
***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, 2021*

SAINT LOUIS ART MUSEUM

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Independent Auditors' Report

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

Opinion

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 year ended December 31, 2021, and the related notes to the combined financial statements, which collectively comprise the Subdistrict and the Foundation's basic financial statements as listed in the table of contents.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the business-type activities of the Subdistrict and the Foundation as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities For The Audit Of The Combined Financial Statements section of our report. We are required to be independent of the Subdistrict and Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities Of Management For The Combined Financial Statements

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

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Subdistrict's and Foundation's ability to continue as a going concern for one year after the date that the combined financial statements are available to be issued.

Auditors' Responsibilities For The Audit Of The Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Subdistrict's and Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Subdistrict's and Foundation's ability to continue as a going concern for a reasonable period of time.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of selected pension information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 24, 2022

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 Years Ended December 31, 2021

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 relate to the total of both the activities of the Subdistrict and the Foundation.

The audited financial statements cover the year ended December 31, 2021. However, the management's discussion and analysis does include comparisons to the year ended December 31, 2020.

The management's discussion and analysis of the Subdistrict's and Foundation's financial performance provides an overview of the financial activities for the years ended December 31, 2021 and 2020. 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 7.01 cents and 7.23 cents, for the years ended December 31, 2021 and 2020, respectively.
- Support from the Zoo-Museum District under the accrual basis method was \$24,419,871 and \$24,165,064 for the years ended December 31, 2021 and 2020, respectively.
- The Foundation provided support to the Subdistrict in the amount of \$5,347,790 and \$7,388,138 for the years ended December 31, 2021 and 2020, respectively.

Financial Statements

The Statement of Net Position includes the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of December 31, 2021. 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)

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 58,305	\$ 58,599
Due to the Subdistrict from the Zoo-Museum District	2,139	2,173
Investments	297,136	251,918
Receivables:		
Tax revenue from the Zoo-Museum District	11,010	13,568
Contributions	161	175
Interest and investment proceeds	307	324
Grants	106	69
Accounts	45	91
Prepaid expenses	823	765
Inventory held for resale	246	280
Capital assets, net	112,493	115,531
<u>Total assets</u>	<u>482,771</u>	<u>443,493</u>
Deferred outflows of resources	2,002	4,542
Liabilities:		
Current liabilities	2,678	4,848
Noncurrent liabilities	10,539	14,824
<u>Total liabilities</u>	<u>13,217</u>	<u>19,672</u>
Deferred inflows of resources	3,051	—
Net Position:		
Net investment in capital assets	111,074	115,531
Restricted	166,133	151,127
Unrestricted	191,298	161,705
<u>Total net position</u>	<u>\$ 468,505</u>	<u>\$ 428,363</u>

Analysis:

- The increase in investments is due to market gains in 2021 and two large unrestricted bequests of \$6.3 million and \$1.7 million which were received and invested in 2021. Unrealized and realized market investment gains were \$30.0 million and \$14.7 million in 2021 and 2020, respectively.

**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 (*Continued*)

- The Subdistrict prepaid \$647,000 and \$601,000 for annual coverage for general liability, workers compensation, and fine arts insurance as of December 31, 2021 and 2020, respectively. Renewal premiums in December 2021 reflected increases in general liability and cyber security insurance premiums.
- Capital assets decreased \$3.0 million and \$4.3 million in 2021 and 2020, respectively. Decreases in capital assets are a result of depreciation expense exceeding the cost of capital additions during the year.
- Noncurrent liabilities decreased approximately \$4.3 million in 2021 primarily due to the decrease in the net pension liability relating to the Subdistrict's employees' participation in the Employees Retirement System of the City of St. Louis pension plan from \$14.0 million at December 31, 2020 to \$9.0 million at December 31, 2021. The net pension liability decreased due to the plan's investment gains and experience gains during the plan's fiscal year. Investment gains are recognized over the next five years, and the experience gains are recognized over the average remaining service life of plan participants. These unrecognized amounts totaling \$3.1 million of as of December 31, 2021 are reported as deferred inflows of resources.
- The increase in restricted and unrestricted net position in both 2021 and 2020 is primarily due to market value appreciation of endowment assets and the generosity of donor bequests including the two large bequests of \$6.3 million and \$1.7 million received in 2021.

