 128,352
Furniture, fixtures and equipment	47	106	192
Total capital assets	\$ 119,813	\$ 123,736	\$ 128,544

Analysis:

The Subdistrict invested \$119.8 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.

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. The bonds payable decreased by the amount of principal payments in the current year.

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, St. Louis Art Museum, One Fine Arts Drive, Forest Park, St. Louis, Missouri 63110-1380.

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

COMBINED STATEMENT OF NET POSITION

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December 31, 2019

	<u>Business-Type Activities</u>		
	<u>Museum</u>		
	<u>Subdistrict</u>	<u>Foundation</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents:			
Unrestricted	\$ 19,198,728	\$ 16,776,021	\$ 35,974,749
Restricted	3,425,416	4,754,968	8,180,384
Due from the Metropolitan Zoological Park and Museum District	11,944,835	—	11,944,835
Investments:			
Unrestricted	—	7,471,777	7,471,777
Restricted	—	818,984	818,984
Receivables:			
Tax revenue from the Metropolitan Zoological Park and Museum District, net of an allowance of \$661,434	13,635,761	—	13,635,761
Unrestricted contributions	—	64,845	64,845
Restricted contributions	—	297,000	297,000
Unrestricted interest and investment proceeds	29,995	96,400	126,395
Restricted interest and investment proceeds	11,665	106,843	118,508
Grants	62,914	1,335	64,249
Accounts:			
Unrestricted	56,975	—	56,975
Prepaid expenses	675,302	—	675,302
Inventory held for resale	243,814	—	243,814
Total Current Assets	49,285,405	30,388,173	79,673,578
Noncurrent Assets			
Receivables:			
Restricted contributions	—	39,600	39,600
Investments:			
Unrestricted	18,424,630	76,188,588	94,613,218
Restricted	6,484,815	130,118,725	136,603,540
Capital assets, net:			
Depreciable:			
Buildings and building improvements	119,766,198	—	119,766,198
Furniture, fixtures, and equipment	46,692	—	46,692
Total Noncurrent Assets	144,722,335	206,346,913	351,069,248
Total Assets	194,007,740	236,735,086	430,742,826
Deferred Outflows Of Resources			
Pension contributions	367,514	—	367,514
Difference between expected and actual earnings on pension investments	2,247,834	—	2,247,834
Difference between expected and actual experience - pension	22,627	—	22,627
Changes in proportionate share - pension	458,785	—	458,785
Total Deferred Outflows Of Resources	3,096,760	—	3,096,760

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

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December 31, 2019

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Museum Subdistrict</u>	<u>Foundation</u>	
Liabilities			
Current Liabilities			
Accounts payable	\$ 1,371,810	\$ 454	\$ 1,372,264
Accrued expenses	1,109,265	—	1,109,265
Obligations under split-interest agreements	—	57,341	57,341
Other liabilities	352,259	104,000	456,259
Total Current Liabilities	2,833,334	161,795	2,995,129
Noncurrent Liabilities			
Obligations under split-interest agreements	—	243,668	243,668
Net pension liability	10,353,911	—	10,353,911
Other liabilities	2,149,749	—	2,149,749
Total Noncurrent Liabilities	12,503,660	243,668	12,747,328
Total Liabilities	15,336,994	405,463	15,742,457
Deferred Inflows Of Resources			
Difference between expected and actual experience - pension	194,598	—	194,598
Difference between expected and actual earnings on pension investments	612,115	—	612,115
Total Deferred Inflows Of Resources	806,713	—	806,713
Net Position			
Net investment in capital assets	119,812,890	—	119,812,890
Restricted:			
Expendable:			
Art acquisition and other	5,241,307	60,679,263	65,920,570
Capital campaign	—	432,756	432,756
Nonexpendable:			
Endowment principal	4,680,589	74,984,501	79,665,090
Unrestricted	43,726,007	100,233,103	143,959,110
Unrestricted - board designated capital reserve	7,500,000	—	7,500,000
Total Net Position	\$ 180,960,793	\$ 236,329,623	\$ 417,290,416

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
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COMBINED STATEMENT OF NET POSITION

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December 31, 2018

	<u>Business-Type Activities</u>		
	<u>Museum</u>		<u>Total</u>
	<u>Subdistrict</u>	<u>Foundation</u>	
Assets			
Current Assets			
Cash and cash equivalents:			
Unrestricted	\$ 26,194,312	\$ 14,348,425	\$ 40,542,737
Restricted	3,142,015	9,578,070	12,720,085
Due from the Metropolitan Zoological Park and Museum District	6,267,474	—	6,267,474
Investments:			
Unrestricted	—	9,135,365	9,135,365
Restricted	—	822,960	822,960
Receivables:			
Tax revenue from the Metropolitan Zoological Park and Museum District, net of an allowance of \$715,152	13,103,876	—	13,103,876
Unrestricted contributions	—	404,323	404,323
Restricted contributions	—	400,950	400,950
Unrestricted interest and investment proceeds	32,917	87,192	120,109
Restricted interest and investment proceeds	11,775	102,867	114,642
Grants	95,904	—	95,904
Accounts:			
Unrestricted	450,537	—	450,537
Prepaid expenses	143,007	—	143,007
Beneficial interest in trust held by others	66,333	—	66,333
Inventory held for resale	274,255	—	274,255
Total Current Assets	49,782,405	34,880,152	84,662,557
Noncurrent Assets			
Receivables:			
Restricted contributions	—	39,600	39,600
Investments:			
Unrestricted	18,069,865	61,798,087	79,867,952
Restricted	6,474,798	114,267,176	120,741,974
Capital assets, net:			
Depreciable:			
Buildings and building improvements	123,629,593	—	123,629,593
Furniture, fixtures, and equipment	106,579	—	106,579
Total Noncurrent Assets	148,280,835	176,104,863	324,385,698
Total Assets	198,063,240	210,985,015	409,048,255
Deferred Outflows Of Resources			
Pension contributions	355,628	—	355,628
Difference between expected and actual earnings on pension investments	163,756	—	163,756
Changes in proportionate share - pension	517,077	—	517,077
Total Deferred Outflows Of Resources	1,036,461	—	1,036,461

