



Date: October 14, 2016

To: Chairperson Theodore Lipscomb, Sr., Milwaukee County Board of Supervisors
Chairperson Peggy A. West, Committee on Finance, Personnel, 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
Preliminary results for the twelve months ending August 31, 2016**

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

The Museum concluded its fiscal year on August 31 with attendance totals up 26.1% over the prior year due in part to pricing changes, increases in free access to MPM as well as a successful special exhibit which also increased admission revenues. In addition, Theater and Planetarium attendance was strong and we anticipate that to continue into fiscal year 2017 with the donor funded Digistar 7 theater system being installed in September—MPM is the first museum in the world to have this system.

The last quarter of the fiscal year is traditionally a lower attendance period for MPM. However we have cultivated partnerships with sponsors and others to attract visitors to the Museum during these slower months. Our partnership with Kohl's brought in over 34,000 visitors to the Museum for free admission on the first Thursday of each month this past fiscal year. Average daily retail sales on Kohl's days for this past fiscal year were \$4,027, 102% higher than the overall annual daily average. In addition, partnering with Sendik's for three Red Bag Weekends brought in over 6,094 of visitors on what would normally be slow summer weekends.

As we look forward to the new fiscal year, we are pleased to provide the community with the first internally curated special exhibit in a decade—*Hidden Wisconsin*—which opened on October 6th and runs through January 2, 2017. Our next traveling exhibit, *Global Kitchen*, presented in partnership with the American Museum of Natural History, New York will open to the public on March 3rd and run through July 9th, 2017.

Milwaukee Public Museum

Fiscal Summary

The information provided in this report is a preliminary reporting of MPM's results for the fiscal year ending August 31, 2016. Final audited financial statements with executive commentary will be provided to the County within 180 days of our fiscal year end, per the lease and management agreement with the County.

Preliminary MPM consolidated financial statements report a net operating profit of \$833,729, compared to a net operating profit the prior year of \$11,744 and a net operating loss in FY2014 of (\$233,485). After accounting for non-operating and non-cash items including depreciation and pension adjustments, MPM preliminarily projects a decrease in Net Assets of (\$1,065,568).

	Yearend FY 2016	Yearend FY 2015	Yearend FY 2014
Net Operating Results	833,729	11,744	(233,485)
Non-Operating and Other Impacts			
Pension Adjustment	(850,688)	(2,194,848)	911,222
Retiree Medical Adjustment	(126,469)	(437,606)	2,193,075
Investment (Losses)/Gains	289,344	(370,346)	880,869
Other**	(9,829)	(315,696)	43,100
Depreciation	(1,201,655)	(1,132,392)	(1,180,197)
Overall Change in MPM Net Assets	(1,065,568)	(4,439,144)	2,614,584

* Actuarial adjustment were driven by the following: 2016 update in discount rate used on both plans to reflect current rate environment; 2015 change in Actuarial Life Expectancy Tables (\$1.0m); pension fund investment losses vs. assumed gains (\$0.9m); impact of wage increases for active employees (\$0.3m)

** Other includes down payments on future exhibitions, a restructuring reserve and gains on interest rate swaps.

Consolidated revenues exceeded prior year as well as budgeted revenues. MPM raised \$4,184,416 in unrestricted donations, a 6% decrease over the prior year however restricted giving of \$1,736,258 was 19% higher than the prior year total. Attendance counts were up 26% over the prior year and attendance revenues exceeded the prior year by \$1.4 million due to increased base admission rates and a successful special exhibit following a year in which no traveling exhibit was offered to the public. The average admission paid per visitor (or "per cap") increased slightly over the prior year to \$5.34 even with the increase in free admissions from Kohl's Thank You Thursdays. Increased admissions and a successful exhibit draw contributed to a banner year for retail sales. Retail sales increased over \$243,000 from the prior year, up 44% and with a slightly higher profit margin.