Condensed Combined Schedule Of Changes In Net Position

(In Thousands)

	2021	2020
Operating revenues:		
Merchandise sales and admissions	\$ 1,109	\$ 821
Members' contributions	3,999	3,458
Proceeds from deaccessions of collections	289	17
Contributions of art	25,388	5,770
Other earned revenue	241	129
Total operating revenues	31,026	10,195
Operating expenses:		
Program services	35,312	19,009
Gallery operations	14,280	14,114
Management and general	10,062	10,271
Fundraising	2,479	2,516
Total operating expenses	62,132	45,910
Non-operating revenue (expenses):		
Tax revenue from Zoo-Museum District	24,420	24,165
Contributions and bequests	10,546	2,979
Grants	143	69
Investment income	35,747	19,460
Interest expense, leases	(40)	—
Total non-operating revenues	70,816	46,673
Capital contributions and bequests	1	2
Additions to permanent endowment	431	113
Increase in net position	\$ 40,142	\$ 11,073

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

Analysis:

- Merchandise sales and admissions increased \$288,000 in 2021 due to the increase in number of visitors as COVID-19 pandemic safeguards and protocols eased worries and Museum attendance increased. Merchandise sales and admissions decreased \$508,000 in 2020 due to the closure of the Museum for three months in the first half of the year and lower attendance during the last half of the year from COVID-19 pandemic concerns and restrictions.
- Members' contributions increased \$541,000 in 2021 consisting of a \$37,000 increase in corporate sponsorship, \$230,000 increase in general membership, and \$274,000 increase in upper-level membership. The Museum had greater attendance in 2021. Membership contributions decreased \$471,000 in 2020 consisting of a \$36,000 decrease in corporate sponsorship, \$288,000 decrease in general membership, and \$147,000 decrease in upper-level membership. Pandemic restrictions and concerns caused a decrease in 2020 general membership revenue resulting from decreased on-site member opportunities at the Museum, decreased on-site sales, and the cancellation of the summer Cars exhibition.
- Proceeds from deaccessions increased in 2021 by \$272,000, and contributions of art increased by \$19.6 million. Proceeds from deaccessions decreased in 2020 by \$563,000, and contributions of art increased \$6,000. Deaccessions and gifts of art fluctuate from year to year.
- Other earned revenue increased \$112,000 in 2021 due to the increase in Museum attendance and events. Garage revenue increased \$40,000, and events revenue increased \$62,000. The Museum restaurant remained closed during 2021, and the café operated at reduced capacity. Other earned revenue decreased \$1.2 million in 2020 due to COVID-19 pandemic concerns and restrictions such as temporary closure of the café and restaurant for most of 2020, reduced parking revenue due to reduced attendance, and less space rentals and catering revenue.
- The two large bequests of \$6.3 million and \$1.7 million mentioned above were received in 2021 which is reflected in the increase in contributions and bequests in 2021. There was also a large bequest of \$1.5 million received in 2019 which accounts for the decrease in contributions and bequests of \$1.6 million from 2019 to 2020. Contributions and bequests fluctuate from year to year.
- Changes in investment income are primarily driven by changes in market value. Unrealized and realized market investment gains were \$30.0 million and \$14.7 million in 2021 and 2020, respectively.
- The increase in operating expenses of \$16.2 million in 2021 is primarily related to the \$16.3 million increase in accessions of art collections over 2020. The Subdistrict received \$25.4 million in art gifts in 2021 compared to \$5.8 million in 2020. The Subdistrict purchased \$1.3 million of accessions of art for collections in 2021 compared to \$4.7 million in 2020. The decrease in 2020 operating expenses of \$218,000 is related to COVID-19 pandemic concerns and restrictions such as the cancellation of the annual gala, decrease in shop sales, temporary closure of the restaurant, temporary travel freeze, and fewer events held during 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 (*Continued*)

Schedule Of Capital Assets, Net (Amounts Thousands)

	<u>2021</u>	<u>2020</u>
Nondepreciable:		
Construction in process	\$ 1,151	\$ 430
Depreciable:		
Buildings and building improvements	109,892	114,963
Furniture, fixtures and equipment	93	138
Intangible right to use asset - building leases	1,357	—
	<u>112,493</u>	<u>115,531</u>
Total capital assets and leases, net	\$ 112,493	\$ 115,531

Analysis:

The Subdistrict invested \$112 million in capital assets (net of accumulated depreciation and amortization) as of the close of the fiscal year. These capital assets consist of construction in process, buildings and building improvements, furniture, fixtures, and equipment, and the intangible right to use assets from building leases.

Additional information on Capital Assets may be found in Note 4 of the financial statements.

