



Date: November 21, 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 – 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.

The revised Lease and Management Agreement between Milwaukee County and the MPM along with associated donor commitments for debt reduction created significant improvements to the museum's financial health which is evident in the attached statements. Fully audited results are included with this report.

Prior to the museum's fiscal yearend, the County's \$3 million contribution to the Pension Plan for Former County Employees significantly reduced the liability and associated cash contribution requirements for MPM. Donor commitments of \$4.5 million to eliminate the remaining term debt were recognized which added to the financial performance for the year. For fiscal 2013, MPM booked Revenue of \$19.2 million with a resulting \$8.7 million change in Net Assets.

Base museum attendance including exhibitions was down 3% from prior year at 380,000 visitors. Theater attendance was down substantially from prior year to 95,000 visitors 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.

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

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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.

The student exhibit, Darkness Illuminated, opened to the public on May 3rd. 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.

Starting September 27th, MPM opened “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.

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 progressed on King Tut and his chariot and horses. A stone wall facade has been created in the third floor elevator lobby which provides a fitting entrance to the new exhibit area.

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 Affordable Care Act legislation.

Financial Results

Attached are audited financial statements for the fiscal 2013 year ending August 31st.

Operating revenues of \$19.2 million included the one-time \$3 million county pension contribution along with \$2.55 million in released from restriction revenue which went toward debt reduction. At \$13.8 million for the year, operating expenses were 5% below plan and \$2.2 million less than prior year. Non-operating impacts include investment income of \$0.7 million on \$7.1 million in endowment assets.

Major gift commitments through the museum’s capital campaign have improved MPM’s net assets from \$9.1 million at the end of the prior fiscal year to \$17.8 million as of the end fiscal 2013. These restricted gifts will reduce MPM’s debt obligations and resolve other facility related issues.

MPM’s remaining term debt of \$2.1 million will be extinguished over the next 4 years as donor pledges are realized. MPM also has a \$1.2 million working line of credit. As of August 31, \$375,000 had been borrowed against the line.

MPM continues to have a significant liability for retiree medical and life insurance costs for former county employees. As of August 31st, that actuarially calculated liability stands at \$4.6 million.

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Looking Forward

BodyWorlds is back with a new exhibition opening to the public on February 6th, 2014. “*BodyWorlds, the Cycle of Life*” focuses on health and lifestyle choices impacting the body from birth to death. This fascinating exhibition will be accompanied by “The Human Body” full dome film, which takes the visitor through the systems and structures beneath the skin and looks at the biological processes that go on without our control and often without our notice.

Starting in January, MPM admission will be free to Milwaukee County Residents the first Thursday of every month in 2014. “Thank You Thursdays” are in addition to \$2.00 off the Museum admission fee any day of the week for Milwaukee County residents.

The museum’s south facing façade along Wells Street is currently under construction. The project will result in the largest solar panel array in Milwaukee. 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.