Expenditures, excluding contributed services expense, are in line with budgeted expenses and approximately \$755,000 (5.6%) higher than the prior year. Increases in staffing, travel expenses for shipping the special exhibit, marketing, supplies and increased depreciation contributed to the overall increased expenditures.

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In other non-operating activity, the Museum and Endowment investment earnings rebounded from the previous market losses to provide investment gains of more than \$272,000. Actuarial adjustments to MPM's obligations under Pension and Post Retirement benefits for former County employees resulted in a charge to expense of over \$977,000. Final adjustments for the valuation of other benefits and to accrued expenses are pending and will be finalized in the coming weeks.

Capital Investment Summary

As has been shared previously, MPM, Inc. is currently 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 are developing an estimate of the capital investment that would be required from the County to advance this important project.

We anticipate that in the coming months we will be able to provide the County estimated costs to move a significant portion of the collections into offsite "deep storage" in order to allow the County the lead time necessary to plan and budget for how best to address the future of these public treasures. Moving this first portion of the collections would prove an important step toward ensuring the public's collections are not further damaged.

In more recent projects, the County funded freight elevator project is now complete and was a successful collaboration with MPM and County staff. County funded projects that are in process at the Museum include the replacement of the electrical substations, critical sidewalk/membrane repairs and expected replacement of key mechanicals. It should be noted that the sidewalk project has caused water encroachment issues inside the Museum during the last two months during heavy rains. All occurrences have been communicated to the County and we will be reporting any costs/damages incurred as a result of the breach of the membrane during the completion of this repair work. As reported previously to the County, the critical need for an additional passenger elevator has been requested for consideration and we have included this project in the County's Capital Request submission process. The County is currently performing a study on this request.

Other projects funded by MPM donors completed in recent months include an upgrade to the butterfly exhibit viewing window and the theater projection system upgrade which was supported by the Daniel M. Soref Foundation. Other projects in process include Holiday lighting for the Streets of Old Milwaukee and an upgrade of several Museum entryways required to increase security and safety for the Museum collections and visitors.

Museum President Dennis Kois and I will be happy to take questions during our appearance before the Committees.