Requests For Information

These basic financial statements are designed to provide a general overview of the Subdistrict's and Foundation's finances. Questions concerning any information provided in this report should be addressed to the Finance Department, 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, 2021

	<u>Business-Type Activities</u>		
	Museum		Total
	Subdistrict	Foundation	
Assets			
Current Assets			
Cash and cash equivalents:			
Unrestricted	\$ 30,585,692	\$ 22,737,616	\$ 53,323,308
Restricted	2,437,009	2,544,757	4,981,766
Due from the Metropolitan Zoological Park and Museum District	2,139,260	—	2,139,260
Investments:			
Unrestricted	965,852	12,151,004	13,116,856
Restricted	—	936,985	936,985
Receivables:			
Tax revenue from the Metropolitan Zoological Park and Museum District, net of an allowance of \$634,578	11,010,407	—	11,010,407
Unrestricted contributions	—	54,219	54,219
Restricted contributions	4,142	102,905	107,047
Unrestricted interest and investment proceeds	33,163	118,311	151,474
Restricted interest and investment proceeds	10,714	144,578	155,292
Grants	106,019	—	106,019
Accounts:			
Unrestricted	35,448	—	35,448
Restricted	9,376	—	9,376
Prepaid expenses	822,537	—	822,537
Inventory held for resale	245,473	—	245,473
Total Current Assets	48,405,092	38,790,375	87,195,467
Noncurrent Assets			
Investments:			
Unrestricted	19,020,550	104,119,050	123,139,600
Restricted	6,457,527	153,485,183	159,942,710
Capital assets, net:			
Nondepreciable:			
Construction in process	1,150,590	—	1,150,590
Depreciable:			
Buildings and building improvements	109,891,648	—	109,891,648
Furniture, fixtures, and equipment	92,544	—	92,544
Intangible right to use asset - building leases, net	1,357,950	—	1,357,950
Total Noncurrent Assets	137,970,809	257,604,233	395,575,042
Total Assets	186,375,901	296,394,608	482,770,509
Deferred Outflows Of Resources			
Pension contributions	528,033	—	528,033
Changes in assumptions	747,027	—	747,027
Difference between expected and actual experience - pension	104,198	—	104,198
Changes in proportionate share - pension	623,464	—	623,464
Total Deferred Outflows Of Resources	2,002,722	—	2,002,722

**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

Page 2 Of 2
December 31, 2021

	Business-Type Activities		Total
	Museum Subdistrict	Foundation	
Liabilities			
Current Liabilities			
Accounts payable	\$ 444,475	\$ 4,052	\$ 448,527
Accrued expenses	1,444,633	—	1,444,633
Leases payable	173,841	—	173,841
Obligations under split-interest agreements	—	58,471	58,471
Other liabilities	452,459	100,230	552,689
Total Current Liabilities	2,515,408	162,753	2,678,161
Noncurrent Liabilities			
Net pension liability	9,042,343	—	9,042,343
Leases payable	1,245,467	—	1,245,467
Obligations under split-interest agreements	—	245,592	245,592
Other liabilities	5,750	—	5,750
Total Noncurrent Liabilities	10,293,560	245,592	10,539,152
Total Liabilities	12,808,968	408,345	13,217,313
Deferred Inflows Of Resources			
Difference between expected and actual experience - pension	155,475	—	155,475
Difference between expected and actual earnings on pension investments	2,895,782	—	2,895,782
Total Deferred Inflows Of Resources	3,051,257	—	3,051,257
Net Position			
Net investment in capital assets	111,073,424	—	111,073,424
Restricted:			
Expendable:			
Art acquisition and other	4,188,179	81,730,401	85,918,580
Nonexpendable:			
Endowment principal	4,730,589	75,484,007	80,214,596
Unrestricted	52,526,206	138,771,855	191,298,061
Total Net Position	\$ 172,518,398	\$ 295,986,263	\$ 468,504,661

**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, 2021**

	Business-Type Activities		
	Museum Subdistrict	Foundation	Total
Operating Revenues			
Merchandise sales and admissions	\$ 1,109,238	\$ —	\$ 1,109,238
Members' contributions	—	3,999,242	3,999,242
Proceeds from deaccessions of collections	288,614	—	288,614
Contributions of art	25,387,714	—	25,387,714
Other earned revenue	241,267	—	241,267
Total Operating Revenues	27,026,833	3,999,242	31,026,075
Operating Expenses			
Program services:			
Curatorial and conservation	4,325,458	—	4,325,458
Exhibitions	2,591,303	—	2,591,303
Education and library	1,678,755	—	1,678,755
Accessions of art for collections	26,715,914	—	26,715,914
Gallery operations:			
Building operations and maintenance	10,351,916	—	10,351,916
Protective services	3,928,452	—	3,928,452
Management and general:			
Administration	9,068,158	260,387	9,328,545
Museum shop	733,060	—	733,060
Fundraising:			
Development	2,479,026	—	2,479,026
Total Operating Expenses	61,872,042	260,387	62,132,429
Operating Income (Loss)	(34,845,209)	3,738,855	(31,106,354)
Nonoperating Revenues (Expenses)			
Tax revenue from the Metropolitan Zoological Park and Museum District	24,419,871	—	24,419,871
Contributions and bequests	1,339,840	9,205,890	10,545,730
Grants	143,421	—	143,421
Investment income	369,382	35,413,151	35,782,533
Change in value of split-interest agreements	—	(35,464)	(35,464)
Interest expense, leases	(40,451)	—	(40,451)
Payments from the Foundation (payments to the Subdistrict)	5,347,790	(5,347,790)	—
Total Nonoperating Revenues (Expenses)	31,579,853	39,235,787	70,815,640
Income (Loss) Before Capital Contributions And Bequests And Additions To Permanent Endowment	(3,265,356)	42,974,642	39,709,286
Capital Contributions	—	1,000	1,000
Additions To Permanent Endowment	50,000	381,315	431,315
Increase (Decrease) In Net Position	(3,215,356)	43,356,957	40,141,601
Net Position - Beginning Of Year	175,733,754	252,629,306	428,363,060
Net Position - End Of Year	\$ 172,518,398	\$ 295,986,263	\$ 468,504,661

