



Date: July 5, 2013

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

CC: Jay Williams

**Subject: Report from the Milwaukee Public Museum
Fiscal 2013 – 3rd Quarter 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.

Base museum attendance is flat versus prior year for the first nine months with 195,000 visitors. In addition, more than 102,000 guests experienced the "*Real Pirates*" exhibition, which completed its six month run on May 27th. School group attendance is up 3.6%. Theater attendance is down substantially from prior year due to the delay in the installation of the new 3D projection system. As part of MPM's agreement with the company that provided the new 3D projection system, an outside consultant is reviewing the local market and MPM's theater operations which will result in recommendations for improving attendance.

MPM has also installed four iPads in the exhibit areas to collect interactive visitor surveys that will assist the museum in marketing and planning to improve guest experiences.

This spring, more than 5,000 3rd grade students from MPS participated in Learning Journeys, a planetary and earth science program focused on change through time. This was a program designed to meet the specific needs of MPS teachers and it was funded through the MPS Foundation by the Bader Foundation. More than 6,000 students partook of programming through our Distance Learning program this spring and education staff provided visitor engagement activities for over 3,000 people.

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The student exhibit, Darkness Illuminated, opened to the public on May 3. Each year, UW-Milwaukee / MPM Museum Studies students develop an exhibit from inception to completion. This year's exhibit will be on display from early May 2013 through April 2014 on the third floor of the Museum.

Works continues on a new permanent ancient civilizations exhibit that is expected to open in early 2015. A life-size Persian Warrior was completed and work has begun on King Tut and his chariot and horses. Work on a stone wall facade in the third floor lobby area will be completed soon.

MPM's Summer Family Pass was launched May 28th this year. This \$45 pass allow families free admission to MPM from May 28th through September 2nd. The pass will be advertised on billboards and at Miller Park.

MPM's collective bargaining agreement with AFSME was scheduled to expire June 30th. The parties have agreed to extend the current agreements six months through December 31, 2013. This allows more time for both management and the union to better understand the implications of changes to healthcare as requirements from the new legislation roll out.

Financial Results (unaudited)

Attached are unaudited financial statements for the first nine months of fiscal 2013 (Sep 2012 – May 2013). Thanks to more than \$3 million in private contributions to MPM's capital campaign, the year-to-date change in Net Assets is a positive \$2.29 million.

Operating revenues of \$10.4 million through May match an equal amount of operating expenses, resulting in a small unrestricted operating loss of (\$10k). Non-operating impacts include investment income of \$738k on \$7.1 million in endowment assets while additional charges for retiree pension and OPEB obligations total \$455k. Relative to MPM's Budget, the operating revenue shortfalls (\$1.4 million) have been offset by reduced expenses (\$1.0 million) and investment income. The \$4.1 million difference on the bottom line can be attributed to timing differences on capital campaign contributions.

The major gift commitments have improved MPM's net assets from \$9.1 million at the end of the last fiscal year to \$11.4 million as of the end of May. These restricted gifts will reduce MPM's debt obligations and resolve other facility related issues.

Unrestricted operating cash continues to be a concern. MPM and the County's working group representatives have agreed to a proposed set of changes to the Lease and Management Agreement ("LMA") between the County and MPM. It is essential for the financial sustainability of MPM that the proposal gets approved by the County. The result of approval of the LMA will eliminate MPM's required future cash outlays for the former County Employees' Pension Plan and with contingent donor support, eliminate the remaining debt principle MPM has outstanding. The result of these actions, once fully realized, will improve MPM's operating cash flow by \$1.1 million annually.

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Looking Forward

In addition to regular museum programs and overnights this summer, MPM is hosting Art en Fleurs July 19 – 21st. The state's Green Tree, Kettle Moraine, Lake Geneva and Town and Country garden clubs will host flower designers, horticulturalists and photographers in the museum's special exhibits area for one of only seven such Garden Clubs of America "Major Flower Shows" in the United States each year. This show happens only once every three years.

Starting September 27th, MPM will host "The Scoop on Poop", an exhibit focused on the science of what animals leave behind. This interesting and fun exhibit will end in January 2014.