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

Page 2 Of 2
December 31, 2018

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>Museum Subdistrict</u>	<u>Foundation</u>	
Liabilities			
Current Liabilities			
Bonds payable - due within one year	\$ —	\$ 1,085,000	\$ 1,085,000
Accounts payable	4,145,834	585	4,146,419
Accrued expenses	965,764	—	965,764
Obligations under split-interest agreements	—	75,919	75,919
Other liabilities	17,895	94,000	111,895
Total Current Liabilities	5,129,493	1,255,504	6,384,997
Noncurrent Liabilities			
Obligations under split-interest agreements	—	279,990	279,990
Net pension liability	7,614,931	—	7,614,931
Bonds payable due in more than one year	—	8,545,000	8,545,000
Other liabilities	1,832,772	—	1,832,772
Total Noncurrent Liabilities	9,447,703	8,824,990	18,272,693
Total Liabilities	14,577,196	10,080,494	24,657,690
Deferred Inflows Of Resources			
Difference between expected and actual experience - pension	454,789	—	454,789
Irrevocable split interest agreement	66,333	—	66,333
Total Deferred Inflows Of Resources	521,122	—	521,122
Net Position			
Net investment in capital assets	123,736,172	(9,630,000)	114,106,172
Restricted:			
Expendable:			
Art acquisition and other	4,947,999	43,170,129	48,118,128
Capital campaign	—	7,202,547	7,202,547
Nonexpendable:			
Endowment principal	4,680,589	74,799,347	79,479,936
Unrestricted	50,636,623	85,362,498	135,999,121
Total Net Position	\$ 184,001,383	\$ 200,904,521	\$ 384,905,904

**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, 2019**

	Business-Type Activities		
	Museum		Total
	Subdistrict	Foundation	
Operating Revenues			
Merchandise sales and admissions	\$ 1,325,091	\$ 3,965	\$ 1,329,056
Members' contributions	—	3,928,981	3,928,981
Proceeds from deaccessions of collections	579,920	—	579,920
Contributions of art	5,763,561	—	5,763,561
Other earned revenue	1,283,660	—	1,283,660
Total Operating Revenues	8,952,232	3,932,946	12,885,178
Operating Expenses			
Program services:			
Curatorial and conservation	3,983,644	—	3,983,644
Exhibitions	4,617,905	—	4,617,905
Education and library	1,627,000	—	1,627,000
Accessions of art for collections	7,637,858	—	7,637,858
Gallery operations:			
Building operations and maintenance	10,432,335	—	10,432,335
Protective services	3,394,138	—	3,394,138
Management and general:			
Administration	10,565,738	259,437	10,825,175
Museum shop	919,668	—	919,668
Fundraising:			
Development	2,690,331	—	2,690,331
Total Operating Expenses	45,868,617	259,437	46,128,054
Operating Income (Loss)	(36,916,385)	3,673,509	(33,242,876)
Nonoperating Revenues (Expenses)			
Tax revenue from the Metropolitan Zoological Park and Museum District	24,191,107	—	24,191,107
Contributions and bequests	919,788	3,630,847	4,550,635
Grants	94,372	6,675	101,047
Investment income (loss)	1,347,713	35,269,522	36,617,235
Change in value of split-interest agreements	—	3,226	3,226
Interest expense	(22,516)	—	(22,516)
Payments from the Foundation (payments to the Subdistrict)	7,345,331	(7,345,331)	—
Total Nonoperating Revenues (Expenses)	33,875,795	31,564,939	65,440,734
Income (Loss) Before Capital Contributions And Bequests And Additions To Permanent Endowment	(3,040,590)	35,238,448	32,197,858
Capital Contributions And Bequests	—	1,500	1,500
Additions To Permanent Endowment	—	185,154	185,154
Increase (Decrease) In Net Position	(3,040,590)	35,425,102	32,384,512
Net Position - Beginning Of Year	184,001,383	200,904,521	384,905,904
Net Position - End Of Year	\$ 180,960,793	\$ 236,329,623	\$ 417,290,416

**ART MUSEUM SUBDISTRICT OF THE METROPOLITAN
ZOOLOGICAL PARK AND MUSEUM DISTRICT OF THE
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**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For The Year Ended December 31, 2018**

	Business-Type Activities		
	Museum		Total
	Subdistrict	Foundation	
Operating Revenues			
Merchandise sales and admissions	\$ 2,505,324	\$ 28,386	\$ 2,533,710
Members' contributions	—	4,074,096	4,074,096
Proceeds from deaccessions of collections	845,440	—	845,440
Contributions of art	5,527,707	—	5,527,707
Other earned revenue	3,046,451	19	3,046,470
Total Operating Revenues	11,924,922	4,102,501	16,027,423
Operating Expenses			
Program services:			
Curatorial and conservation	4,109,006	—	4,109,006
Exhibitions	3,291,600	—	3,291,600
Education and library	1,565,079	—	1,565,079
Accessions of art for collections	10,443,531	—	10,443,531
Gallery operations:			
Building operations and maintenance	11,494,090	—	11,494,090
Protective services	3,307,411	—	3,307,411
Management and general:			
Administration	11,820,260	190,649	12,010,909
Museum shop	1,105,667	—	1,105,667
Fundraising:			
Development	3,130,936	391,723	3,522,659
Total Operating Expenses	50,267,580	582,372	50,849,952
Operating Income (Loss)	(38,342,658)	3,520,129	(34,822,529)
Nonoperating Revenues (Expenses)			
Tax revenue from the Metropolitan Zoological Park and Museum District	22,876,522	—	22,876,522
Contributions and bequests	943,089	2,311,891	3,254,980
Grants	95,904	—	95,904
Investment income	282,859	(13,292,830)	(13,009,971)
Change in value of split-interest agreements	—	(12,357)	(12,357)
Interest expense	(298,999)	—	(298,999)
Payments from the Foundation (payments to the Subdistrict)	8,028,871	(8,028,871)	—
Total Nonoperating Revenues (Expenses)	31,928,246	(19,022,167)	12,906,079
Loss Before Capital Contributions And Bequests And Additions To Permanent Endowment	(6,414,412)	(15,502,038)	(21,916,450)
Capital Contributions And Bequests	—	204,176	204,176
Additions To Permanent Endowment	50,100	111,504	161,604
Decrease In Net Position	(6,364,312)	(15,186,358)	(21,550,670)
Net Position - Beginning of Year	190,365,695	216,090,879	406,456,574
Net Position - End Of Year	\$ 184,001,383	\$ 200,904,521	\$ 384,905,904