**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, 2021**

	Business-Type Activities		
	Museum Subdistrict	Foundation	Total
Cash Flows From Operating Activities			
Receipts from patrons	\$ 1,088,788	\$ 3,996,355	\$ 5,085,143
Receipts from deaccessions of collections	279,238	—	279,238
Other operating cash receipts	297,007	—	297,007
Payments to suppliers of goods and services	(10,794,537)	(256,274)	(11,050,811)
Payments to employees	(18,804,850)	—	(18,804,850)
Net Cash Provided By (Used In) Operating Activities	(27,934,354)	3,740,081	(24,194,273)
Cash Flows From Noncapital Financing Activities			
Cash collections of support from Zoo Museum District	26,920,866	—	26,920,866
Payments to (from) the Foundation	5,347,790	(5,347,790)	—
Proceeds from contributions	1,430,438	9,515,155	10,945,593
Investment subject to split-interest agreements	—	57,616	57,616
Net payments for split-interest agreements	—	(57,753)	(57,753)
Net Cash Provided By Noncapital Financing Activities	33,699,094	4,167,228	37,866,322
Cash Flows From Investing Activities			
Purchase of investments	(11,345,756)	(32,922,288)	(44,268,044)
Investment income	253,418	5,346,749	5,600,167
Proceeds from sale of investments	8,022,138	18,465,513	26,487,651
Net Cash Used In Investing Activities	(3,070,200)	(9,110,026)	(12,180,226)
Cash Flows From Capital And Related Financing Activities			
Cash collections of grant support	106,031	—	106,031
Proceeds from capital contributions	—	1,000	1,000
Leases	(169,029)	—	(169,029)
Purchase of property and equipment	(1,723,819)	—	(1,723,819)
Net Cash Provided By (Used In) Capital And Related Financing Activities	(1,786,817)	1,000	(1,785,817)
Net Increase (Decrease) In Cash And Cash Equivalents	907,723	(1,201,717)	(293,994)
Cash And Cash Equivalents - Beginning Of Year	32,114,978	26,484,090	58,599,068
Cash And Cash Equivalents - End Of Year	\$ 33,022,701	\$ 25,282,373	\$ 58,305,074
Reconciliation Of Operating Income (Loss) To Net Cash From Operating Activities			
Operating income (loss)	\$ (34,845,209)	\$ 3,738,855	\$ (31,106,354)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	5,969,653	—	5,969,653
Write off of contributions receivable	—	125	125
Other	144,463	—	144,463
Provision for uncollectible taxes	90,823	—	90,823
Changes in assets and liabilities:			
Accounts receivable	46,364	—	46,364
Contributions receivable	—	(2,887)	(2,887)
Prepaid expenses	(57,542)	—	(57,542)
Inventory held for resale	34,711	—	34,711
Accounts payable	7,964	3,988	11,952
Accrued expenses	(22,879)	—	(22,879)
Net pension liability	608,974	—	608,974
Other liabilities	88,324	—	88,324
Total adjustments	6,910,855	1,226	6,912,081
Net Cash Provided By (Used In) Operating Activities	\$ (27,934,354)	\$ 3,740,081	\$ (24,194,273)
Supplemental Disclosure Of Cash Flow Information			
Accounts payable incurred for capital asset purchases	\$ 44,189	\$ —	\$ 44,189
Unrealized gain (loss) on investments	(59,373)	26,247,897	26,188,524

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, 2021

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.

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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.

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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.

Leases

During 2021, the Subdistrict and Foundation implemented Government Accounting Standards Board Statement No. 87, *Leases*. The implementation of this Statement had no net impact on the beginning of year net position. The Foundation has no leasing arrangements.