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 Nine Months Ended 5/31/13 | | | | | |
|---|-------------------|-------------------|--------------------|-------------------|--------------------|
| | YTD | YTD | | Prior Year | Prior Year |
| | Actual | Budget | Dev | Actual | Change |
| Revenue: | | | | | |
| Contributions and Membership | 2,690,623 | 3,016,503 | (325,880) | 2,658,336 | 32,287 |
| Special Event Revenue | 529,040 | 517,150 | 11,890 | 554,372 | (25,333) |
| Public Support | 2,626,782 | 2,626,782 | 0 | 2,626,782 | 0 |
| Admissions | 2,156,442 | 2,913,958 | (757,515) | 2,587,485 | (431,043) |
| Theatre/Planetarium | 417,945 | 895,610 | (477,665) | 604,070 | (186,125) |
| Programs | 136,997 | 132,583 | 4,414 | 120,176 | 16,821 |
| Contributed Services | 14,470 | 0 | 14,470 | 0 | 14,470 |
| Restaurant and Facility Rental | 142,225 | 231,846 | (89,621) | 162,512 | (20,287) |
| Retail | 501,365 | 602,848 | (101,483) | 448,766 | 52,599 |
| Other income | 59,232 | 97,349 | (38,117) | 189,668 | (130,436) |
| Net assets released from restrictions | 1,124,779 | 744,202 | 380,577 | 1,459,538 | (334,759) |
| Total Unrestricted Revenue | 10,399,900 | 11,778,831 | (1,378,931) | 11,411,704 | (1,011,804) |
| Operating Expenses: | | | | | |
| Curatorial | 674,728 | 713,386 | (38,658) | 822,573 | (147,845) |
| Exhibits | 1,560,563 | 1,614,148 | (53,584) | 3,293,763 | (1,733,200) |
| Special Events | 213,438 | 232,661 | (19,223) | 250,459 | (37,022) |
| Theatre/Planetarium | 348,021 | 646,994 | (298,973) | 428,339 | (80,318) |
| Programs | 391,119 | 446,702 | (55,582) | 359,383 | 31,736 |
| Contributed Services | 0 | 0 | 0 | 0 | 0 |
| Restaurant and Facility Rental | 7,728 | 8,224 | (496) | 11,322 | (3,594) |
| Retail | 410,114 | 463,851 | (53,737) | 377,235 | 32,879 |
| Fundraising | 826,307 | 937,803 | (111,496) | 895,042 | (68,735) |
| Administrative | 2,212,343 | 2,222,709 | (10,366) | 2,163,511 | 48,833 |
| Facilities | 2,290,423 | 2,478,449 | (188,027) | 2,282,233 | 8,190 |
| Interest | 165,064 | 155,195 | 9,870 | 164,584 | 480 |
| Marketing | 400,709 | 494,100 | (93,391) | 427,860 | (27,151) |
| Depreciation | 908,988 | 976,894 | (67,906) | 962,257 | (53,269) |
| Total Operating Expenses | 10,409,546 | 11,391,115 | (981,569) | 12,438,561 | (2,029,015) |
| Inc (dec) in unrestricted net assets before non operating items | (9,646) | 387,715 | (397,361) | (1,026,857) | 1,017,211 |
| Non Operating Items: | | | | | |
| Pension & Post Retirement Benefits Expense | (454,910) | (450,000) | (4,910) | (560,452) | 105,542 |
| Investment Earnings | 283,895 | 0 | 283,895 | 11,637 | 272,258 |
| Loss on interest rate swap liability | 78,315 | 0 | 78,315 | (44) | 78,359 |
| Total Non Operating Items | (92,701) | (450,000) | 357,299 | (548,859) | 456,159 |
| Inc (dec) in unrestricted net assets | (102,346) | (62,285) | (40,062) | (1,575,716) | 1,473,369 |
| Changes in Temporarily Restricted Net Assets: | | | | | |
| Contributions | 3,065,121 | 7,199,000 | (4,133,879) | 2,576,336 | 488,785 |
| Investment Earnings | 442,780 | 0 | 442,780 | 83,720 | 359,060 |
| Net assets released from restrictions for operations | (1,124,779) | (744,202) | (380,577) | (1,459,538) | 334,759 |
| Inc (dec) in temporarily restricted net assets | 2,383,121 | 6,454,798 | (4,071,676) | 1,200,517 | 1,182,604 |
| Changes in Permanently Restricted Net Assets: | | | | | |
| Contributions | 0 | 0 | 0 | 3,500 | (3,500) |
| Investment Earnings | 10,995 | 0 | 10,995 | 1,516 | 9,479 |
| Net assets released from restrictions for operations | 0 | 0 | 0 | 0 | 0 |
| Inc (dec) in permanently restricted net assets | 10,995 | 0 | 10,995 | 5,016 | 5,979 |
| Inc (dec) in Net Assets | 2,291,770 | 6,392,513 | (4,100,743) | (370,182) | 2,661,953 |
| Total Net Assets at Beginning of Period | 9,149,638 | 9,149,638 | 0 | 12,674,712 | (3,525,074) |
| Total Net Assets at End of Period | 11,441,408 | 15,542,151 | (4,100,743) | 12,304,530 | (863,121) |

