



Date: November 28, 2014

To: Chairwoman M. Dimitrijevic
Supervisor W. Johnson, Jr.
Supervisor D. Cullen
Supervisor G. Broderick

CC: Dennis Kois

**Subject: Report from the Milwaukee Public Museum
Fiscal 2014 – Yearend Financial Update**

Summary

The continuing purpose of the museum is to educate, explore, discover and preserve the world and its people. MPM's mission, across time and cultures, is to be a world class museum that focuses on the intersections between people and the environment and the impact each has on the other.

Recent Museum Programming Highlights include:

- Work on the new permanent exhibit, "*Crossroads of Civilization*" continued.
- The Summer Urban Academy partnered with MPS as well as other community organizations to provide programming for youth this past summer – 50 programs were presented to more than 1,300 students. 16 summer camps for kids were offered this summer and all of them were filled.
- 24 NASA CREATE teens were chosen for the second year of the program and both groups of kids participated in a two week long camp on careers.
- Work on digitizing the collections continues in Anthropology, Geology and Zoology.
- Summer field work included research on endangered species as well as a multi-year study of a north shore suburban population of annual cicada.
- History was involved in the International Typewriter Collectors meeting as well as the American Quilt Studies Group meeting.
- Work on the egg collection continues in Zoology.

Two new hires were made in key roles for the museum:

Director of Exhibits
Manager of Security

Milwaukee Public Museum

With a rough winter forcing closures and a soft economy, visitors to two traveling exhibitions, *The Scoop on Poop* and *Body Worlds*, were approximately 40% below expected attendance levels for those programs. This impacted admissions revenues both for the museum and the theater as well as ancillary revenues for retail sales and food service. In addition, donor gifts to the annual campaign were down 11% from plan and prior year.

Financial Results

Attached are audited financial statements for the fiscal 2014 year ending August 31st as well as a summary of performance statistics included in the reporting requirements of the Lease and Management Agreement. Some highlights include:

- Major gift commitments through the museum's capital campaign and reduced long term liabilities have improved MPM's net assets from \$17.8 million at the end of the prior fiscal year to \$20.5 million as of the end fiscal 2014.
- Operating revenues of \$13.5 million include \$2.47 million in released from restriction revenue which went toward debt retirement, the acquisition of the old Discovery World Building, and other renovations to museum exhibits. Prior year results included a one-time contribution from the County to the museum's pension plan of \$3.0 million. Prior year also included \$2.5 million of revenue released from restriction related to debt retirement.
- At \$13.97 million for the year, operating expenses were at plan and below prior year spending levels.
- Non-operating impacts include investment income of \$0.88 million on \$7.6 million of MPM Endowment investments.
- The net assets were favorably impacted by actuarial reductions to retiree medical obligations as a result of changes to the plan benefits.
- MPM's remaining term debt of \$1.6 million will be extinguished over the next 3 years as donor pledges are realized. MPM also has a \$1.2 million working line of credit. As of August 31, \$750,000 had been borrowed against the line.

Looking Forward

MPM opens October programming with, "*Alien Worlds and Androids*." This exhibit focuses on the search for extraterrestrial life as well as organisms living in extreme environments right here on earth. The exhibit will close in January.

Opening in March 2015 will be a new permanent exhibit on the 3rd floor entitled, "*Crossroads of Civilization*". This is the first new permanent exhibit area at MPM in the last 20 years.

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The museum's south facing façade along Wells Street has completed construction including the largest building mounted solar panel array in Wisconsin. This project supports not only improvements to the building structure and insulation but will provide related museum programming focused on energy conservation and sustainability of resources. The museum's north façade is scheduled for replacement summer 2015.

Under the new attendance policy, Milwaukee County schools enjoy free attendance any day of the week from September 1 through November 30. MPM admission is also free to all Milwaukee County Residents the first Thursday of every month in 2015. "Thank You Thursdays" are in addition to \$2.00 off the regular Museum admission fees any day of the week for Milwaukee County residents.

Please contact me if you have any questions or concerns with the enclosed materials.

