



Date: September 28, 2018

To: Chairperson Theodore Lipscomb, Sr., Milwaukee County Board of Supervisors
Chairperson James Schmitt, Committee on Finance and Audit
Chairperson Jason Haas, Committee on Parks, Energy, and Environment

CC: Janelle M. Jensen, Senior Committee Coordinator, Office of the County Clerk
Allyson R. Smith, Committee Coordinator, Office of the County Clerk

**Subject: Report from the Milwaukee Public Museum
Results for the eleven month period ended July 31, 2018**

The Mission of the Milwaukee Public Museum is to inspire curiosity, excite minds and increase desire to preserve and protect our world's natural and cultural diversity through exhibitions, educational programs, collections and research.

Program Summary

MPM's attendance continues to be strong. Over the past year, we had about 100,000 school children attend the museum or programs that the museum offered in the community. About 20% of them received the programming for free.

The exhibit **Weapons: Beyond the Blade**, which ended on January 1, 2018 exceeded attendance projections, with 25,838 ticketed visitors (vs. budgeted attendance of 15,000). The percentage of members as a % of total attendees was higher than projected (budgeted at 45%; actual was 60%); hence revenues were below the budgeted amounts. Overall gains in membership revenue and renewals due to the shift of offering free admission for members to select exhibits has driven revenue gains in recent years to the membership program, however.

The exhibit **MAYA: Hidden Worlds Revealed**, which began on February 9, 2018 and ended May 28, 2018, was below expected attendance projections and had a deficit. Total attendance was 36,733 ticketed visitors (vs. budgeted attendance of 70,000). The total loss for Maya was \$130k on a budget of a surplus of \$340k or a difference of \$470k vs. expectations.

Milwaukee Public Museum

Looking Ahead

The fiscal year 2019 traveling exhibits are **Frogs! A Chorus of Colors** opening on October 6, 2018 and running through January 6, 2019 and **The Power of Poison** opening on March 2, 2019 and running through the beginning of July 2019. Frogs will continue to be priced as an add-on to attendance, but Poison will be included in all general admission pricing which will be increased by \$3 during this time.

At the August Audit and Finance Committee meeting of the Board of Directors of MPM, the fiscal year 2019 operating budget was approved.

Starting in September 2018, MPM has switched banks to The Northern Trust for all of its treasury work and its line of credit.

Fiscal Summary

MPM consolidated financial statements report an operating deficit of \$0.1 million for the eleven month period ended July 31, 2018 compared to an operating surplus of \$0.3 million from the prior year. Overall, the change in net assets for the eleven month period was an increase of \$0.2 million compared to a decrease of (\$1.0) million in the prior year. The main drivers of this variance are donations from Kohl's and contributions released from restrictions offset by the loss in Maya.

Consolidated year to date operating revenues of \$12.3 million are approximately the same as prior year. Contributions and admissions revenues were greater than prior year which was offset by the amount of assets released from restrictions. Compared to budget, operating revenues fell short of the prior year's revenues by approximately \$0.6 million due to a shortfall in contributions, membership, and admissions offset by assets released from restrictions.

Expenditures for the first eleven months were greater than the prior year by \$0.3 million due mainly royalties owed for the Maya exhibit. Expenditures are lower than budget by \$0.1 million due mainly to a number of small expenditures.

In other non-operating activity, the Museum and Endowment investments reported total fiscal year to date market gains of \$0.2 million. Within the fiscal year, distribution from the MPM Endowment Fund totaled \$86,363 which was provided from temporarily restricted funds within the Endowment. The Museum continues to have to a fiscally conservative course of significantly reduced reliance on MPM Endowment earnings than in the decade prior.

Capital Investment Summary

County Funded Capital Projects

County funded projects that are currently in process at the Museum include the replacement of the electrical substations and the ground floor security camera project. The Museum has one critical project approved for 2018 under the County Capital process and that is the fire panel/fire safety system replacement which the bidding process began in July 2018. This project will take 12-18 months to complete.

The Museum has completed the requirements for the 2019 capital projects requests and is waiting for information back from the staff to continue the prescribed process.

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MPM Donor Funded Projects

One project completed during the year that was funded through grants and in kind contributions was the MPM Courtyard Green Infrastructure project outside the Wells Street entrance to the museum. This project assists in reducing the volume of storm water flowing into the sewerage system and the amount of pollutants discharged to surface waters. Milwaukee Metropolitan Sewerage District (MMSD) and The Fund for Lake Michigan have supported this effort.

Collection's care and digitization continues to be supported by federal grants. In the past year, \$25,000 (year 2 of a 3 year grant – total \$141,000) was received from the National Science Foundation to organize and digitize some of the butterfly collection and \$46,000 (year 1 of a 3 year grant – total \$362,000) was received from the Institute of Museum and Library Services to organize and digitize our Ordovician fossil collection.