For arrangements where the Subdistrict is the lessee, a lease liability and a right of use (ROU) intangible asset are recognized at the commencement of the lease term. ROU assets represent the Subdistrict's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of the lease payments over the lease term.

The discount rates are based on estimates of the Subdistrict's incremental borrowing rate when the discount rates implicit in the lease arrangements cannot be readily determined. The Subdistrict includes lease extensions and termination options in the lease term if it is reasonably certain the Subdistrict will exercise the options after considering relevant economic factors. ROU assets and lease liabilities with terms for 12 months or less are not recognized.

Prepaid Expenses

At December 31, 2021, prepaid expenses represent \$647,237 of payments to vendors for insurance costs and \$175,300 for other expenses.

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.

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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.

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 year ended December 31, 2021 is as follows:

Accessions of art for collections:	
Value of objects acquired by gift	\$ 25,387,714
Purchase of accessions of art for collections	<u>1,328,200</u>
	<u>\$ 26,715,914</u>

Accrued Expenses

The Subdistrict's accrued expenses balance of as of December 31, 2021 represents \$603,978 of accrued salaries due to employees, \$73,525 of accrued contributions to the Employee Retirement System of the City of St. Louis, and \$767,130 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.

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Other Liabilities

The Subdistrict's other liabilities as of December 31, 2021 represent \$378,935 of unearned income to be recognized in future periods and \$79,274 received from others to offset future expenses. The Foundation's other liabilities as of December 31, 2021 represent \$100,230 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.

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.

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.

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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, 2021 was \$1,768,124 reported in restricted expendable net position of the Subdistrict. The net amount of appreciation available for authorization of expenditure as of December 31, 2021 was \$79,182,738 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.

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.

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During 2020, the World Health Organization declared the outbreak of COVID-19 to be a global pandemic. Variants of the virus continued to spread across the globe during 2021 and had some impact on the Subdistrict's and Foundation's operations. Local economic activity increased in 2021 but not yet to the pre-pandemic levels. The Subdistrict and Foundation monitor the status of COVID-19 and continue to reassess operating plans and procedures. The extent to which the COVID-19 virus will continue to impact the Subdistrict's and the Foundation's financial results will depend on future developments and the vaccines' success, which remain 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, 2021 is \$70,291. The value of contributed services is not reflected in the accompanying statement of revenues, expenses and changes in net position.

Federal Income Tax

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

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

2. Investments

All investment decisions of the Subdistrict and Foundation are recommended by the Investment Committee, and made in accordance with the Investment Policy Statement adopted by the Subdistrict and the Foundation in May 2014 and most recently amended December 2020.

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.

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Notes To Combined Financial Statements (*Continued*)

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 municipal bonds, U.S. Treasury and U.S. Agency securities, with maturity dates staggered over approximately a five-year maturity.

As of December 31, 2021, the Subdistrict had the following investments and related maturities:

	Fair Value	Investment Maturities (In Years)	
		Less Than One	One To Five
Investment type:			
U.S. Treasury	\$ 11,607,162	\$ 3,528,723	\$ 8,078,439
U.S. Agencies	6,014,336	313,420	5,700,916
Municipal bonds	1,434,672	—	1,434,672
Total	\$ 19,056,170	\$ 3,842,143	\$ 15,214,027

As of December 31, 2021, the Subdistrict had the following recurring fair value measurements:

	Fair Value	Fair Value Measurements	
		Level 1	Level 2
Investment type:			
U.S. Treasury	\$ 11,607,162	\$ 11,607,162	\$ —
U.S. Agencies	6,014,336	6,014,336	—
Municipal bonds	1,434,672	—	1,434,672
Total	\$ 19,056,170	\$ 17,621,498	\$ 1,434,672

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.

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Notes To Combined Financial Statements (*Continued*)

The following table lists the credit quality ratings per Moody's and/or Standard and Poor's of the Subdistrict's investments as of December 31, 2021:

Investment type:	Fair Value	Quality Ratings	
		AA+	
U.S. Agencies	\$ 6,014,336	\$	6,014,336
Municipal bonds	1,434,672		1,434,672
Total	\$ 7,449,008	\$	7,449,008

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, 2021, all bank balances were entirely insured or collateralized.

Concentration Of Credit Risk

The Subdistrict's investment policy provides that the Subdistrict's investment pool, excluding assets which were donated, should consist entirely of fixed income securities, specifically municipal bonds, U.S. Treasury and U.S. Agency securities.