Sincerely,

Patti Dew

Patti Dew
Vice President of Finance and Operations
Milwaukee Public Museum

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MPM Consolidated Statement of Activities for the Year Ended 8/31/16 - PRELIMINARY					
	YTD <u>Actual</u>	YTD <u>Budget</u>	<u>Variance</u>	Prior Year <u>Actual</u>	Prior Year <u>Change</u>
Revenue:					
Contributions	2,266,661	2,553,000	(286,339)	2,782,120	(515,459)
Vision Fund	322,502	500,000	(177,498)	241,175	81,327
Membership	1,073,099	1,065,757	7,342	961,280	111,819
Special Event Revenue	522,154	556,750	(34,596)	465,768	56,386
Public Support	3,542,200	3,500,000	42,200	3,500,000	42,200
Admissions	2,704,308	3,047,000	(342,692)	1,476,601	1,227,707
Theatre/Planetarium	314,578	261,000	53,578	359,245	(44,667)
Programs	160,189	141,985	18,204	147,273	12,916
Contributed Services	410,021	0	410,021	287,623	122,398
Restaurant and Facility Rental	284,226	251,925	32,301	229,227	54,999
Retail	799,105	675,000	124,105	555,435	243,670
Other income	56,782	26,050	30,732	51,249	5,533
Net Assets released from restrictions	1,612,836	1,210,905	401,931	2,395,415	(782,579)
Total Unrestricted Revenue	14,068,661	13,789,372	279,289	13,452,411	616,250
Operating Expenses:					
Cost of Goods Sold	342,533	289,607	52,925	245,237	97,296
Supplies	1,097,652	1,148,009	(50,356)	908,004	189,648
Salaries and Wages	6,315,280	6,240,268	75,012	6,050,885	264,395
Benefits	1,782,235	1,935,039	(152,803)	1,823,523	(41,288)
Travel	161,864	161,765	99	45,658	116,206
Insurance	110,667	122,458	(11,792)	113,457	(2,790)
Marketing/Public Relations	638,953	656,925	(17,972)	425,725	213,228
Member/Donor Development	54,200	86,170	(31,970)	49,557	4,643
Subscriptions/Memberships	24,440	23,909	531	20,466	3,974
Maintenance	695,894	594,495	101,399	789,471	(93,577)
Utilities	962,936	1,057,089	(94,154)	1,048,939	(86,003)
Professional Fees	632,806	513,783	119,022	630,158	2,648
Interest Expense	102,229	123,569	(21,340)	129,852	(27,623)
Miscellaneous	139,350	138,425	925	95,695	43,655
Sales Tax Expense	15,096	15,900	(804)	13,344	1,752
Contributed Services	407,221	0	407,221	284,623	122,598
Depreciation	1,201,655	1,143,995	57,660	1,132,392	69,263
Total Operating Expenses	14,685,010	14,251,407	433,603	13,806,986	878,024
Inc/(dec) in Unrestricted Net Assets in Operating Items	(616,348)	(462,034)	(154,314)	(354,575)	(261,773)
Non-Operating Items:					
Investment Earnings	133,175	0	133,175	(211,421)	344,596
Loss on Swap Liability	43,797	0	43,797	57,916	(14,119)
Pension & Post Retirement Expenses	(977,157)	(108,000)	(869,157)	(2,632,454)	1,655,297
Non-Operating Expense	71,374	0	71,374	(198,612)	269,986
Total Non-Operating Items	(728,810)	(108,000)	(620,810)	(2,984,571)	2,255,761
Inc/(dec) in Unrestricted Net Assets	(1,345,158)	(570,034)	(775,124)	(3,339,146)	1,993,988
Changes in Temporarily Restricted Net Assets:					
Contributions	1,734,258	1,794,500	(60,242)	1,452,242	282,016
Investment Earnings	155,640	0	155,640	(158,925)	314,565
Net Assets released from restrictions for operations	(1,512,836)	(1,210,905)	(301,931)	(2,395,415)	882,579
Inc/(dec) in Temporarily Restricted Net Assets	377,062	583,595	(206,533)	(1,102,098)	1,479,160
Changes in Permanently Restricted Net Assets:					
Contributions	2,000	0	2,000	2,100	(100)
Investment Earnings	529	0	529	0	529
Net Assets released from restrictions for operations	(100,000)	0	(100,000)	0	(100,000)
Inc/(dec) in Permanently Restricted Net Assets	(97,471)	0	(97,471)	2,100	(99,571)
Inc/(dec) in Net Assets	(1,065,568)	13,560	(1,079,128)	(4,439,144)	3,373,576
Total Net Assets at Beginning of Period	16,061,931	16,061,931	0	20,501,075	(4,439,144)
Total Net Assets at End of Period	14,996,363	16,075,491	(1,079,128)	16,061,931	(1,065,568)