Collections Storage

As has been shared previously, MPM, Inc. is exploring options to address the inadequate conditions of the current building for the 4 million collections objects—many of them scientifically or historically important, and all irreplaceable—held by the County in the public trust. The museum building does not meet current environmental and conditions standards for museum collections storage set by the American Alliance of Museums. As we move closer to MPM's reaccreditation deadline in 2020, we have developed an estimate of the capital investment that would be required from the County to advance this important project. This estimate includes offsite/deep storage space for collections infrequently accessed as well as the storage equipment required to protect and preserve the collections over time. Moving a portion of the collections would prove an important step toward ensuring the public's collections are not further damaged.

Either Ellen Censky, Interim President/CEO or I will be happy to take questions during our appearance before the Committees.

Sincerely,

Ryan O'Desky
Senior Vice President of Finance and Operations
Milwaukee Public Museum

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MPM Consolidated Statement of Activities for the Eleven Months Ended 7/31/18				
	YTD	YTD	Prior Year	Prior Year
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Change</u>
Revenue:				
Contributions	2,131,622	2,389,001	2,045,961	85,660
Vision Fund	235,435	300,000	57,000	178,435
Membership	903,907	1,172,346	999,694	(95,787)
Special Event Revenue	637,148	595,725	518,746	118,401
Public Support	3,208,333	3,208,333	3,208,333	0
Admissions	2,040,789	2,707,349	1,775,320	265,469
Theatre/Planetarium	245,964	267,294	273,528	(27,564)
Programs	151,315	172,256	187,712	(36,397)
Contributed Services	0	0	28,144	(28,144)
Restaurant and Facility Rental	305,176	257,547	252,481	52,695
Retail	653,005	597,564	593,725	59,280
Other income	83,609	61,711	81,279	2,330
Net Assets released from restrictions	1,666,503	1,156,929	2,325,757	(659,254)
Total Unrestricted Revenue	<u>12,262,806</u>	<u>12,886,056</u>	<u>12,347,680</u>	<u>(84,875)</u>
Operating Expenses:				
Cost of Goods Sold	275,452	254,785	253,083	22,370
Supplies	1,011,152	1,042,349	763,571	247,580
Salaries and Wages	5,214,607	5,180,724	5,491,685	(277,077)
Benefits	1,321,461	1,473,130	1,349,476	(28,016)
Travel	92,180	112,566	55,062	37,118
Insurance	73,626	73,329	75,515	(1,889)
Marketing/Public Relations	592,556	698,007	591,650	906
Member/Donor Development	53,195	78,659	35,895	17,300
Subscriptions/Memberships	26,153	35,889	26,526	(372)
Maintenance	636,514	615,806	542,168	94,345
Utilities	992,457	917,591	897,362	95,095
Professional Fees	585,998	585,932	533,549	52,449
Interest Expense	59,109	74,332	106,520	(47,411)
Miscellaneous	123,989	125,270	91,431	32,558
Sales Tax Expense	1,571	1,600	5,450	(3,879)
Contributed Services	0	0	28,144	(28,144)
Depreciation	1,264,484	1,168,222	1,209,083	55,401
Total Operating Expenses	<u>12,324,504</u>	<u>12,438,191</u>	<u>12,056,171</u>	<u>268,334</u>
Inc/(dec) in Unrestricted Net Assets in Operating Items	(61,699)	447,865	291,510	(353,209)
Non-Operating Items:				
Investment Earnings	163,113	0	273,598	(110,485)
Loss on Swap Liability	5,006	0	22,192	(17,186)
Pension & Post Retirement Expenses	(99,000)	(99,000)	(99,000)	0
Non-Operating Expense	0	0	0	0
Total Non-Operating Items	<u>69,119</u>	<u>(99,000)</u>	<u>196,790</u>	<u>(127,671)</u>
Inc/(dec) in Unrestricted Net Assets	7,420	348,865	488,300	(480,879)
Changes in Temporarily Restricted Net Assets:				
Contributions	1,645,985	595,000	464,091	1,181,893
Investment Earnings	226,433	0	403,553	(177,121)
Net Assets released from restrictions for operations	(1,666,503)	(1,156,929)	(2,325,757)	659,254
Inc/(dec) in Temporarily Restricted Net Assets	205,914	(561,929)	(1,458,113)	1,664,027
Changes in Permanently Restricted Net Assets:				
Contributions	1,100	0	2,250	(1,150)
Investment Earnings	7,489	0	13,791	(6,302)
Net Assets released from restrictions for operations	0	0	0	0
Inc/(dec) in Permanently Restricted Net Assets	8,589	0	16,041	(7,452)
Inc/(dec) in Net Assets	221,924	(213,065)	(953,772)	1,175,696
Total Net Assets at Beginning of Period	14,374,429	14,374,429	14,996,363	(621,934)
Total Net Assets at End of Period	<u>14,596,353</u>	<u>14,161,364</u>	<u>14,042,591</u>	<u>553,762</u>