At December 31, 2021, the Subdistrict held the following investments that, individually, were greater than 5% of the Subdistrict's total investments:

Investment Type	
Israel Savings Bond	5.43%
Fannie Mae	5.09%
	<u>10.52%</u>

Investments, which include \$7,387,759 of certificates of deposit, are reported in the Subdistrict's accompanying statement of net position as of December 31, 2021, as follows:

Current investments:	
Unrestricted	\$ 965,852
Noncurrent investments:	
Unrestricted	19,020,550
Restricted	6,457,527
Total Investments	\$ 26,443,929

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Foundation

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

Interest Rate Risk

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

As of December 31, 2021, 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	Six To Ten	
Investment type:						
U.S. Treasury	\$ 11,821,311	\$ 1,059,729	\$ 8,659,488	\$ 2,102,094	\$ —	—
U.S. Agencies	2,136,994	—	2,136,994	—	—	—
Taxable municipal bonds	40,314,603	2,621,903	14,463,608	23,229,092	—	—
Mutual funds	198,112,426	—	—	—	198,112,426	—
Other investments	23,999	—	—	—	—	23,999
Total	\$ 252,409,333	\$ 3,681,632	\$ 25,260,090	\$ 25,331,186	\$ 198,136,425	

As of December 31, 2021, the Foundation has the following recurring fair value measurements:

	Fair Value	Fair Value Measurements		
		Level 1	Level 2	Not Applicable
Investment type:				
U.S. Treasury	\$ 11,821,311	\$ 11,821,311	\$ —	\$ —
U.S. Agencies	2,136,994	2,136,994	—	—
Taxable municipal bonds	40,314,603	—	40,314,603	—
Mutual funds	198,112,426	198,112,426	—	—
Other investments	23,999	—	—	23,999
Total	\$ 252,409,333	\$ 212,070,731	\$ 40,314,603	\$ 23,999

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.

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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, 2021:

Investment type:	Fair Value	Quality Ratings				
		AAA	AA+	AA	AA-	Unrated
U.S. Agencies	\$ 2,136,994	\$ —	\$ 2,136,994	\$ —	\$ —	\$ —
Taxable municipal bonds	40,314,603	12,327,468	7,904,066	19,325,207	757,862	—
Mutual funds	198,112,426	—	—	—	—	198,112,426
Other investments	23,999	—	—	—	—	23,999
Total	\$ 240,588,022	\$ 12,327,468	\$ 10,041,060	\$ 19,325,207	\$ 757,862	\$ 198,136,425

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, 2021, \$313,150, of the Foundation's bank balance was uninsured and uncollateralized, and thus exposed to custodial credit risk.

Concentration Of Credit Risk

As of December 31, 2021, the Museum and Foundation's Investment Policy Statement includes an asset allocation with the following target investment allocations and a permissible variance for total asset classes of +/- 3% and for specific investment types of +/- 20%.

Asset Class	Target Allocation
Equity investments:	
US equity investments:	
Total market	11.50%
Large cap value	16.00%
Small cap market	7.00%
Small cap value	11.00%
REIT's	3.50%
International equity investments:	
International total world (x-US)	7.50%
International large value	5.00%
International small cap	8.50%
Fixed income investments	30.00%
Total	100.00%

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At December 31, 2021, the Foundation did not hold any investments that, individually, were greater than 5% of the Foundation's total investments. This excludes any U.S. Government backed securities and pooled funds.

Investments, which include \$18,282,889 of certificates of deposit, are reported in the Foundation's accompanying statement of net position as of December 31, 2021, as follows:

Current investments:	
Unrestricted	\$ 12,151,004
Restricted	936,985
Noncurrent investments:	
Unrestricted	104,119,050
Restricted	153,485,183
	<hr/>
Total Investments	\$ 270,692,222
	<hr/>

3. Contributions Receivable

At December 31, 2021, the Foundation's and Subdistrict's contributions receivable are expected to be collected in the following year. An allowance for the Foundation's uncollectible amounts is reported for the year ending December 31, 2021, of \$577. There was no allowance for the Subdistrict for the year ending December 31, 2021.

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Notes To Combined Financial Statements (*Continued*)

4. Capital Assets

The following is a summary of changes in capital assets for the Subdistrict for the year ended December 31, 2021:

	Balance January 1, 2021	Additions And Reclassifications	Retirements And Reclassifications	Balance December 31, 2021
Capital assets not being depreciated:				
Construction in process	\$ 429,470	\$ 1,150,590	\$ (429,470)	\$ 1,150,590
Capital assets being depreciated:				
Buildings and building improvements	175,035,008	608,597	—	175,643,605
Furniture, fixtures and equipment	3,311,834	43,971	(49,091)	3,306,714
Total capital assets being depreciated	178,346,842	652,568	(49,091)	178,950,319
Less accumulated depreciation for:				
Buildings and building improvements	(60,071,638)	(5,680,319)	—	(65,751,957)
Furniture, fixtures and equipment	(3,173,397)	(89,864)	49,091	(3,214,170)
Total accumulated depreciation	(63,245,035)	(5,770,183)	49,091	(68,966,127)
Total capital assets being depreciated, net	115,101,807	(5,117,615)	—	109,984,192
Capital assets, net	115,531,277	(3,967,025)	(429,470)	111,134,782
Intangible right to use leases being amortized:				
Building leases	—	1,557,420	—	1,557,420
Less accumulated amortization for:				
Building leases	—	(199,470)	—	(199,470)
Total intangible right to use leases being amortized, net	—	1,357,950	—	1,357,950
Capital assets and leases, net	\$ 115,531,277	\$ (2,609,075)	\$ (429,470)	\$ 112,492,732

Depreciation expense for 2021 was allocated to the following functions of the Subdistrict:

	Depreciation Expense	Amortization Expense	Total
Building operations and maintenance	\$ 5,674,720	\$ 104,634	\$ 5,779,354
Administration	95,463	—	95,463
Curatorial and conservation	—	94,836	94,836
	\$ 5,770,183	\$ 199,470	\$ 5,969,653

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Notes To Combined Financial Statements (*Continued*)

5. Leases - Lessee

The Subdistrict has entered into leasing arrangements for warehouse space and art storage space. The lease contract for warehouse space expires in 2031, and the lease contract for art storage space expires in 2025 assuming all renewal options are exercised by the Subdistrict. The right to use assets are intangible assets and are recorded in capital assets as building leases. See Note 4. During 2021, the Subdistrict paid \$169,029 in lease payments.

The following represents future minimum lease payments required under the lease arrangements as of December 31:

Year	Principal	Interest	Total
2022	\$ 173,841	\$ 35,532	\$ 209,373
2023	183,831	31,173	215,004
2024	194,238	26,562	220,800
2025	188,836	21,701	210,537
2026	116,935	17,763	134,698
2027-2031	561,627	35,111	596,738
	<u>\$ 1,419,308</u>	<u>\$ 167,842</u>	<u>\$ 1,587,150</u>

6. Tax Revenue From The Zoo-Museum District

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

City of St. Louis, Missouri	\$ 3,692,963
St. Louis County, Missouri	20,726,908
	<u>\$ 24,419,871</u>

7. Noncurrent Liabilities

Following is a summary of the changes in noncurrent liabilities of the Subdistrict for the year ended December 31, 2021. Refer to Note 9 for descriptions of the net pension liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Deferred rental deposit	\$ 5,000	\$ 5,750	\$ (5,000)	\$ 5,750	\$ —
Lease liability	—	1,554,330	(135,022)	1,419,308	173,841
	<u>\$ 5,000</u>	<u>\$ 1,560,080</u>	<u>\$ (140,022)</u>	<u>\$ 1,425,058</u>	<u>\$ 173,841</u>

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Notes To Combined Financial Statements (*Continued*)

Following is a summary of the changes in noncurrent liabilities of the Foundation for the year ended December 31, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Obligations under split-interest agreements	\$ 304,200	\$ 57,616	\$ (57,753)	\$ 304,063	\$ 58,471

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 10.9%, for estimated future payments to be made to the donors or designated beneficiaries during their lifetimes. The obligations under split-interest agreements are adjusted over the term of the agreements for changes in the fair value of the assets, accretion of the discount, and other changes in estimates of future benefits.

9. Retirement Plans

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.

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

Notes To Combined Financial Statements (*Continued*)

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.

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 15.34% effective July 1, 2021. 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, 2021 were \$1,819,008.

**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*)

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

At December 31, 2021, the Subdistrict reported a liability of \$9,042,343 as its proportionate share of the net pension liability. The net pension liability was measured as of October 1, 2021, 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, 2021. At September 30, 2021, the Subdistrict's proportion was 5.20%, which was an increase of 0.26% from its proportion measured as of September 30, 2020.

For the year ended December 31, 2021, the Subdistrict recognized pension expense of \$2,440,408, which includes \$1,819,008 of the Subdistrict's contributions to the System for the year ended December 31, 2021. At December 31, 2021, 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	Net Deferred Outflows (Inflows) Of Resources
Differences between expected and actual experience	\$ 104,198	\$ 155,475	\$ (51,277)
Changes of assumptions	747,027	—	747,027
Net difference between expected and actual earnings on pension plan investments	—	2,895,782	(2,895,782)
Changes in Subdistrict's proportion and differences between Subdistrict contributions and Subdistrict's proportionate share of contributions	623,464	—	623,464
Subdistrict contributions subsequent to the measurement date of October 1, 2021	528,033	—	528,033
	\$ 2,002,722	\$ 3,051,257	\$ (1,048,535)

Deferred outflows of resources of \$528,033 resulting from Subdistrict contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022.

