

AUDITED FINANCIAL STATEMENTS

**STATE HISTORICAL
SOCIETY OF MISSOURI**

**FOR THE YEARS ENDED
JUNE 30, 2016**

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**BEARD-BOEHMER & ASSOCIATES, PC
CERTIFIED PUBLIC ACCOUNTANTS
COLUMBIA, MISSOURI**

**STATE HISTORICAL SOCIETY OF MISSOURI
COLUMBIA, MISSOURI
TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS:	
Statement of Assets and Net Assets – Modified Cash Basis	3
Statement of Revenues, Expenses, and Changes in Net Assets – Modified Cash Basis	4
Statement of Functional Expenses – Modified Cash Basis	5
NOTES TO FINANCIAL STATEMENTS	6 - 9

January 25, 2017

INDEPENDENT AUDITORS' REPORT

Board of Directors
State Historical Society of Missouri
Columbia, MO

We have audited the accompanying financial statements of the State Historical Society of Missouri (a nonprofit organization), which comprise the statement of assets and net assets—modified cash basis as of June 30, 2016, and the related statement of revenues, expenses, and changes in net assets—modified cash basis, and statement of functional expenses—modified cash basis for the year then ended, 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 1B; 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

INDEPENDENT AUDITORS' REPORT
STATE HISTORICAL SOCIETY OF MISSOURI

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of the State Historical Society of Missouri as of June 30, 2016 and its revenues, expenses, and changes in net assets for the year then ended in accordance with the modified cash basis of accounting as described in Note 1B.

Basis of Accounting

We draw attention to Note 1B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Beard-Boehmer & Associates, PC

Beard-Boehmer & Associates, PC
Columbia, MO

STATE HISTORICAL SOCIETY OF MISSOURI
STATEMENT OF ASSETS AND NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2016

ASSETS

ASSETS	
Cash and cash equivalents	\$ 222,837
Investments	980,987
Fixed assets, net of accumulated depreciation	114,153
Purchased collections	418,237
Construction in process	<u>157,196</u>
TOTAL ASSETS	<u>\$ 1,893,410</u>

NET ASSETS

NET ASSETS	
Unrestricted	
Designated for projects and activities	\$ 883,602
Undesignated, unrestricted	<u>692,988</u>
Total unrestricted net assets	1,576,590
Temporarily restricted	306,820
Permanently restricted	<u>10,000</u>
TOTAL NET ASSETS	<u>\$ 1,893,410</u>

**THE ACCOMPANYING NOTES TO THESE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT**

**STATE HISTORICAL SOCIETY OF MISSOURI
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES				
Membership dues	\$ 111,958	\$ -	\$ -	\$ 111,958
Donations	175,331	223,249	-	398,580
Grants	60,092	-	-	60,092
Merchandise and publications sold	50,552	-	-	50,552
Conferences and meetings	22,685	-	-	22,685
Fees	52,736	-	-	52,736
Postage	1,313	-	-	1,313
History day	13,065	-	-	13,065
Reimbursed expenses	21,243	-	-	21,243
Miscellaneous	3,077	-	-	3,077
Investment income	5,771	-	-	5,771
Net assets released from restrictions:				
Restrictions satisfied by payments	146,659	(146,659)	-	-
TOTAL SUPPORT AND REVENUES	\$ 664,482	\$ 76,590	\$ -	\$ 741,072
EXPENSES				
Program	\$ 542,149	\$ -	\$ -	\$ 542,149
Management and general	12,677	-	-	12,677
Fundraising	116,367	-	-	116,367
TOTAL EXPENSES	\$ 671,193	\$ -	\$ -	\$ 671,193
CHANGES IN NET ASSETS	\$ (6,711)	\$ 76,590	\$ -	\$ 69,879
NET ASSETS, BEGINNING (as restated)	1,583,301	230,230	10,000	1,823,531
NET ASSETS, ENDING	\$ 1,576,590	\$ 306,820	\$ 10,000	\$ 1,893,410

**THE ACCOMPANYING NOTES TO THESE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT**

STATE HISTORICAL SOCIETY OF MISSOURI
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2016

EXPENSES	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Acquisitions and cataloging	\$ 168,433	\$ -	\$ -	\$ 168,433
Bank charges	13,167	-	1,348	14,515
Books and subscriptions	672	-	-	672
Capital campaign	-	-	7,046	7,046
Contract services	-	12,026	105,453	117,479
Depreciation	43,965	-	-	43,965
Development	34,923	-	-	34,923
Education and outreach	127,760	-	-	127,760
General operations	-	651	-	651
Government relations	4,304	-	-	4,304
Grant expenses	63,694	-	-	63,694
Human resources	13,131	-	-	13,131
Information technology	14,362	-	-	14,362
Insurance	4,717	-	-	4,717
Membership	1,754	-	-	1,754
Merchandise and publications	14,412	-	-	14,412
Miscellaneous	236	-	-	236
Postage	6,330	-	-	6,330
Printing	4,463	-	2,520	6,983
Repairs	594	-	-	594
Supplies	7,077	-	-	7,077
Telephone	560	-	-	560
Travel and meetings	17,595	-	-	17,595
TOTAL EXPENSES	\$ <u>542,149</u>	\$ <u>12,677</u>	\$ <u>116,367</u>	\$ <u>671,193</u>

**THE ACCOMPANYING NOTES TO THESE FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT**

**STATE HISTORICAL SOCIETY OF MISSOURI
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 1: REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

