

# Report of the Chief Financial Officer

I am delighted to present the financial results of The Metropolitan Museum of Art (“the Museum”) for the 2012 fiscal year. This report is a synopsis of the Museum’s accomplishments over the past year and an outline of the constant evolution and continuing transformation of the Museum. The Museum operated with a surplus for the third straight year, a record 6.28 million people visited the Museum, significant new gallery spaces opened, exhibition attendance was particularly strong, and Museum Membership was at an all-time high with over 170,000 members.

The sections below provide a more detailed discussion of the Museum’s financial results for fiscal year 2012. As this discussion highlights, these results were made possible by the mindset, ambitions, and values that guide the Museum and are directly linked to the work of its trustees, staff, volunteers, and the generous support of its Members, donors, and the City of New York. These individuals, organizations, and governmental bodies allow the Museum to deepen and enrich its commitment and dedication to local, domestic, and international communities.

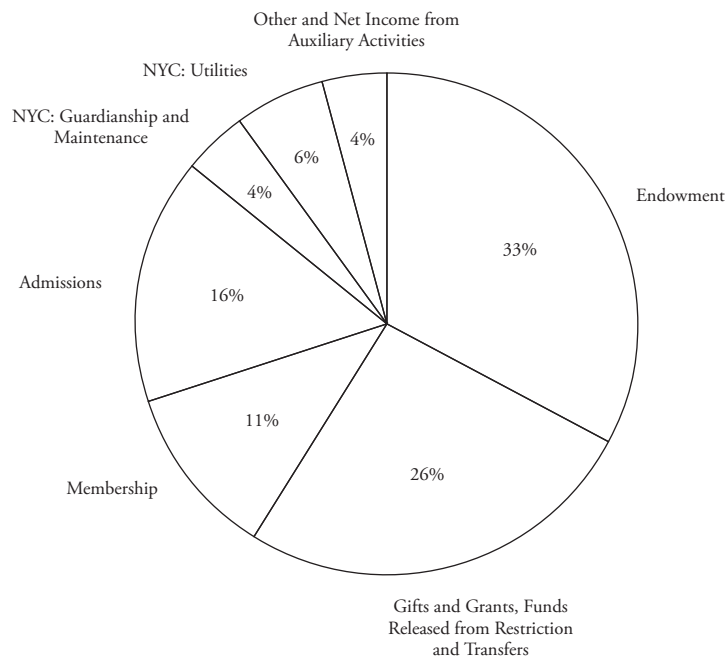
## Operating Results

The Metropolitan Museum of Art had an operating surplus of \$0.2 million in fiscal year 2012. This performance is the result of strength in all earned revenue areas, continuing discipline around expenditures, and the agility with which the Museum deals with unexpected events. Fiscal year 2012 started with “Alexander McQueen: Savage Beauty”—a great boon to the Museum but an operational challenge due to the enthusiastic response to the exhibit. It was followed by a weekend closure for Hurricane Irene, other inclement weather, and an October snowstorm.

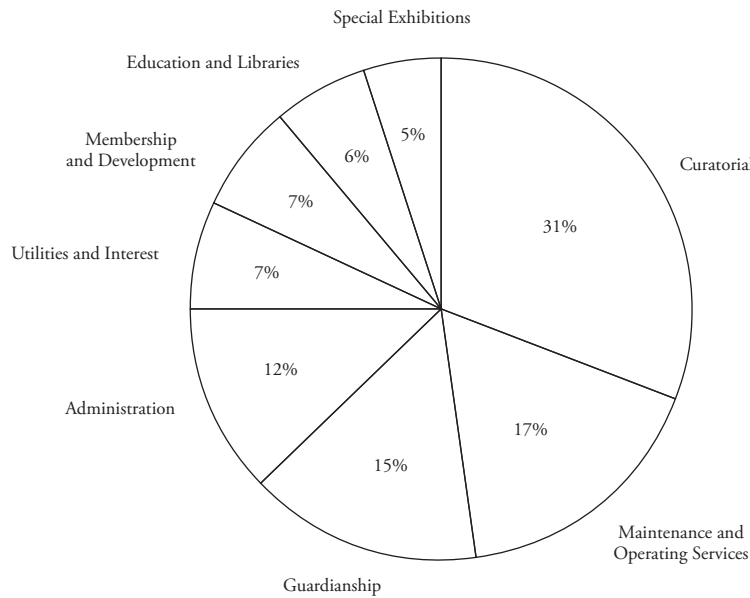
The fiscal year 2012 total operating revenue, support, and transfers were \$239 million, an increase of \$12.8 million or 5.7 percent over fiscal year 2011. Higher earned revenue was partly offset by higher compensation costs and by higher exhibition, publication, and general operating costs (partly matched by higher funding).