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MPM Consolidated Statement of Financial Position as of 8/31/16 - PRELIMINARY			
	Consolidated	Consolidated	
	<u>8/31/16</u>	<u>8/31/15</u>	<u>Change</u>
Assets:			
Cash and cash equivalents	2,660,896	1,691,130	969,766
Investments	274,167	263,309	10,858
Accounts Receivable	61,605	46,309	15,296
Contributions Receivable -Current	1,285,762	1,119,980	165,782
Due From Other Entities	0	0	0
Inventories, net	42,859	39,093	3,766
Prepaid Expenses	83,738	79,779	3,959
Total Current Assets	4,409,027	3,239,600	1,169,427
Other Assets:			
Cash and investments held for endowment	5,347,656	5,783,561	(435,905)
Contributions Receivable - Long Term	1,193,421	2,129,003	(935,582)
Other Long Term Assets	0	0	0
Total Other Assets	6,541,077	7,912,564	(1,371,487)
Property & Equipment:			
Construction in Progress	1,285,398	1,403,487	(118,089)
Building Additions	19,691,987	19,680,737	11,250
Furniture, equipment and other improvements	13,140,627	12,041,995	1,098,632
Gross Property & Equipment	34,118,012	33,126,219	991,793
Less-Accumulated depreciation	(19,364,729)	(18,163,074)	(1,201,655)
Net Property & Equipment	14,753,283	14,963,145	(209,861)
Total Assets	25,703,387	26,115,309	(411,921)
Liabilities and Net Assets:			
Accounts Payable	348,567	489,029	(140,462)
Accrued Payroll & Benefits	739,250	773,056	(33,806)
Deferred Revenue	1,192,220	1,003,482	188,738
Interest Payable	8,414	10,071	(1,657)
Accrued Postretirement Benefits - Current	133,595	124,639	8,956
Notes Payable - Current	1,842,295	1,600,000	242,295
Lease Payable - Current	8,813	25,328	(16,515)
Total Current Liabilities	4,273,154	4,025,605	247,550
Accrued Postretirement Benefits	6,065,332	5,176,624	888,708
Interest Rate Swap Liability	31,538	75,335	(43,797)
Due to Other Entities	0	0	0
Notes Payable	337,000	767,000	(430,000)
Lease Payable	0	8,814	(8,814)
Total Liabilities	10,707,024	10,053,378	653,647
Net Assets:			
Unrestricted	5,125,755	6,470,912	(1,345,157)
Temporarily Restricted	6,107,375	5,730,314	377,061
Permanently Restricted	3,763,234	3,860,705	(97,471)
Total Net Assets	14,996,363	16,061,931	(1,065,568)
Total Liabilities and Net Assets	25,703,387	26,115,309	(411,921)

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Consolidated Statement of Cash Flows for the Year Ended 8/31/16 - PRELIMINARY

	YTD		Prior YTD
	<u>Actual</u>		<u>Actual</u>
Operating Activities:			
Increase in net assets	(1,065,568)		(4,439,144)
Adjustments to reconcile net cash flows from operations:			
Depreciation and amortization	1,201,655		1,132,392
Loss on disposal of assets	0		5,231
Change in value of interest rate swap	(43,797)		(57,916)
Unrealized (gain)/loss on investments	(151,326)		696,486
Realized (gain)/loss on investments	(20,598)		(200,000)
Changes in operating assets and liabilities:			
Accounts Receivable	(15,296)		51,807
Contribution Receivable	769,800		987,517
Inventories and Other Assets	(3,766)		32,981
Prepaid Expenses	(3,959)		61,793
Accounts Payable, Accrued Expenses and Accrued Benefits	723,400		2,675,759
Due to Affiliates	(1)		(0)
Interest Payable	(1,657)		(1,785)
Deferred Revenue	188,738		(18,550)
Total Adjustments	2,643,193		5,365,714
Net cash provided/(used) by operating activities	1,577,625		926,570
Investing Activities:			
Purchases of Property & Equipment	(121,673)		(79,939)
Purchases of Property & Equipment - Restricted	(870,120)		(1,255,865)
Proceeds from Sale of Investments	1,370,682		5,250,888
Purchases of Investments	(773,713)		(4,584,029)
Net cash provided/(used) in investing activities	(394,824)		(668,945)
Financing Activities:			
Principal payments on notes payable	(2,900,000)		(1,910,000)
Proceeds from Notes Payable/Line of Credit	2,712,295		1,900,000
Inception of lease	0		0
Payments on lease obligations	(25,329)		(23,743)
Net cash provided/(used) in financing activities	(213,034)		(33,743)
Net Inc/(Dec) in Cash and Cash Equivalents	969,767		223,882
Cash and Cash Equivalents, beginning of period	1,691,129		1,467,247
Cash and Cash Equivalents, end of period	2,660,896		1,691,129