- A. Purpose of Reporting Entity** – The State Historical Society of Missouri (“SHSMO”) is a nonprofit organization which collects, preserves, exhibits, and publishes materials for study of history, especially the history of the State of Missouri and the Middle West.
- B. Method of Accounting** – Except for the modifications mentioned below, these financial statements are prepared on the modified cash basis of accounting. Accordingly, contributions and fees are recorded as revenue when received, not when earned, and expenses are recorded when paid, not when incurred. The modified cash basis is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. The modifications to the cash basis are as follows – investments are reported at fair value, fixed assets are capitalized and depreciated, and, certain collections have been capitalized at the time of purchase.
- C. Cash and Cash Equivalents** – For the purpose of these financial statements, the SHSMO considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
- D. Income Tax** – The Organization is exempt from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Organization is not a private foundation pursuant to Section 509(a) of the code.
- E. Contributions** – Contributions are considered to be available for the general program of the Organization unless specifically restricted by the donor. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donors are reported as an increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are received.
- F. 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 SHSMO’s projects and the University of Missouri provides the SHSMO with the space and some administrative support. Management has not attempted to determine the value of these items.
- G. Use of Estimates** – Preparation of the financial statements in conformity with the modified cash basis of accounting requires the use of management's estimates, primarily related to depreciable lives of fixed assets. The nature of those estimates, however, is such that variances in actual results are generally immaterial.
- H. Functional Allocation of Expenses** – The costs of providing the program and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**STATE HISTORICAL SOCIETY OF MISSOURI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 2: CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of the following at June 30:

Petty Cash	\$	395
Three checking accounts		220,011
Money market account		2,431
Total cash and cash equivalents	\$	<u>222,837</u>

The checking accounts are non-interest bearing and the money market account has an interest rate of 0.15% at June 30, 2016.

NOTE 3: INVESTMENTS

Investments consists only of eleven non-negotiable bank certificates of deposits. Interest rates range from 0.15% to 1.45% with original maturities between 19 and 36 months.

NOTE 4: FIXED ASSETS AND ACCUMULATED DEPRECIATION

The following is a schedule of fixed assets and accumulated depreciation at June 30, 2016:

Furniture, fixtures, and equipment	\$	429,612
Less: accumulated depreciation		<u>(315,459)</u>
Net fixed assets	\$	<u>114,153</u>

Assets with an estimated useful life of more than one year, and an original cost of more than \$1,000 are capitalized and depreciated over their estimated useful lives of between 5 and 10 years using the straight line method.

NOTE 5: COLLECTIONS

Purchases of artwork and historically significant items in the amount of \$418,237 have been capitalized as collections, and in accordance with the modified cash basis of accounting have not been capitalized. The collections are shown at historical costs on the statement of assets and net assets – modified cash basis.

NOTE 6: CONSTRUCTION IN PROCESS

Costs incurred relating to a new building, including direct consulting fees, developer fees, and other costs associated with construction activities are capitalized. These costs will be depreciated over their estimated useful lives once the building is placed in service. As of June 30, 2016, \$157,196 of construction in process has been capitalized.

**STATE HISTORICAL SOCIETY OF MISSOURI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 7: OFF BALANCE SHEET CREDIT RISK

The SHSMO maintains checking, money market, and certificates of deposits at five FDIC financial institutions. In one financial institution, the SHSMO has a potential off-balance sheet credit risk since it maintains deposits in one financial institution in excess of amounts insured by Federal Deposit Insurance Corporation (FDIC). During the year, the SHSMO consistently had amounts in the one bank over FDIC limits. As of June 30, 2016, \$144,562 was over the FDIC limits and potentially at risk at one financial institution.

NOTE 8: NET ASSET DESIGNATIONS AND RESTRICTIONS

Designations and restrictions consist of the following at June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Designated for:			
Projects and awards	\$ 883,602	\$ -	\$ -
Restricted for:			
Acquisitions	-	83,991	-
Awards	-	11,287	10,000
Capital improvements	-	139,936	-
Projects	-	71,606	-
Total net assets	<u>\$ 883,602</u>	<u>\$ 306,820</u>	<u>\$ 10,000</u>

The SHSMO regularly receives and solicits contributions for specific awards, projects, and acquisitions. The SHSMO does not consider these contributions restricted. The SHSMO does, however, make every effort to insure that such contributions are expended for the specific purpose in the year received. Due to timing differences and for budgeting purposes, the SHSMO identifies unused contributions and designated funds that are to be used for specific purposes in the following year. These contributions totaled \$883,602 and are considered designated, unrestricted net assets.

NOTE 9: PRIOR PERIOD ADJUSTMENTS

Beginning net assets on the statement of Revenues, Expenses and Changes in Net Assets – Modified Cash Basis have been restated as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
As originally stated	\$ 735,341	\$ 1,242,529	\$ -
Expensing of inventory	(154,339)	-	-
Reclassification of net asset restrictions	1,002,299	(1,012,299)	10,000
As restated	<u>\$ 1,583,301</u>	<u>\$ 230,230</u>	<u>\$ 10,000</u>

The reclassification between Temporary and Unrestricted net assets was related to changing the classification to Designated net assets.

**STATE HISTORICAL SOCIETY OF MISSOURI
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 10: SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 25, 2017, the date on which the financial statements were available to be issued.