Sincerely,

Michael A. Bernatz

Michael A. Bernatz
Chief Financial Officer
Milwaukee Public Museum

Milwaukee Public Museum

MPM Consolidated Statement of Activities for the Year Ended 8/31/14					
	YTD	YTD		Prior Year	Prior Year
	Actual	Budget	Dev	Actual	Change
Revenue:					
Contributions and Membership	3,243,801	3,660,038	(416,236)	3,665,921	(422,120)
Change Capital Contributions	10,000	0	10,000	0	10,000
Special Event Revenue	486,313	538,900	(52,587)	529,040	(42,726)
Public Support	3,500,792	3,500,793	(1)	6,502,376	(3,001,584)
Admissions	1,950,513	2,886,168	(935,654)	2,420,741	(470,228)
Theatre/Planetarium	466,224	667,625	(201,401)	497,988	(31,764)
Programs	157,081	179,677	(22,596)	169,143	(12,062)
Contributed Services	312,471	0	312,471	385,065	(72,593)
Restaurant and Facility Rental	201,367	236,465	(35,099)	192,499	8,868
Retail	566,298	812,874	(246,576)	655,903	(89,605)
Other income	143,862	127,975	15,887	67,037	76,825
Net assets released from restrictions	2,471,716	2,296,071	175,645	4,084,507	(1,612,791)
Total Unrestricted Revenue	13,510,438	14,906,585	(1,396,146)	19,170,219	(5,659,779)
Operating Expenses:					
Cost of Goods Sold	227,398	394,438	(167,040)	281,594	(54,196)
Supplies	1,111,233	1,286,287	(175,054)	1,369,240	(258,007)
Salaries and Wages	5,976,873	5,998,066	(21,193)	5,785,430	191,443
Benefits	1,686,012	1,452,956	233,056	1,478,508	207,504
Travel	38,044	62,821	(24,777)	104,321	(66,277)
Insurance	107,468	112,096	(4,627)	131,566	(24,097)
Public Relations	611,387	788,858	(177,471)	701,420	(90,033)
Member/Donor Development	39,916	151,075	(111,159)	45,510	(5,594)
Subscriptions/Memberships	26,060	26,745	(685)	25,413	647
Maintenance	757,871	734,244	23,627	563,007	194,864
Utilities	1,090,480	990,596	99,884	1,011,274	79,206
Professional Fees	554,430	538,769	15,661	542,229	12,201
Interest Expense	156,717	85,558	71,159	218,892	(62,175)
Miscellaneous	82,560	129,950	(47,390)	183,852	(101,291)
Sales Tax Expense	12,496	14,500	(2,004)	13,783	(1,288)
Contributed Services	312,471	0	312,471	370,595	(58,124)
Depreciation	1,180,197	1,196,361	(16,165)	1,215,805	(35,609)
Total Operating Expenses	13,971,614	13,963,321	8,293	14,042,438	(70,824)
Inc (dec) in unrestricted net assets before non operating items	(461,176)	943,264	(1,404,439)	5,127,781	(5,588,956)
Non Operating Items:					
Investment Earnings	328,879	0	328,879	269,711	59,168
Loss on Swap Liability	43,100	0	43,100	108,193	(65,092)
Pension & Post Retirement Expenses	3,104,297	(382,000)	3,486,297	1,240,972	1,863,325
Total Non Operating Items	3,476,276	(382,000)	3,858,276	1,618,876	1,857,400
Inc (dec) in unrestricted net assets	3,015,100	561,264	2,453,837	6,746,656	(3,731,556)
Changes in Temporarily Restricted Net Assets:					
Contributions	1,514,210	5,412,000	(3,897,790)	5,643,019	(4,128,809)
Contributed Services	0	0	0	0	0
Investment Earnings	538,801	0	538,801	421,147	117,653
Contributed Services	0	0	0	0	0
Net assets released from restrictions for operations	(2,471,716)	(2,296,071)	(175,645)	(4,084,507)	1,612,791
Inc (dec) in temporarily restricted net assets	(418,706)	3,115,929	(3,534,635)	1,979,659	(2,398,365)
Changes in Permanently Restricted Net Assets:					
Contributions	5,000	0	5,000	0	5,000
Investment Earnings	13,189	0	13,189	10,538	2,651
Net assets released from restrictions for operations	0	0	0	0	0
Inc (dec) in permanently restricted net assets	18,189	0	18,189	10,538	7,651
Inc (dec) in Net Assets	2,614,583	3,677,192	(1,062,609)	8,736,853	(6,122,269)
Total Net Assets at Beginning of Period	17,886,491	17,886,491	0	9,149,638	8,736,853
Total Net Assets at End of Period	20,501,074	21,563,683	(1,062,609)	17,886,491	2,614,584