**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:

<u>Year</u>	<u>Net Deferred Outflows (Inflows) Of Resources</u>
2022	\$ 783,853
2023	(301,037)
2024	(955,205)
2025	(1,104,179)
	<u>\$ (1,576,568)</u>

Actuarial assumptions. The total pension liability in the September 30, 2021 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	2.5% annually, average, plus merit component based on employee's years of service (range from 2.5% to 4.55%)	
Investment rate of return		7.25% net of investment expense
Mortality rates - active	135% of the Pub-2010 General Employee below-median income mortality table for males and 155% for females projected with generational mortality improvements from 2010 using Scale MP-2019	
Mortality rates - healthy	125% of the Pub-2010 General Retiree below-median income mortality table for males and 120% for females projected with generational mortality improvements from 2010 using Scale MP-2019	
Mortality rates - disabled	120% of the Pub-2010 Non-Safety Disabled Retiree mortality table for males and 110% for females projected with generational mortality improvements from 2010 using Scale MP-2019	

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 Marquette Associates' capital market assumption in analyzing the System's asset allocation.

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

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.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate Of Return</u>
Large cap	25.00%	7.27%
Mid cap	7.50%	7.60%
Small cap	7.50%	7.90%
International large cap	12.00%	7.47%
Emerging markets	3.00%	8.10%
Fixed income	10.00%	3.30%
Bank loans	5.00%	6.10%
International fixed income	5.00%	5.80%
Core real estate	10.00%	6.60%
Infrastructure	5.00%	7.50%
Private equity	5.00%	10.80%
Hedge funds	5.00%	6.70%
Total	<u>100.00%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.25% as of September 30, 2021. 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 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Subdistrict's proportionate share of the net pension liability as of December 31, 2021	\$ 14,770,459	\$ 9,042,343	\$ 4,166,497

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 2021.

403 (b) Plan

The Subdistrict offers its employees the ability to save for retirement through an optional 403(b) plan. The plan was created in accordance with Internal Revenue Code Section 403(b). The plan is fully funded by the employees that have chosen to participate, no contributions are made by the Subdistrict.

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
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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 \$525,000 for 2020, for taxes assessed on January 1 and payable by December 31 of the same year. County property tax allocated revenues were reduced by approximately \$266,200 for 2020, for taxes assessed on January 1 and payable by December 31 of the same year. Information regarding the County and City property tax allocated revenue reduction for 2021 is unavailable.

12. Commitments

The Subdistrict has committed \$1,057,290 for capital projects related to the replacement of the air handling units and an update to the building automation system. This work is expected to be completed in 2022 and 2023.

13. Subsequent Events

Management has evaluated subsequent events through March 24, 2022, the date which the financial statements were available for use.

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	2021	2020	2019	2018	2017	2016	2015
Subdistrict's proportion of the net pension liability	5.1998%	4.9411%	4.7566%	4.5009%	4.2066%	3.9538%	3.7971%
Subdistrict's proportionate share of the net pension liability	\$ 9,042,343	\$ 14,024,362	\$ 10,353,911	\$ 7,614,931	\$ 7,307,481	\$ 8,273,109	\$ 8,624,107
Subdistrict's covered-employee payroll	12,513,729	12,194,135	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	72.26%	115.01%	89.99%	70.08%	72.09%	87.74%	87.73%
Plan fiduciary net position as a percentage of the total pension liability	84.10%	73.80%	78.60%	83.00%	82.46%	78.52%	76.22%

Schedule Of Subdistrict's Contributions

Fiscal Year	2021	2020	2019	2018	2017	2016	2015
Required contribution	\$ 1,819,008	\$ 1,558,331	\$ 1,421,231	\$ 1,347,676	\$ 1,272,100	\$ 1,248,391	\$ 1,386,774
Contributions in relation to the required contribution	1,819,008	1,558,331	1,421,231	1,347,676	1,272,100	1,248,391	1,386,774
Subdistrict's covered-employee payroll	12,794,261	12,347,578	11,274,213	11,328,949	10,357,551	9,528,783	9,581,296
Contributions as a percentage of covered-employee payroll	14.22%	12.62%	12.61%	11.90%	12.28%	13.10%	14.47%

Note: The Subdistrict implemented GASB 68 for the year ended December 31, 2015. Years will be added to these schedules in future years until 10 years of information is provided.

Changes Of Benefit Terms Or Assumptions

There were no changes to benefit terms in the plan in 2021.

There were changes to the actuarial assumptions in 2020 based on an experience study performed for the period from October 1, 2014 through September 30, 2019. See the actuarial assumptions for 2021 at Note 9.