**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, 2019**

	<u>Business-Type Activities</u>		
	<u>Museum</u>		
	<u>Subdistrict</u>	<u>Foundation</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from patrons	\$ 1,015,230	\$ 3,922,946	\$ 4,938,176
Receipts from deaccessions of collections	579,920	—	579,920
Other operating cash receipts	1,677,222	—	1,677,222
Payments to suppliers of goods and services	(19,046,062)	(162,744)	(19,208,806)
Payments to employees	(16,788,200)	—	(16,788,200)
Net Cash Provided By (Used In) Operating Activities	(32,561,890)	3,760,202	(28,801,688)
Cash Flows From Noncapital Financing Activities			
Cash collections of support from Zoo Museum District	18,001,004	—	18,001,004
Payments to (from) the Foundation	7,345,331	(7,345,331)	—
Proceeds from contributions	919,788	3,739,176	4,658,964
Investment subject to split-interest agreements	—	11,149	11,149
Net payments for split-interest agreements	—	(66,049)	(66,049)
Net Cash Provided By (Used In) Noncapital Financing Activities	26,266,123	(3,661,055)	22,605,068
Cash Flows From Investing Activities			
Purchase of investments	(5,675,134)	(13,234,105)	(18,909,239)
Investment income	457,515	5,185,899	5,643,414
Proceeds from sale of investments	6,190,826	14,733,284	20,924,110
Net Cash Provided By Investing Activities	973,207	6,685,078	7,658,285
Cash Flows From Capital And Related Financing Activities			
Cash collections of grant support	127,361	5,341	132,702
Proceeds from capital contributions	—	444,928	444,928
Payments on bonds payable	—	(9,630,000)	(9,630,000)
Interest paid	(22,516)	—	(22,516)
Purchase of property and equipment	(1,494,468)	—	(1,494,468)
Net Cash Used In Capital And Related Financing Activities	(1,389,623)	(9,179,731)	(10,569,354)
Net Decrease In Cash And Cash Equivalents	(6,712,183)	(2,395,506)	(9,107,689)
Cash And Cash Equivalents - Beginning Of Year	29,336,327	23,926,495	53,262,822
Cash And Cash Equivalents - End Of Year	\$ 22,624,144	\$ 21,530,989	\$ 44,155,133
Reconciliation Of Operating Income (Loss) To			
Net Cash From Operating Activities			
Operating income (loss)	\$ (36,916,385)	\$ 3,673,509	\$ (33,242,876)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	5,666,497	—	5,666,497
Write off of contributions receivable	—	76,824	76,824
Provision for uncollectible taxes	(6,387)	—	(6,387)
Changes in assets and liabilities:			
Accounts receivable	393,562	—	393,562
Prepaid expenses	(532,295)	—	(532,295)
Inventory held for resale	30,441	—	30,441
Accounts payable	(3,022,769)	(131)	(3,022,900)
Accrued expenses	143,501	—	143,501
Net pension liability	1,030,604	—	1,030,604
Other liabilities	651,341	10,000	661,341
Total adjustments	4,354,495	86,693	4,441,188
Net Cash Provided By (Used In) Operating Activities	\$ (32,561,890)	\$ 3,760,202	\$ (28,801,688)
Supplemental Disclosure Of Cash Flow Information			
Accounts payable incurred for capital asset purchases	\$ 358,622	\$ —	\$ 358,622
Unrealized gain (loss) on investments	892,946	26,698,751	27,591,697

**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, 2018**

	<u>Business-Type Activities</u>		
	<u>Museum</u>		
	<u>Subdistrict</u>	<u>Foundation</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from patrons	\$ 2,223,171	\$ 4,048,982	\$ 6,272,153
Receipts from deaccessions of collections	845,440	—	845,440
Other operating cash receipts	2,919,910	19	2,919,929
Payments to suppliers of goods and services	(19,380,001)	(1,290,309)	(20,670,310)
Payments to employees	(17,282,230)	—	(17,282,230)
Net Cash Provided By (Used In) Operating Activities	(30,673,710)	2,758,692	(27,915,018)
Cash Flows From Noncapital Financing Activities			
Cash collections of support from Zoo Museum District	24,591,724	—	24,591,724
Payments to (from) the Foundation	8,028,871	(8,028,871)	—
Proceeds from contributions	1,017,939	2,031,672	3,049,611
Investment subject to split-interest agreements	—	23,289	23,289
Net payments for split-interest agreements	—	(72,996)	(72,996)
Net Cash Provided By (Used In) Noncapital Financing Activities	33,638,534	(6,046,906)	27,591,628
Cash Flows From Investing Activities			
Purchase of investments	(6,016,623)	(34,558,272)	(40,574,895)
Investment income	274,719	4,702,477	4,977,196
Proceeds from sale of investments	6,544,582	35,506,691	42,051,273
Net Cash Provided By Investing Activities	802,678	5,650,896	6,453,574
Cash Flows From Capital And Related Financing Activities			
Cash collections of grant support	84,434	—	84,434
Proceeds from capital contributions	—	7,710,428	7,710,428
Payments on bonds payable	—	(9,340,000)	(9,340,000)
Interest paid	(298,997)	—	(298,997)
Purchase of property and equipment	(1,069,163)	—	(1,069,163)
Net Cash Used In Capital And Related Financing Activities	(1,283,726)	(1,629,572)	(2,913,298)
Net Increase In Cash And Cash Equivalents	2,483,776	733,110	3,216,886
Cash And Cash Equivalents - Beginning Of Year	26,852,551	23,193,385	50,045,936
Cash And Cash Equivalents - End Of Year	\$ 29,336,327	\$ 23,926,495	\$ 53,262,822
Reconciliation Of Operating Income (Loss) To			
Net Cash From Operating Activities			
Operating income (loss)	\$ (38,342,658)	\$ 3,520,129	\$ (34,822,529)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	5,522,662	—	5,522,662
Write off of contributions receivable	—	391,723	391,723
Provision for uncollectible taxes	133,162	—	133,162
Changes in assets and liabilities:			
Accounts receivable	(126,541)	—	(126,541)
Prepaid expenses	795,884	—	795,884
Inventory held for resale	8,694	—	8,694
Accounts payable	1,052,188	(1,099,660)	(47,472)
Accrued expenses	41,841	—	41,841
Net pension liability	432,893	—	432,893
Other liabilities	(191,835)	(53,500)	(245,335)
Total adjustments	7,668,948	(761,437)	6,907,511
Net Cash Provided By (Used In) Operating Activities	\$ (30,673,710)	\$ 2,758,692	\$ (27,915,018)
Supplemental Disclosure Of Cash Flow Information			
Accounts payable incurred for capital asset purchases	\$ 109,875	\$ —	\$ 109,875
Unrealized gain (loss) on investments	(364,080)	(28,719,425)	(29,083,505)

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, 2019 And 2018

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 Subdistrict by the Zoo-Museum District. The Subdistrict 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 St. 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 Zoo-Museum District, grants and contributions) are recognized when all applicable eligibility requirements are met.