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| MPM Consolidated Statement of Financial Position as of 5/31/13 | | | | | |
|---|---------------------|---------------------|------------------|---------------------|-------------------|
| | Consolidated | Consolidated | | Consolidated | Prior Year |
| | 5/31/13 | 8/31/12 | Change | 5/31/12 | Change |
| Assets: | | | | | |
| Cash and cash equivalents | 3,780,351 | 1,656,825 | 2,123,526 | 1,912,194 | 1,868,157 |
| Investments | 268,910 | 279,247 | (10,337) | 289,276 | (20,366) |
| Accounts Receivable | 78,028 | 66,150 | 11,878 | 45,039 | 32,989 |
| Contributions Receivable - Current | 624,071 | 1,017,450 | (393,379) | 1,384,980 | (760,910) |
| Due From Other Entities | 0 | 0 | 0 | 0 | 0 |
| Inventories, net | 54,499 | 23,411 | 31,088 | 40,564 | 13,935 |
| Prepaid Expenses | 261,622 | 247,781 | 13,841 | 259,914 | 1,708 |
| Total Current Assets | 5,067,479 | 3,290,864 | 1,776,615 | 3,931,966 | 1,135,513 |
| Other Assets: | | | | | |
| Cash and investments held for endowment | 6,559,637 | 6,462,411 | 97,226 | 6,317,386 | 242,251 |
| Contributions Receivable - Long Term | 3,228,893 | 2,228,893 | 1,000,000 | 2,146,907 | 1,081,986 |
| Other Long Term Assets | 0 | 0 | 0 | 0 | 0 |
| Total Other Assets | 9,788,530 | 8,691,304 | 1,097,226 | 8,464,293 | 1,324,237 |
| Property & Equipment: | | | | | |
| Gross Property & Equipment | 30,659,961 | 30,036,241 | 623,720 | 29,991,642 | 668,318 |
| Less-Accumulated depreciation | (15,937,425) | (15,035,232) | (902,193) | (14,704,560) | (1,232,865) |
| Net Property & Equipment | 14,722,536 | 15,001,009 | (278,473) | 15,287,083 | (564,547) |
| Total Assets | 29,578,545 | 26,983,177 | 2,595,368 | 27,683,342 | 1,895,203 |
| Liabilities and Net Assets: | | | | | |
| Accounts Payable | 843,702 | 894,678 | (50,976) | 865,973 | (22,271) |
| Accrued Payroll & Benefits | 627,456 | 531,990 | 95,466 | 621,373 | 6,083 |
| Deferred Revenue | 1,185,419 | 1,216,539 | (31,120) | 1,013,545 | 171,874 |
| Interest Payable | 17,091 | 17,852 | (761) | 18,106 | (1,015) |
| Accrued Postretirement Benefits - Current | 118,166 | 118,166 | 0 | 102,548 | 15,618 |
| Notes Payable - Current | 262,000 | 262,000 | 0 | 262,000 | 0 |
| Capital Leases - Current | 0 | 0 | 0 | 0 | 0 |
| Total Current Liabilities | 3,053,833 | 3,041,225 | 12,608 | 2,883,545 | 170,288 |
| Accrued Postretirement Benefits | 10,328,574 | 10,162,770 | 165,804 | 7,811,708 | 2,516,866 |
| Interest Rate Swap Liability | 206,229 | 284,544 | (78,315) | 273,059 | (66,829) |
| Due to Other Entities | 0 | 0 | 0 | 0 | 0 |
| Notes Payable | 4,548,500 | 4,345,000 | 203,500 | 4,410,500 | 138,000 |
| Total Liabilities | 18,137,137 | 17,833,539 | 303,598 | 15,378,812 | 2,758,325 |
| Net Assets: | | | | | |
| Unrestricted | (54,045) | 48,301 | (102,346) | 3,533,175 | (3,587,221) |
| Temporarily Restricted | 7,654,580 | 5,271,459 | 2,383,121 | 4,947,113 | 2,707,467 |
| Permanently Restricted | 3,840,873 | 3,829,878 | 10,995 | 3,824,241 | 16,632 |
| Total Net Assets | 11,441,408 | 9,149,638 | 2,291,770 | 12,304,530 | (863,121) |
| Total Liabilities and Net Assets | 29,578,545 | 26,983,177 | 2,595,368 | 27,683,342 | 1,895,204 |