



Date: November 28, 2012

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

CC: Jay Williams

**Subject: Report from the Milwaukee Public Museum
Fiscal 2012 –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.

MPM had a difficult financial year, the main drivers of which are described below. In spite of these financial impacts, the museum achieved a number of successes in support of its mission.

- The Museum received a grant of \$588,467 from NASA to develop and implement an out-of-school program on planetary science for underserved high school students. MPM will partner with Boys & Girls Clubs of Greater Milwaukee to introduce students to planetary science by immersing them in the process of producing a planetary show – from researching topics to writing script to production of 4 5-minute videos that will be seamed together into a show. Those students will become mentors, presenting their products to peers and younger students as well as their families.
- MPM, in conjunction with MPS Foundation, received a 3-year grant (\$150,000) from the Helen Bader Foundation to bring every MPS third grade student to the museum to immerse them in targeted programming on planetary and earth sciences. This programming will directly link to the learning objectives outlined by the district.
- 220 youth from underserved communities in Milwaukee took part in the Museum's Summer Urban Academy, a series of 4 programs that were designed around the installation and impact of the Museum's 7th floor green roof and work to build a greater understanding of the scientific process and the improvement of overall science literacy. Museum educators also conducted outreach education to community clubs in order to bring dynamic, inquiry-based programming to an additional 100 youth. The third component was the opportunity for each family to receive a Family Summer Exploration Pass, enabling the youth to share with their family their experiences through visits to the museum.

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- The Museum's SPARK program, free programming for caregivers and their loved ones suffering from beginning to mid-level Alzheimer's disease and other forms of dementia, received high praise. The Helen Bader Foundation, which sponsored the initial program, is very thrilled with the success we are having at MPM and has asked MPM to host the training and management of the consortium.
- The Museum hosted two traveling exhibits this past year, *Cleopatra: the Search for the Last Queen of Egypt* (closed on April 30, 2012); *Art and the Animal* (May 26 – September 3, 2012).
- MPM received an IMLS grant for \$146,382 to partner with The Field Museum of Natural History to convert the institutions' 31,000 handwritten, paper-based catalog records of its Silurian fossil invertebrate collections to electronic form in the KE Emu Collections Management System. The project will improve access to the collections and make information about them more accurate, engaging, and widely available to diverse audiences of research scientists, the general public, and students of all ages.
- The MPM's world famous typewriter collection is now making its way around the world electronically. http://oztypewriter.blogspot.com/2012/11/on-this-day-in-typewriter-history_7335.html
- The Museum has eight emeritus curators and nine adjunct curators as well as two honorary curators.
- In the past year, the museum has benefited from more than 23,600 hours of donated time from volunteers in the areas of docent tours, special events, collection help, and many other areas.

Financial Results (Audited)

Fiscal 2012 was a financially difficult year for the museum despite increasing attendance numbers for the museum. Base museum attendance, excluding the traveling exhibition, was up 15% over the prior year while the theater/planetarium was slightly down (1.4%). MPM's average annual attendance for the past ten years is 703,000. As has been previously reported, attendance for the Cleopatra Exhibition was well below expectations and the financial impact of that shortfall was significant, generating a (\$0.9 million) loss within the fiscal 2012 results.

Attached are audited financial statements for fiscal 2012. MPM is showing a total loss of (\$3.5 million) for the fiscal year. What caused this decrease? The primary reason was the expensing of \$3.4 million related to Pension and Retiree Medical obligations of a defined benefit plan. The \$3.4 million is made up of \$667,325 in cash payments to the plan and a \$2.7 million (non-cash) increase in the actuarially determined liability. This obligation relates to retiree benefits for certain employees inherited from Milwaukee County when the museum incorporated in 1992. The value of the pension plan assets contributed by MPM is \$5.7 million as of 9/30/12.

Without this expense our decrease in net assets would have been \$107,223. This reflects that our loss from the traveling exhibit was partially offset by new gifts to our capital campaign and investment income.

Similar to other institutions across the country with a defined benefit plan for retirees, MPM faces the challenge of the growth in this liability. It should be noted that no one has been added to this plan since 1992.

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Museum management took actions to change the structure of the museum and reduce the dependence on the financial success of traveling exhibits. These actions have positioned MPM for a more sustainable financial future.

As reflected in the County Budget, MPM continues to work to revise the existing Lease and Management Agreement (LMA) by the first quarter of 2013.

Looking Forward

We continue to work on our infrastructure and permanent exhibits to improve the museum-going experience for our visitors. “*Real Pirates*” opens to the public on December 14th. The exhibition will run through May 27, 2013.