**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*)

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 position.

**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*)

Fair Value Measurements

The Subdistrict and Foundation categorize its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Capital Assets

Capital assets of the Subdistrict are recorded at original cost or, if donated, at acquisition 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, 2019, prepaid expenses represent \$595,515 of payments to vendors for insurance costs and \$79,787 for exhibition deposits.

At December 31, 2018, prepaid expenses represent \$105,281 of payments to vendors for insurance costs and \$37,726 for exhibition deposits.

Inventory Held For Resale

Inventory held for resale by the Subdistrict's Museum Shop is stated at the lower of cost or net realizable value, with cost being determined using the first-in, first-out method.

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 East Building.

**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*)

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 acquisition value in the year of donation.

A summary of the Subdistrict's accessions for the years ended December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Accessions of art for collections:		
Value of objects acquired by gift	\$ 5,763,561	\$ 5,527,707
Purchase of accessions of art for collections	1,874,297	4,915,824
	<u>\$ 7,637,858</u>	<u>\$ 10,443,531</u>

Accrued Expenses

The Subdistrict's accrued expenses balance of as of December 31, 2019 and 2018 represents \$396,936 and \$331,933, respectively, of accrued salaries due to employees, \$42,288 and \$35,078, respectively, of accrued contributions to the Employee Retirement System of the City of St. Louis, and \$670,041 and \$598,753, respectively, 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, 2019 and 2018 represent \$2,149,749 and \$1,832,772, respectively, of amounts due under deferred compensation plans, \$1,440 and \$7,595, respectively, of withholdings from employees and \$350,819 and \$10,300, respectively, of unearned income to be recognized in future periods. The Foundation's other liabilities as of December 31, 2019 and 2018 represent \$104,000 and \$94,300, respectively, of unearned income to be recognized in future periods.

Deferred Outflows Of Resources

In addition to assets, the statement of net position includes 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 outflows of resources include pension-related deferrals required by GASB Statement No. 68.

**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*)

Deferred Inflows Of Resources

In addition to liabilities, the statement of net position includes 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. Deferred inflows of resources include pension-related deferrals required by GASB Statement No. 68 and irrevocable split interest agreements required by GASB Statement No. 81.

Pensions

Pension-related expenses, liabilities, deferred outflows of resources and deferred inflows of resources have been determined on the same bases as they are reported by the Employees Retirement System of the City of St. Louis (the System). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

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, 2019 and 2018 was \$1,832,670 and \$1,811,811, respectively, reported in restricted expendable net position of the Subdistrict. The net amount of appreciation available for authorization of expenditure as of December 31, 2019 and 2018 was \$56,060,051 and \$40,393,656, respectively, reported in restricted expendable net position of the Foundation. 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.

**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*)

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 assigned 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.

Assigned - For the Subdistrict, this component of net position includes amounts constrained for a specific purpose by a governing board or by a committee or official that has been delegated authority from the governing body to assign amounts. By adopted Board policy, assignments are made by the Board of Commissioners.

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.

In December 2019, a new strain of the coronavirus (COVID-19) spread through China as well as other countries worldwide including the United States. The impact of the virus varies from region to region and from day to day but any significant additional spreading of the virus could adversely affect the Subdistrict and Foundation's operations. To date, COVID-19 has not caused significant disruption in the Subdistrict or Foundation's operations. However, the outbreak of the COVID-19 virus is likely to have a further negative impact in 2020 on the global economy, and in the future, might affect the day-to-day operations. Given the dynamic nature of this outbreak, however, the extent to which the COVID-19 virus will impact the Subdistrict and the Foundation's financial results will depend on future developments, which remain highly uncertain and cannot be predicted at this time.

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, 2019 and 2018 is \$171,886 and \$84,310, respectively. The value of contributed services is not reflected in the accompanying statement of revenues, expenses and changes in net position.

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

Notes To Combined Financial Statements (*Continued*)

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 and amended December 12, 2016.

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, excluding assets related to deferred compensation plan or which were donated, consist of fixed income securities, specifically municipal bonds, 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, 2019 and 2018, the Subdistrict had the following investments and related maturities:

	Fair Value	Investment Maturities (In Years)		
		Less Than One	One To Five	No Maturity
December 31, 2019				
Investment type:				
U.S. Treasury	\$ 9,447,965	\$ 2,430,440	\$ 7,017,525	\$ —
U.S. Agencies	2,307,225	2,216,281	90,944	—
Municipal bonds	1,088,203	—	1,088,203	—
Mutual funds	2,299,381	—	—	2,299,381
Total	\$ 15,142,774	\$ 4,646,721	\$ 8,196,672	\$ 2,299,381
December 31, 2018				
Investment type:				
U.S. Treasury	\$ 8,884,975	\$ 1,413,959	\$ 7,471,016	\$ —
U.S. Agencies	2,987,806	792,376	2,195,430	—
Mutual funds	1,829,733	—	—	1,829,733
Total	\$ 13,702,514	\$ 2,206,335	\$ 9,666,446	\$ 1,829,733

As of December 31, 2019 and 2018, the Subdistrict had the following recurring fair value measurements:

	Fair Value	Fair Value Measurements	
		Level 1	Level 2
December 31, 2019			
Investment type:			
U.S. Treasury	\$ 9,447,965	\$ 9,447,965	\$ —
U.S. Agencies	2,307,225	2,307,225	—
Municipal bonds	1,088,203	—	1,088,203
Mutual funds	2,299,381	2,299,381	—
Total	\$ 15,142,774	\$ 14,054,571	\$ 1,088,203
December 31, 2018			
Investment type:			
U.S. Treasury	\$ 8,884,975	\$ 8,884,975	\$ —
U.S. Agencies	2,987,806	2,987,806	—
Mutual funds	1,829,733	1,829,733	—
Total	\$ 13,702,514	\$ 13,702,514	\$ —

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

Notes To Combined Financial Statements (*Continued*)

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, 2019 and 2018:

	Fair Value	Quality Ratings	
		AA+	Unrated
December 31, 2019			
Investment type:			
U.S. Treasury	\$ 9,447,965	\$ 9,447,965	\$ —
U.S. Agencies	2,307,225	2,307,225	—
Municipal bonds	1,088,203	1,088,203	—
Mutual funds	2,299,381	—	2,299,381
Total	\$ 15,142,774	\$ 12,843,393	\$ 2,299,381
December 31, 2018			
Investment type:			
U.S. Treasury	\$ 8,884,975	\$ 8,884,975	\$ —
U.S. Agencies	2,987,806	2,987,806	—
Mutual funds	1,829,733	—	1,829,733
Total	\$ 13,702,514	\$ 11,872,781	\$ 1,829,733

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 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. Protection of the Subdistrict's deposits is provided by the Federal Deposit Insurance Corporation and by eligible securities pledged by the financial institutions. At December 31, 2019, \$11,284 of the Museum's bank balance was uninsured and uncollateralized, and thus exposed to custodial credit risk. At December 31, 2018, no amounts were uninsured and uncollateralized.

**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*)

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, 2019 and 2018, the Subdistrict held the following investments that, individually, were greater than 5% of the Subdistrict's total investments:

Investment Type	2019	2018
U.S. Treasury	62.39%	64.79%
Federal Home Loan Banks	3.61%	7.72%
Mutual Funds	15.18%	13.35%
Fannie Mae	8.29%	9.00%
	100%	100%

Investments, which include \$9,766,671 and \$10,842,149 of certificates of deposit, are reported in the Subdistrict's accompanying statement of net position as of December 31, 2019 and 2018, respectively, as follows:

	2019	2018
Noncurrent investments:		
Unrestricted	\$ 18,424,630	\$ 18,069,865
Restricted	6,484,815	6,474,798
Total Investments	\$ 24,909,445	\$ 24,544,663

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.

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

As of December 31, 2019 and 2018, 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		
December 31, 2019						
Investment type:						
U.S. Treasury	\$ 9,029,918	\$ 1,336,836	\$ 5,367,860	\$ 2,325,222	\$	—
U.S. Agencies	31,374	—	31,374	—		—
Taxable municipal bonds	22,876,597	537,731	17,020,769	5,318,097		—
Mutual funds	157,644,721	—	—	—		157,644,721
Other investments	5,682	—	—	—		5,682
Total	\$ 189,588,292	\$ 1,874,567	\$ 22,420,003	\$ 7,643,319	\$	157,650,403
December 31, 2018						
Investment type:						
U.S. Treasury	\$ 8,523,047	\$ 739,453	\$ 4,474,994	\$ 3,308,600	\$	—
U.S. Agencies	130,725	98,984	31,741	—		—
Corporate bonds	186,066	186,066	—	—		—
Taxable municipal bonds	19,123,283	931,245	12,651,249	5,540,789		—
Mutual funds	134,431,618	—	—	—		134,431,618
Other investments	3,732	—	—	—		3,732
Total	\$ 162,398,471	\$ 1,955,748	\$ 17,157,984	\$ 8,849,389	\$	134,435,350

As of December 31, 2019 and 2018, the Foundation has the following recurring fair value measurements:

	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Not Applicable
December 31, 2019				
Investment type:				
U.S. Treasury	\$ 9,029,918	\$ 9,029,918	\$ —	\$ —
U.S. Agencies	31,374	31,374	—	—
Taxable municipal bonds	22,876,597	—	22,876,597	—
Mutual funds	157,644,721	157,644,721	—	—
Other investments	5,682	—	—	5,682
Total	\$ 189,588,292	\$ 166,706,013	\$ 22,876,597	\$ 5,682
December 31, 2018				
Investment type:				
U.S. Treasury	\$ 8,523,047	\$ 8,523,047	\$ —	\$ —
U.S. Agencies	130,725	130,725	—	—
Corporate bonds	186,066	186,066	—	—
Taxable municipal bonds	19,123,283	—	19,123,283	—
Mutual funds	134,431,618	134,431,618	—	—
Other investments	3,732	—	—	3,732
Total	\$ 162,398,471	\$ 143,271,456	\$ 19,123,283	\$ 3,732

**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*)

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.

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, 2019 and 2018:

	Fair Value	Quality Ratings				
		AAA	AA+	AA	AA-	Unrated
December 31, 2019						
Investment type:						
U.S. Treasury	\$ 9,029,918	\$ —	\$ —	\$ 9,029,918	\$ —	\$ —
U.S. Agencies	31,374	—	31,374	—	—	—
Taxable municipal bonds	22,876,597	3,400,988	2,766,412	7,576,281	1,709,170	7,423,746
Mutual funds	157,644,721	—	—	—	—	157,644,721
Other investments	5,682	—	—	—	—	5,682
Total	\$ 189,588,292	\$ 3,400,988	\$ 2,797,786	\$ 16,606,199	\$ 1,709,170	\$ 165,074,149
December 31, 2018						
Investment type:						
U.S. Treasury	\$ 8,523,047	\$ —	\$ —	\$ 8,523,047	\$ —	\$ —
U.S. Agencies	130,725	—	130,725	—	—	—
Corporate bonds	186,066	—	186,066	—	—	—
Taxable municipal bonds	19,123,283	2,921,238	3,297,312	5,801,283	1,467,031	5,636,419
Mutual funds	134,431,618	—	—	—	—	134,431,618
Other investments	3,732	—	—	—	—	3,732
Total	\$ 162,398,471	\$ 2,921,238	\$ 3,614,103	\$ 14,324,330	\$ 1,467,031	\$ 140,071,769

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, 2019 and 2018, \$12,708,072 and \$10,458,343, respectively, of the Foundation's bank balance 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 as of December 31, 2019 and 2018 includes an asset allocation policy, which includes the following target investment allocations with a permissible variance of +/-10%:

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	<u>30.00%</u>
 Total	 <u><u>100.00%</u></u>

At December 31, 2019 and 2018, the Foundation held the following investments that, individually, were greater than 5% of the Foundation's total investments:

	<u>2019</u>	<u>2018</u>
U.S. Treasury Securities	4.77%	5.24%
MF - Vanguard FTSE All World	8.78%	9.42%
MF - Vanguard Small Cap Index	8.21%	8.01%
MF - Vanguard Small Cap Value	12.58%	12.81%
MF - Vanguard Total Stock Market	14.28%	13.56%
MF - Vanguard Value Index	19.28%	18.95%
MF - Ishares MSCI EAFE Small Cap	10.20%	9.91%
MF - Ishares MSCI EAFE Value	5.65%	5.68%

Investments, which include \$25,009,782 and \$23,625,117 of certificates of deposit, are reported in the Foundation's accompanying statement of net position as of December 31, 2019 and 2018, respectively, as follows:

	<u>2019</u>	<u>2018</u>
Current investments:		
Unrestricted	\$ 7,471,777	\$ 9,135,365
Restricted	818,984	822,960
Noncurrent investments:		
Unrestricted	76,188,588	61,798,087
Restricted	130,118,725	114,267,176
 Total Investments	 <u>\$ 214,598,074</u>	 <u>\$ 186,023,588</u>

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

3. Contributions Receivable

At December 31, 2019, the Foundation's contributions receivable are expected to be collected in the following year. An allowance for uncollectible amounts is reported for the years ending December 31, 2019 and 2018, of \$4,055 and \$8,561, respectively.

4. Capital Assets

The following is a summary of changes in capital assets for the Subdistrict for the year ended December 31, 2019:

	Balance January 1, 2019	Additions And Reclassifications	Retirements And Reclassifications	Balance December 31, 2019
Capital assets being depreciated:				
Buildings and building improvements	\$ 172,498,438	\$ 1,696,484	\$ —	\$ 174,194,922
Furniture, fixtures and equipment	3,192,855	46,731	(112,044)	3,127,542
Total capital assets being depreciated	175,691,293	1,743,215	(112,044)	177,322,464
Less accumulated depreciation for:				
Buildings and building improvements	(48,868,844)	(5,559,880)	—	(54,428,724)
Furniture, fixtures and equipment	(3,086,277)	(106,617)	112,044	(3,080,850)
Total accumulated depreciation	(51,955,121)	(5,666,497)	112,044	(57,509,574)
Total capital assets being depreciated, net	123,736,172	(3,923,282)	—	119,812,890
Capital assets, net	\$ 123,736,172	\$ (3,923,282)	\$ —	\$ 119,812,890

The following is a summary of changes in capital assets for the Subdistrict for the year ended December 31, 2018:

	Balance January 1, 2018	Additions And Reclassifications	Retirements And Reclassifications	Balance December 31, 2018
Capital assets being depreciated:				
Buildings and building improvements	\$ 171,830,462	\$ 667,976	\$ —	\$ 172,498,438
Furniture, fixtures and equipment	3,214,498	46,619	(68,262)	3,192,855
Total capital assets being depreciated	175,044,960	714,595	(68,262)	175,691,293
Less accumulated depreciation for:				
Buildings and building improvements	(43,478,613)	(5,390,231)	—	(48,868,844)
Furniture, fixtures and equipment	(3,022,108)	(132,431)	68,262	(3,086,277)
Total accumulated depreciation	(46,500,721)	(5,522,662)	68,262	(51,955,121)
Total capital assets being depreciated, net	128,544,239	(4,808,067)	—	123,736,172
Capital assets, net	\$ 128,544,239	\$ (4,808,067)	\$ —	\$ 123,736,172

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

Depreciation expense for 2019 and 2018 was allocated to the following functions of the Subdistrict:

	<u>2019</u>	<u>2018</u>
Building operations and maintenance	\$ 5,531,924	\$ 5,375,039
Administration	111,114	124,164
Museum shop	23,459	23,459
	<u>\$ 5,666,497</u>	<u>\$ 5,522,662</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:

	<u>2019</u>	<u>2018</u>
City of St. Louis, Missouri	\$ 3,688,275	\$ 3,651,626
St. Louis County, Missouri	20,502,832	19,224,896
	<u>\$ 24,191,107</u>	<u>\$ 22,876,522</u>

6. Noncurrent Liabilities

During 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.

During 2016, the IDA issued \$20,015,000 in Cultural Facilities Refunding Revenue Bonds (Series 2016) to redeem the Series 2009A bonds. The bonds were scheduled to mature in 2040.

The Foundation redeemed the remaining \$9,630,000 balance of the Series 2016 bonds on February 1, 2019.

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Notes To Combined Financial Statements (*Continued*)

PNC Bank, National Association (the Purchaser), purchased the entire principal amount of the Series 2016 bonds pursuant to the terms of the Bond Trust Indenture dated as of December 1, 2016 (the Bond Indenture), between the Authority and UMB Bank, N.A. (the Bond Trustee). The Bonds are issued under the Bond Indenture for the purpose of making a loan to the Foundation pursuant to terms contained in the Loan Agreement dated as of December 1, 2016 (the "Loan Agreement"), between the Authority and the Foundation. 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, and amended December 1, 2016, 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, and amended December 1, 2016, (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.

The annual interest rate for the bonds is equal to the sum of one month LIBOR Rate multiplied by 72% plus 100 basis points. The rate at December 31, 2018 was 2.80%.

The Series 2016 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 1 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. The Foundation was in compliance with these covenants as of December 31, 2018.

Principal And Interest Requirements To Maturity

At December 31, 2018, the balance of the Series 2016 bonds was \$9,630,000. The Foundation redeemed the \$9,630,000 balance on February 1, 2019. Bond interest paid in 2019 and 2018 was \$22,516, and \$298,999, respectively. No bond interest was capitalized in 2019 or 2018.