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MPM Consolidated Statement of Financial Position as of 7/31/18			
	Consolidated	Consolidated	Consolidated
	<u>7/31/18</u>	<u>7/31/17</u>	<u>8/31/17</u>
Assets:			
Cash and cash equivalents	1,854,184	2,436,350	2,213,814
Investments	341,669	322,507	323,619
Accounts Receivable	80,243	32,038	59,358
Contributions Receivable - Current	138,410	212,039	890,690
Due From Other Entities	0	0	0
Inventories, net	44,374	38,779	42,281
Prepaid Expenses	112,062	76,628	61,410
Total Current Assets	2,570,943	3,118,340	3,591,172
Other Assets:			
Cash and investments held for endowment	6,168,503	5,852,919	5,863,959
Contributions Receivable - Long Term	1,738,315	1,193,421	583,551
Total Other Assets	7,906,818	7,046,340	6,447,510
Property & Equipment:			
Construction in Progress	19,987	990,398	19,885
Building Additions	20,676,223	19,704,587	20,676,223
Furniture, equipment and other improvements	13,478,239	13,298,394	13,308,393
Gross Property & Equipment	34,174,449	33,993,379	34,004,501
Less-Accumulated depreciation	(20,993,542)	(19,613,998)	(19,819,987)
Net Property & Equipment	13,180,907	14,379,381	14,184,514
Total Assets	23,658,667	24,544,061	24,223,196
Liabilities and Net Assets:			
Accounts Payable	481,222	439,643	414,981
Accrued Payroll & Benefits	534,767	512,040	586,183
Deferred Revenue	1,553,678	1,498,951	1,091,035
Interest Payable	3,015	7,570	8,261
Interest Rate Swap Liability	0	9,346	5,007
Accrued Postretirement Benefits - Current	167,002	133,595	167,002
Notes Payable - Current	662,295	1,562,295	1,762,295
Lease Payable - Current	0	0	0
Total Current Liabilities	3,401,978	4,163,440	4,034,764
Accrued Postretirement Benefits	5,500,336	6,018,029	5,494,003
Due to Other Entities	0	0	0
Notes Payable	160,000	320,000	320,000
Total Liabilities	9,062,314	10,501,470	9,848,767
Net Assets:			
Unrestricted	6,529,796	5,614,053	6,522,376
Temporarily Restricted	4,278,470	4,649,263	4,072,556
Permanently Restricted	3,788,086	3,779,275	3,779,497
Total Net Assets	14,596,353	14,042,591	14,374,429
Total Liabilities and Net Assets	23,658,667	24,544,061	24,223,196

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Consolidated Statement of Cash Flows for the Eleven Months Ended 7/31/18		
	YTD	Prior YTD
	<u>Actual</u>	<u>Actual</u>
Operating Activities:		
Increase in net assets	221,924	(953,772)
Adjustments to reconcile net cash flows from operations:		
Depreciation and amortization	1,264,484	1,209,083
Loss on disposal of assets	0	32,083
Change in value of interest rate swap	(5,006)	(22,192)
Unrealized (gain)/loss on investments	69,066	(568,317)
Realized (gain)/loss on investments	(330,392)	(9,170)
Contributions restricted for capital and endowment		0
Changes in operating assets and liabilities:		
Accounts Receivable	(20,885)	0
Contribution Receivable	(775,484)	29,566
Inventories and Other Assets	(2,093)	619,724
Prepaid Expenses	(50,652)	4,080
Accounts Payable, Accrued Expenses and Accrued Benefits	21,155	7,110
Due to Affiliates	0	(183,438)
Interest Payable	(5,246)	(843)
Deferred Revenue	462,643	306,731
Total Adjustments	627,590	1,424,419
Net cash provided/(used) by operating activities	849,513	470,646
Investing Activities:		
Purchases of Property & Equipment	(71,147)	(189,793)
Purchases of Property & Equipment - Restricted	(189,729)	(677,470)
Proceeds from Sale of Investments	1,322,519	419,623
Purchases of Investments	(1,383,786)	(395,738)
Net cash provided/(used) in investing activities	(322,144)	(843,379)
Financing Activities:		
Net proceeds on Notes Payable	(390,000)	(57,000)
Proceeds from contributions restricted for capital and endowment	373,000	454,000
Net proceeds from Line of Credit	(870,000)	(240,000)
Payments on lease obligations	0	(8,813)
Net cash provided/(used) in financing activities	(887,000)	148,187
Net Inc/(Dec) in Cash and Cash Equivalents	(359,630)	(224,546)
Cash and Cash Equivalents, beginning of period	2,213,814	2,660,896
Cash and Cash Equivalents, end of period	1,854,184	2,436,350