The fiscal year 2012 earned revenue was \$92.3 million (with auxiliaries net), \$8.4 million or 10 percent over fiscal year 2011. This growth is attributable primarily to strength in admissions and membership. Total admissions revenue grew by \$5.6 million compared to the prior year, reaching \$37.8 million and 6.28 million visitors. Members continued to show strong support for the Museum in fiscal year 2012 with renewal rates ahead of fiscal year 2011, and with a record-setting level of Museum members. Membership income reached \$27 million, a \$1.5 million or 5.9 percent increase over fiscal year 2011. The Museum’s inaugural Members’ Grand Tour event in fiscal year 2012 was a great success and included demonstrations of the many programs that are made possible with Member support. Support from the Museum’s general operating endowment was \$69.2 million, a decrease of \$4.6 million or 6.2 percent from fiscal year 2011. The decrease is due to the decision to reallocate, on a one-time basis, operating endowment spending towards acquisition funds in fiscal year 2012. Net income from auxiliary activities decreased by \$0.9 million year-over-year. This was driven primarily by a \$0.6 million decrease in merchandise results. The merchandise operations continue to be on target for sales and net profit growth; the net decrease in fiscal year 2012 compared to fiscal year 2011 was driven by one-time events, including asset write-downs and other costs related to closing the Macy’s shop and a temporary downsizing of an airport shop.

2012 Sources of Operating Revenue, Support, and Transfers  
\$239 Million



2012 Operating Expenses  
(Excluding Auxiliary Activities)  
\$238.8 Million



From a fundraising perspective, fiscal year 2012 reflected continuing donor confidence and a renewed willingness to make commitments at the highest level coupled with enhanced online communication and solicitation programs. As predicted, Museum constituents are increasingly interested in digital access to information—on exhibitions, artists, and history presented in the Heilbrunn Timeline of Art History, gallery talks and other events, transacting online, etc. The Museum’s expansion into the digital arena remains a promising area for future growth for Membership and all constituents, and a gateway for engaging potential new supporters. Efforts in this area will grow substantially as the Museum refines the new website, enhances in-gallery digital access to information for all audiences, and works to optimize the visitor and user experience. Overall, the annual programs income increased 1.4 percent over fiscal year 2011 and gross revenue from benefit events increased 12.1 percent. Government funding is a critical source of support for the Museum’s operating and capital needs. The City of New York supplied just under \$25 million in funding for operating support and energy costs, continued to fully fund the utilities for the Museum’s main building, and provided an increase of \$1.9 million in funding for capital construction projects. Appropriations of \$4.5 million were made by the Mayor, City Council, and Manhattan Borough President for the Museum’s long-term capital and infrastructure projects. At the state level, The New York State Council on the Arts renewed its commitment to operating support of the Museum. On the federal level, we continue to receive support from the National Endowment for the Arts and from the National Science Foundation.

*Capital Expenditures*

Capital construction and building-related expenditures amounted to \$47.4 million in fiscal year 2012, representing an increase of \$3.3 million or 7.5 percent from the previous fiscal year. With the completion and opening of the New American Wing Galleries for Paint-