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CITY OF ST. LOUIS AND ST. LOUIS COUNTY**

Notes To Combined Financial Statements (*Continued*)

Following is a summary of the changes in noncurrent liabilities of the Subdistrict for the year ended December 31, 2019. Refer to Note 9 for descriptions of the net pension liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Deferred compensation	\$ 1,832,772	\$ 316,977	\$ —	\$ 2,149,749	\$ —

Following is a summary of the changes in noncurrent liabilities of the Subdistrict for the year ended December 31, 2018.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Deferred compensation	\$ 1,764,519	\$ 2,080,454	\$ (2,012,201)	\$ 1,832,772	\$ —

Deferred compensation is included in other liabilities - current and noncurrent in the statement of net position.

Following is a summary of the changes in noncurrent liabilities of the Foundation for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Series 2016 Revenue Bonds	\$ 9,630,000	\$ —	\$ (9,630,000)	\$ —	\$ —
Obligations under split-interest agreements	355,909	11,149	(66,049)	301,009	57,341
	\$ 9,985,909	\$ 11,149	\$ (9,696,049)	\$ 301,009	\$ 57,341

Following is a summary of the changes in noncurrent liabilities of the Foundation for the year ended December 31, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Series 2016 Revenue Bonds	\$ 18,970,000	\$ —	\$ (9,340,000)	\$ 9,630,000	\$ 1,085,000
Obligations under split-interest agreements	405,617	23,288	(72,996)	355,909	75,919
	\$ 19,375,617	\$ 23,288	\$ (9,412,996)	\$ 9,985,909	\$ 1,160,919

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

7. Operating Lease Commitment

In 2011, the Subdistrict entered into an operating lease agreement for warehouse space which began February 2011 and ended January 31, 2016. The lease agreement was amended October 20, 2015 to extend the operating lease through January 31, 2021. 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, 2019 and 2018, the Subdistrict incurred operating lease expenses of \$115,974 and \$105,823, respectively. The estimated annual lease payments including any additional rent and taxes due under the terms of the lease agreement are as follows.

<u>Year</u>	<u>Amount</u>
2020	\$ 122,236
2021	10,228
	<u>\$ 132,464</u>

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 11.3%, 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.

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

9. Retirement Plans

General Information About The Pension Plan

Plan description. The Employees Retirement System of the City of St. Louis (the System) is a cost-sharing multiple-employer public employee's retirement system for nonuniformed employees of the City of St. Louis and certain other public entities funded by, or providing services to, residents of the City of St. Louis. All non-uniformed employees of the City and certain other public entities funded by or providing services to residents of the City become members of the System upon employment with the exception of employees hired after attaining age 60. The System issues a publicly available financial report that includes financial statements and supplementary information. That report may be obtained by writing to the Employees' Retirement System of the City of St. Louis; 1114 Market Street, Suite 900; St. Louis, Missouri 63101.

Benefits provided. The 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 with employees covered by the System after the employee has attained five years of creditable service. Employees retire with full retirement benefits after the age of 65 or if the 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 at any age with 30 years of creditable service. The monthly pension benefits of all retirees or their beneficiaries are adjusted accordingly to the changes in the Consumer Price Index of the U.S. Department of Labor. Increases are limited each year, with total increases to retirees or their beneficiaries limited to 25%.

On June 8, 2000, the Mayor of the City approved an ordinance passed by the Board of Aldermen, authorizing a Deferred Retirement Option Plan (DROP), which became effective January 1, 2001. This plan states that when members reach retirement age, they are allowed to work for five additional years and defer receipt of their retirement allowance. The calculation of average salary for retirement benefits will not include the additional years of service after normal retirement age. The amount that would have been received as retirement benefit is put in a special DROP account monthly. The DROP account will not be adjusted for cost of living increases as the normal retirement benefits are. The DROP account earns interest at the actuarial valuation rate of return and at the 10 year U.S. Treasury Bond yield as of September 30, for DROP participants enrolling February 1, 2003 and thereafter. After the member completely terminates employment, the member can withdraw amounts from the DROP account in a lump sum or according to a deferred retirement payment plan.

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Notes To Combined Financial Statements (*Continued*)

Contributions. The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay benefits due. If contributions are necessary, level percentage of payroll employer contribution rates are determined using the projected unit credit actuarial cost method. Employer contribution rates are established annually by the Board of Trustees of the Employees' System based on an actuarial study. Deductions from plan assets are financed from plan additions.

The Board of Trustees established the required employer contributions rate based on active member payroll of 12.18% and 12.27% effective July 1, 2019 and 2018, respectively. Employees who became members of the System prior to October 14, 1977, and continued to make contributions, may make voluntary contributions to the System equal to 3% of their compensation until the employee's compensation equals the maximum annual taxable earnings under the Federal Social Security Act. Thereafter, employees may contribute 6% of their compensation for the remainder of the calendar year. The Subdistrict's contributions to the System for the year ended December 31, 2019 and 2018 were \$1,421,231 and \$1,347,676, respectively.

**Pension Liabilities, Pension Expense, And Deferred Outflows Of Resources And
Deferred Inflows Of Resources Related To Pensions**

At December 31, 2019 and 2018, the Subdistrict reported a liability of \$10,353,911 and \$7,614,931, respectively, as its proportionate share of the net pension liability. The net pension liability was measured as of October 1, 2019 and October 1, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Subdistrict's proportion of the net pension liability was based on the Subdistrict's contributions relative to the contributions of all participating employers for the System's plan year ended September 30, 2019 and September 30, 2018. At September 30, 2019 and 2018, the Subdistrict's proportion was 4.756% and 4.501%, respectively, which was an increase (decrease) of (0.26%) and 0.29% from its proportion measured as of September 30, 2018 and 2017, respectively.

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Notes To Combined Financial Statements (*Continued*)

For the year ended December 31, 2019 and 2018, the Subdistrict recognized pension expense of \$2,459,051 and \$1,785,497, respectively, which includes \$1,421,231 and \$1,347,676 of the Subdistrict's contributions to the System for the years ended December 31, 2019 and 2018, respectively. At December 31, 2019, the Subdistrict reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ 22,627	\$ 194,598
Net difference between expected and actual earnings on pension plan investments	2,247,834	612,115
Changes in Subdistrict's proportion and differences between Subdistrict contributions and Subdistrict's proportionate share of contributions	458,785	—
Subdistrict contributions subsequent to the measurement date of October 1, 2019	367,514	—
	\$ 3,096,760	\$ 806,713

At December 31, 2018, the Subdistrict reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual experience	\$ —	\$ 454,789
Net difference between expected and actual earnings on pension plan investments	163,756	—
Changes in Subdistrict's proportion and differences between Subdistrict contributions and Subdistrict's proportionate share of contributions	517,077	—
Subdistrict contributions subsequent to the measurement date of October 1, 2018	355,628	—
	\$ 1,036,461	\$ 454,789

Deferred outflows of resources of \$367,514 and \$355,628 resulting from Subdistrict contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ending December 31, 2020 and 2019, respectively.