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

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MPM Consolidated Statement of Activities for the Year Ended 8/31/12					
	Yearend	Yearend		Prior Year	Prior Year
	<u>Actual</u>	<u>Budget</u>	<u>Dev</u>	<u>Actual</u>	<u>Change</u>
Revenue:					
Contributions and Membership	3,269,607	3,400,975	(131,368)	3,247,404	22,202
Special Event Revenue	555,902	479,550	76,352	401,665	154,237
Public Support	3,502,376	3,502,376	0	3,502,376	0
Admissions	2,874,678	6,023,487	(3,148,809)	2,086,432	788,246
IMAX/Planetarium	772,299	963,928	(191,629)	850,583	(78,285)
Programs	157,376	187,395	(30,020)	188,441	(31,065)
Contributed Services	312,192	0	312,192	288,824	23,368
Restaurant and Facility Rental	266,761	403,764	(137,003)	388,947	(122,186)
Retail	567,074	744,557	(177,483)	740,594	(173,520)
Other income	201,382	103,345	98,037	117,861	83,522
Net assets released from restrictions	1,708,017	951,904	756,113	1,119,365	588,652
Total Unrestricted Revenue	14,187,664	16,761,280	(2,573,615)	12,932,492	1,255,172
Operating Expenses:					
Curatorial	1,261,436	1,173,528	87,908	1,266,901	(5,465)
Exhibits	3,523,118	4,403,409	(880,291)	1,019,556	2,503,562
Special Events	253,111	203,000	50,111	169,977	83,134
Imax/Planetarium	624,176	652,106	(27,931)	736,414	(112,238)
Programs	529,158	522,996	6,162	571,632	(42,474)
Contributed Services	312,192	0	312,192	288,824	23,368
Restaurant and Facility Rental	64,889	53,841	11,048	90,260	(25,371)
Retail	507,646	580,729	(73,083)	638,205	(130,559)
Fundraising	1,179,566	1,196,168	(16,602)	1,034,695	144,871
Administrative	2,216,986	2,862,729	(645,744)	2,264,790	(47,804)
Facilities	3,273,197	3,005,802	267,395	3,144,645	128,552
Interest	217,810	215,400	2,411	249,893	(32,082)
Marketing	598,177	507,634	90,542	589,807	8,370
Depreciation	1,415,410	1,309,421	105,989	1,510,418	(95,008)
Total Operating Expenses	15,976,869	16,686,763	(709,893)	13,576,015	2,400,855
Inc (dec) in unrestricted net assets before non operating items	(1,789,205)	74,517	(1,863,722)	(643,522)	(1,145,683)
Non Operating Items:					
Pension & Post Retirement Benefits Expense	(3,417,852)	(744,000)	(2,673,852)	(494,872)	(2,922,980)
Investment Earnings	157,998	0	157,998	237,981	(79,983)
Gain on Refinancing	0	0	0	10,853,676	(10,853,676)
Loss on interest rate swap liability	(11,530)	0	(11,530)	(273,014)	261,485
Total Non Operating Items	(3,271,383)	(744,000)	(2,527,383)	10,323,770	(13,595,154)
Inc (dec) in unrestricted net assets	(5,060,589)	(669,483)	(4,391,106)	9,680,248	(14,740,837)
Changes in Temporarily Restricted Net Assets:					
Contributions	2,936,825	5,135,295	(2,198,470)	1,810,932	1,125,893
Investment Earnings	296,056	0	296,056	415,677	(119,621)
Net assets released from restrictions for operations	(1,708,017)	(951,904)	(756,113)	(1,119,365)	(588,652)
Inc (dec) in temporarily restricted net assets	1,524,864	4,183,391	(2,658,527)	1,107,244	417,620
Changes in Permanently Restricted Net Assets:					
Contributions	3,500	3,000,000	(2,996,500)	105,027	(101,527)
Investment Earnings	7,153	0	7,153	9,905	(2,752)
Net assets released from restrictions for operations	0	0	0	0	0
Inc (dec) in permanently restricted net assets	10,653	3,000,000	(2,989,347)	114,932	(104,279)
Inc (dec) in Net Assets	(3,525,071)	6,513,908	(10,038,979)	10,902,424	(14,427,496)
Total Net Assets at Beginning of Period	12,674,712	12,674,712	0	1,772,288	10,902,424
Total Net Assets at End of Period	9,149,641	19,188,620	(10,038,979)	12,674,712	(3,525,072)

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MPM Consolidated Statement of Financial Position as of 8/31/12			
	Consolidated	Consolidated	
	<u>8/31/12</u>	<u>8/31/11</u>	<u>Change</u>
Assets:			
Cash and cash equivalents	1,656,825	2,294,845	(638,020)
Investments	279,247	289,934	(10,687)
Accounts Receivable	66,151	59,918	6,233
Contributions Receivable - Current	1,017,451	999,612	17,839
Inventories, net	23,411	29,043	(5,632)
Prepaid Expenses	247,780	387,031	(139,251)
Total Current Assets	3,290,865	4,060,383	(769,518)
Other Assets:			
Cash and investments held for endowment	6,462,411	6,936,255	(473,844)
Contributions Receivable - Long Term	2,228,892	946,907	1,281,985
Total Other Assets	8,691,303	7,883,162	808,141
Property & Equipment:			
Construction in Progress	117,792	50,753	67,039
Building Additions	19,310,494	19,221,371	89,123
Furniture, equipment and other improvements	10,607,954	10,459,037	148,917
Gross Property & Equipment	30,036,241	29,731,161	305,080
Less-Accumulated depreciation	(15,035,232)	(13,742,303)	(1,292,929)
Net Property & Equipment	15,001,008	15,988,858	(987,850)
Total Assets	26,983,176	27,932,403	(949,227)
Liabilities and Net Assets:			
Accounts Payable	894,676	503,920	390,756
Accrued Payroll & Benefits	531,990	670,803	(138,813)
Deferred Revenue	1,216,537	1,093,213	123,324
Interest Payable	17,852	18,867	(1,015)
Accrued Postretirement Benefits - Current	118,166	102,548	15,618
Notes Payable - Current	262,000	262,000	0
Total Current Liabilities	3,041,221	2,651,351	389,870
Accrued Postretirement Benefits	10,162,770	7,726,326	2,436,444
Interest Rate Swap Liability	284,544	273,014	11,530
Notes Payable	4,345,000	4,607,000	(262,000)
Total Liabilities	17,833,535	15,257,691	2,575,844
Net Assets:			
Unrestricted	48,302	5,108,891	(5,060,589)
Temporarily Restricted	5,271,460	3,746,596	1,524,864
Permanently Restricted	3,829,878	3,819,225	10,653
Total Net Assets	9,149,641	12,674,712	(3,525,071)
Total Liabilities and Net Assets	26,983,176	27,932,403	(949,227)