Milwaukee Public Museum

MPM Consolidated Statement of Financial Position as of 8/31/14			
	Consolidated	Consolidated	
	8/31/14	8/31/13	Change
Assets:			
Cash and cash equivalents	1,467,245	2,783,938	(1,316,693)
Investments	277,223	262,079	15,144
Accounts Receivable	98,116	54,894	43,222
Contributions Receivable -Current	1,145,523	1,246,820	(101,297)
Due From Other Entities	0	0	0
Inventories, net	72,073	61,979	10,094
Prepaid Expenses	141,572	160,026	(18,454)
Total Current Assets	3,201,752	4,569,736	(1,367,984)
Other Assets:			
Cash and investments held for endowment	6,932,992	6,545,098	387,894
Contributions Receivable - Long Term	3,090,977	2,937,876	153,101
Deferred Financing Costs, net	0	0	0
Other Long Term Assets	0	0	0
Total Other Assets	10,023,969	9,482,974	540,995
Property & Equipment:			
Construction in Progress	1,319,611	47,235	1,272,376
Building Additions	19,508,737	19,501,125	7,612
Furniture, equipment and other improvements	11,344,519	11,210,032	134,487
Gross Property & Equipment	32,172,867	30,758,392	1,414,475
Less-Accumulated depreciation	(17,407,903)	(16,244,242)	(1,163,661)
Net Property & Equipment	14,764,965	14,514,150	250,815
Total Assets	27,990,686	28,566,860	(576,174)
Liabilities and Net Assets:			
Accounts Payable	636,034	408,351	227,683
Accrued Payroll & Benefits	513,836	483,215	30,621
Deferred Revenue	1,022,032	1,100,311	(78,279)
Interest Payable	11,856	17,891	(6,035)
Accrued Postretirement Benefits - Current	105,408	107,063	(1,655)
Notes Payable - Current	1,180,000	945,000	235,000
Lease Payable - Current	23,743	0	23,743
Total Current Liabilities	3,492,909	3,061,831	431,078
Accrued Postretirement Benefits	2,632,310	5,815,187	(3,182,877)
Interest Rate Swap Liability	133,251	176,351	(43,100)
Due to Other Entities	0	0	0
Notes Payable	1,197,000	1,627,000	(430,000)
Lease Payable	34,142	0	34,142
Total Liabilities	7,489,612	10,680,369	(3,190,757)
Net Assets:			
Unrestricted	9,810,057	6,794,957	3,015,100
Temporarily Restricted	6,832,412	7,251,118	(418,706)
Permanently Restricted	3,858,605	3,840,416	18,189
Total Net Assets	20,501,074	17,886,491	2,614,583
Total Liabilities and Net Assets	27,990,686	28,566,860	(576,174)

Milwaukee Public Museum

Milwaukee Public Museum, Inc.

Fiscal 2014 Audit

Supplemental Information related to the 2013 County Lease and Management Agreement ("LMA")

Section 5.3 of the LMA includes terms that the County's annual Base Level Funding of \$3,500,000 is predicated on Milwaukee Public Museum meeting or exceeding certain contingencies and operating goals. The Milwaukee Public Museum's annual financial reports are based on a year end of August 31st which shall also be the date of determining compliance with the conditions. In the event the Milwaukee Public Museum fails to meet or exceed any one of the following conditions, the County may reduce the Base Level Funding set forth above by \$250,000 for any subsequent year:

a) Milwaukee Public Museum will obtain donor commitments for any remaining Milwaukee Public Museum bank debt, estimated to be approximately \$1,500,000, by December 15, 2015.

The bank debt refers to the original term note and does not include the seasonal working capital line of credit. For the term note, donor commitments have been received for the eventual elimination of the total debt by December 31, 2017. As of fiscal 2014 yearend, the balance of the outstanding term debt was reduced to \$1,627,000.

b) Annual attendance of the Museum, its theater/planetarium and special exhibits, events and programs exceeds 400,000 during the preceding fiscal year.

Total attendance exceeded 430,000 in fiscal 2014.

c) Milwaukee Public Museum generates positive unrestricted operating earnings as defined by unrestricted operating net income plus depreciation is greater than zero.

For fiscal 2014, MPM's positive unrestricted operating earnings were \$4,195,297.

d) Total Milwaukee Public Museum Endowment net assets are a minimum of \$2,000,000 in unrestricted net assets.

For fiscal 2014, MPM Endowment Unrestricted Net Assets were \$2,962,677.

e) Milwaukee Public Museum's Total Net Assets continue to exceed the value as of fiscal yearend 2013 audited results excluding gains associated with pension contribution and gift commitments for debt elimination.

Fiscal 2013 Net Assets of \$17,886,491 need to be adjusted for pension contribution and debt elimination gifts which totaled \$7,500,000 leaving a balance of \$10,886,491. Fiscal 2014 Total Net Assets equal \$20,501,074.

f) Any new debt, except for working capital, collateralized debt by donor pledges or personal assets, is approved by the County Executive or designee.

No additional debt has been requested or obtained.