ings, Sculpture, and Decorative Arts and the New Galleries for the Art of the Arab Lands, Turkey, Iran, Central Asia, and Later South Asia, the Museum shifted its attention to understanding its long-term capital needs and possibilities for the development of the its buildings by commissioning a long-term feasibility study. Beyer Blinder Belle Architects & Planners LLP was hired to identify, integrate, and prioritize all of the physical space needs of the Museum’s main building for the next approximately twenty years. In tandem with physical improvements, the Museum remains focused on technology and digital media initiatives. In fiscal year 2012 it continued to invest in a broad range of digital and information technology projects focused on improving the visitor experience and enhancing the effectiveness and productivity of its staff. The most dramatic example of this was the relaunch of the Museum’s website in September 2011. The expanded and redesigned site includes comprehensive access to more than 340,000 works of art in the Museum’s encyclopedic collections; extensive information and multimedia features on exhibitions, programs, and galleries; a completely new and streamlined design for greater ease of viewing the vast array of images, resources, and other material now online; and an interactive floor plan and multiple itineraries to enhance in-person visits to the Museum.

*Statement of Financial Position*

The Museum’s gross assets totaled \$3.2 billion at June 30, 2012. The long-term investment portfolio, which accounts for the bulk of the Museum’s assets, totaled \$2.5 billion at June 30, 2012. For the fiscal year ending June 30, 2012, the Museum’s long-term investment portfolio returned a positive 0.3 percent, before spending and gifts. Including spending and new gifts, the long-term portfolio declined by approximately 4 percent. Liabilities increased by \$71.7 million, or 17.1 percent, primarily due to increases in pension and postretirement obligations and loans payable and other long-term liabilities.

### *Looking Forward*

Led by Director Thomas P. Campbell, and with constant support from President Emily Kernan Rafferty, trustees, staff, volunteers, members, and donors, the Metropolitan Museum continues to build on its long tradition of excellence. While maintaining the highest standards in its ongoing operations, the Museum continues to take on exciting new initiatives to deepen and enrich the visitor experience. The relationship with the Whitney Museum of American Art

moves forward, the undertaking of a long-term feasibility study to guide the Museum's construction projects for the next approximately twenty years continues, and the Museum's engagement with the global community is a dynamic and evolving one. The strategic plans under development all point to an institution positioned for continuing excellence and one dedicated to ensuring the best experience and ongoing accessibility for millions of visitors to the Museum.

Statement of Operations (unaudited)

for the year ending June 30, 2012 with comparative totals for 2011 (in thousands)

	<u>2012</u>	<u>2011</u>
<b>REVENUE, SUPPORT, AND TRANSFERS:</b>		
Admissions . . . . .	\$ 37,828	\$ 32,172
Membership . . . . .	26,977	25,476
Gifts and grants, net assets released from restrictions, and transfers . . . . .	62,075	50,300
Appropriations from the City of New York:		
Funds for guardianship and maintenance . . . . .	9,845	11,553
Value of utilities provided . . . . .	15,116	14,534
Endowment support . . . . .	77,311	81,836
Revenue from auxiliary activities:		
Merchandising . . . . .	72,095	68,160
Restaurant, parking garage, auditorium, and other . . . . .	26,044	26,935
Other income . . . . .	4,758	4,340
Total revenue, support, and transfers . . . . .	<u>332,049</u>	<u>315,306</u>
<b>EXPENSES:</b>		
Curatorial:		
Curatorial departments, conservation, cataloguing, and scholarly publications . . . . .	67,038	58,188
Operations of The Cloisters . . . . .	7,057	7,069
Special exhibitions . . . . .	12,880	11,125
Education, community programs, and libraries . . . . .	13,417	13,665
Development . . . . .	9,339	8,198
Membership services . . . . .	7,771	7,029
Operations:		
Guardianship . . . . .	36,478	38,330
Maintenance . . . . .	24,925	26,423
Operating services . . . . .	15,011	14,403
Value of utilities provided by the City of New York . . . . .	15,116	14,534
Communications . . . . .	6,399	5,165
Financial, legal, and other administrative functions . . . . .	22,587	19,813
Cost of sales and expenses of auxiliary activities:		
Merchandising . . . . .	68,652	64,153
Restaurant, parking garage, auditorium, and other . . . . .	24,413	24,983
Interest on debt service . . . . .	813	934
Total expenses . . . . .	<u>331,896</u>	<u>314,012</u>
Surplus from operations . . . . .	<u>\$ 153</u>	<u>\$ 1,294</u>