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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	YTD	YTD		Prior Year	Prior Year
	Actual	Budget	Dev	Actual	Change
Revenue:					
Contributions and Membership	3,665,921	3,756,110	(90,189)	3,269,607	396,314
Special Event Revenue	529,040	519,150	9,890	555,902	(26,862)
Public Support	6,502,376	3,502,376	3,000,000	3,502,376	3,000,000
Admissions	2,420,741	3,358,763	(938,021)	2,874,678	(453,937)
Theatre/Planetarium	497,988	1,037,787	(539,800)	710,361	(212,374)
Programs	169,142	176,265	(7,122)	157,376	11,766
Contributed Services	385,064	0	385,064	312,193	72,871
Restaurant and Facility Rental	192,499	331,081	(138,582)	266,762	(74,263)
Retail	655,903	793,848	(137,945)	629,013	26,890
Other income	67,037	126,179	(59,142)	201,383	(134,346)
Net assets released from restrictions	4,084,507	1,020,561	3,063,946	1,708,017	2,376,490
Total Unrestricted Revenue	19,170,217	14,622,119	4,548,098	14,187,668	4,982,549
Operating Expenses:					
Cost of Goods Sold	281,593	346,812	(65,219)	269,093	12,500
Supplies	1,369,241	1,779,898	(410,657)	1,211,228	158,013
Salaries and Wages	5,785,426	5,861,480	(76,054)	6,017,966	(232,540)
Benefits	1,239,391	1,311,228	(71,837)	1,332,565	(93,174)
Travel	104,319	116,921	(12,602)	200,774	(96,455)
Insurance	131,566	177,671	(46,105)	260,891	(129,325)
Public Relations	701,434	922,315	(220,881)	893,269	(191,835)
Member/Donor Development	45,508	101,409	(55,900)	39,360	6,148
Subscriptions/Memberships	25,413	37,800	(12,387)	29,582	(4,169)
Maintenance	563,007	630,256	(67,249)	1,479,954	(916,947)
Utilities	1,011,273	1,018,730	(7,457)	1,017,342	(6,069)
Professional Fees	542,228	504,317	37,911	1,140,533	(598,305)
Interest Expense	218,893	205,408	13,485	217,810	1,083
Miscellaneous	183,852	162,422	21,429	124,042	59,810
Sales Tax Expense	13,783	15,198	(1,415)	14,865	(1,082)
Donated Services Used	370,594	0	370,594	312,192	58,402
Depreciation	1,215,805	1,290,967	(75,162)	1,415,410	(199,605)
Total Operating Expenses	13,803,327	14,482,832	(679,505)	15,976,876	(2,173,549)
Inc (dec) in unrestricted net assets before non operating items	5,366,891	139,287	5,227,604	(1,789,208)	7,156,099
Non Operating Items:					
Investment Earnings	269,711	0	269,711	(3,417,851)	3,687,562
Loss on Swap Liability	108,193	0	108,193	157,999	(49,806)
Pension & Post Retirement Expenses	1,001,862	(600,000)	1,601,862	(11,530)	1,013,392
Total Non Operating Items	1,379,766	(600,000)	1,979,766	(3,271,382)	4,651,148
Inc (dec) in unrestricted net assets	6,746,656	(460,713)	7,207,369	(5,060,590)	11,807,246
Changes in Temporarily Restricted Net Assets:					
Contributions	5,643,019	7,618,000	(1,974,982)	2,936,825	2,706,194
Investment Earnings	421,146	0	421,146	296,055	125,091
Contributed Services	0	0	0	0	0
Net assets released from restrictions for operations	(4,084,507)	(1,020,561)	(3,063,946)	(1,708,017)	(2,376,490)
Inc (dec) in temporarily restricted net assets	1,979,658	6,597,439	(4,617,781)	1,524,863	454,795
Changes in Permanently Restricted Net Assets:					
Contributions	0	0	0	3,500	(3,500)
Investment Earnings	10,538	0	10,538	7,153	3,385
Net assets released from restrictions for operations	0	0	0	0	0
Inc (dec) in permanently restricted net assets	10,538	0	10,538	10,653	(115)
Inc (dec) in Net Assets	8,736,853	6,136,726	2,600,126	(3,525,074)	12,261,926
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	17,886,491	15,286,364	2,600,126	9,149,638	8,736,852

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	Consolidated	Consolidated	
	<u>8/31/13</u>	<u>8/31/12</u>	<u>Change</u>
Assets:			
Cash and cash equivalents	2,783,938	1,656,825	1,127,113
Investments	262,078	279,247	(17,169)
Accounts Receivable	54,894	66,150	(11,256)
Contributions Receivable - Current	1,246,820	1,017,450	229,370
Due From Other Entities	0	0	0
Inventories, net	61,979	23,411	38,568
Prepaid Expenses	160,026	247,781	(87,755)
Total Current Assets	4,569,737	3,290,864	1,278,873
Other Assets:			
Cash and investments held for endowment	6,545,098	6,462,411	82,687
Contributions Receivable - Long Term	2,937,876	2,228,893	708,983
Other Long Term Assets	0	0	0
Total Other Aassets	9,482,974	8,691,304	791,670
Property & Equipment:			
Construction in Progress	47,236	117,792	(70,556)
Building Additions	19,501,125	19,310,494	190,631
Furniture, equipment and other improvements	11,210,032	10,607,955	602,077
Gross Property & Equipment	30,758,392	30,036,241	722,151
Less-Accumulated depreciation	(16,244,242)	(15,035,232)	(1,209,010)
Net Property & Equipment	14,514,150	15,001,009	(486,859)
Total Assets	28,566,860	26,983,177	1,583,683
Liabilities and Net Assets:			
Accounts Payable	408,352	894,678	(486,326)
Accrued Payroll & Benefits	483,214	531,990	(48,776)
Deferred Revenue	1,100,311	1,216,539	(116,228)
Interest Payable	17,891	17,852	39
Accrued Postretirement Benefits - Current	107,063	118,166	(11,103)
Notes Payable - Current	945,000	262,000	683,000
Capital Leases - Current	0	0	0
Total Current Liabilities	3,061,831	3,041,225	20,607
Accrued Postretirement Benefits	5,815,187	10,162,770	(4,347,583)
Interest Rate Swap Liability	176,351	284,544	(108,193)
Due to Other Entities	0	0	0
Notes Payable	1,627,000	4,345,000	(2,718,000)
Total Liabilities	10,680,369	17,833,539	(7,153,169)
Net Assets:			
Unrestricted	6,794,958	48,301	6,746,657
Temporarily Restricted	7,251,117	5,271,459	1,979,658
Permanently Restricted	3,840,416	3,829,878	10,538
Total Net Assets	17,886,491	9,149,638	8,736,853
Total Liabilities and Net Assets	28,566,860	26,983,177	1,583,684