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the Subdistrict's fiscal year following the System's fiscal year as follows:

Year	Deferred Outflows Amount	Deferred Inflows Amount	Net Deferred Outflows Of Resources
2020	\$ 912,811	\$ 551,855	\$ 360,956
2021	742,416	254,858	487,558
2022	586,907	—	586,907
2023	487,112	—	487,112
	<u>\$ 2,729,246</u>	<u>\$ 806,713</u>	<u>\$ 1,922,533</u>

Actuarial assumptions. The total pension liability in the September 30, 2019 and 2018 actuarial valuations, which is also the date of measurement for GASB 68 purposes, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3% annually, average, plus merit component based on employee's years of service (range from 3% to 4.25%)
Investment rate of return	7.5% net of investment expense

Mortality rates were based on the RP-2000 healthy Mortality 3-year set-forward table with generational projections using Scale AA.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighing the expected future real rate of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the last capital market assumptions. Specifically, the System uses Summit Strategies Group capital market assumption in analyzing the System's asset allocation.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to the expected long-term real return and reflecting expected volatility and correlation.

**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*)

The target allocation and best estimate of the geometric rate of return for each major asset class are summarized in the following table:

Asset Class	2019		2018	
	Target Allocation	Long-Term Expected Real Rate Of Return	Target Allocation	Long-Term Expected Real Rate Of Return
Large cap	25.00%	7.27%	19.00%	7.00%
Mid cap	7.50%	7.60%	—	—
Small cap	7.50%	7.90%	4.50%	7.30%
International large cap	12.00%	7.47%	17.30%	7.30%
Emerging markets	3.00%	8.10%	6.70%	8.50%
High yield	—	—	5.00%	6.00%
Master limited partnerships	—	—	7.50%	8.00%
Fixed income	10.00%	3.30%	—	—
Bank loans	5.00%	6.10%	—	—
Core fixed income	—	—	12.50%	4.00%
International fixed income	5.00%	5.80%	4.00%	3.80%
Core real estate	10.00%	6.60%	10.00%	6.80%
Infrastructure	5.00%	7.50%	—	—
Private equity	5.00%	10.80%	—	—
Treasury inflation protected securities	—	—	3.50%	3.80%
Hedge funds	5.00%	6.70%	10.00%	5.50%
Total	<u>100.00%</u>		<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.50% as of September 30, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that contributions from System members will be made at the current contribution rate. Based on these assumptions, the System's net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on System investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of investment expenses but without reduction for administrative expenses.

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

Sensitivity of the Subdistrict's proportionate share of the net pension liability to changes in the discount rate. The following presents the Subdistrict's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Subdistrict's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Subdistrict's proportionate share of the net pension liability as of December 31, 2019	\$ 15,052,901	\$ 10,353,911	\$ 6,327,858
Subdistrict's proportionate share of the net pension liability as of December 31, 2018	11,469,380	7,307,481	3,746,674

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued System financial report.

Payables To The Pension Plan

The Subdistrict did not report any payables to the System for 2019 or 2018.

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 Account and the corresponding other liabilities accounts at December 31, 2019 and 2018 was \$2,149,749 and \$1,832,772, respectively.

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.

**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*)

11. Tax Abatements

The Subdistrict recognizes tax revenue based on an allocation of property taxes levied and collected by the Zoo-Museum District. The Zoo-Museum District levies and collects property taxes on behalf of the Subdistricts based on the assessed valuation of property in the City of St. Louis, Missouri (the City) and St. Louis County, Missouri (the County). Both the City and the County have entered into property tax abatement agreements with local businesses under various state statutes. Under these state statutes, the City and the County may grant property tax abatements for the purpose of attracting or retaining businesses within their jurisdictions. The Subdistrict's allocated revenues were reduced under these agreements entered into by the City and the County. City property tax allocated revenues were reduced by approximately \$550,000 for 2018, for taxes assessed on January 1 and payable by December 31 of the same year. County property tax allocated revenues were reduced by approximately \$204,500 for 2018, for taxes assessed on January 1 and payable by December 31 of the same year. Information regarding the City and County property tax allocated revenue reduction for 2019 is unavailable.

Required Supplementary Information

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

**SCHEDULES OF SELECTED PENSION INFORMATION
EMPLOYEES RETIREMENT SYSTEM OF THE CITY OF ST. LOUIS**

Schedule Of Subdistrict's Proportionate Share Of The Net Pension Liability

Plan Year	2019	2018	2017	2016	2015
Subdistrict's proportion of the net pension liability	4.7566%	4.5009%	4.2066%	3.9538%	3.7971%
Subdistrict's proportionate share of the net pension liability	\$ 10,353,911	\$ 7,614,931	\$ 7,307,481	\$ 8,273,109	\$ 8,624,107
Subdistrict's covered-employee payroll	11,505,845	10,865,298	10,136,866	9,429,227	9,830,362
Subdistrict's proportionate share of net pension liability as a percentage of its covered-employee payroll	89.99%	70.08%	72.09%	87.74%	87.73%
Plan fiduciary net position as a percentage of the total pension liability	78.60%	83.00%	82.46%	78.52%	76.22%

Schedule Of Subdistrict's Contributions

Fiscal Year	2019	2018	2017	2016	2015
Required contribution	\$ 1,421,231	\$ 1,347,676	\$ 1,272,100	\$ 1,248,391	\$ 1,386,774
Contributions in relation to the required contribution	1,421,231	1,347,676	1,272,100	1,248,391	1,386,774
Subdistrict's covered-employee payroll	11,274,213	11,328,949	10,357,551	9,528,783	9,581,296
Contributions as a percentage of covered-employee payroll	12.61%	11.90%	12.28%	13.10%	14.47%

Note: Above schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Changes Of Benefit Terms Or Assumptions

There were no changes to benefit terms in the plan or changes to assumptions in valuation reports for the years ended September 30, 2019 or 2018.