

# Report of the Chief Financial Officer

In fiscal year 2014 the Museum continued the execution of strategic priorities articulated by the Director and the President. These activities were guided by an overarching principle of being strategically ambitious and financially prudent and reflected the Museum's great pride in and commitment to accessibility and excellence. The year ended with a modest operating deficit and \$275 million in growth of the Museum's net assets. This growth was the result of excellent investment returns, robust attendance figures, and continuing strong support from donors.

The sections below provide a more detailed discussion of the Museum's financial results for fiscal year 2014. As this report highlights, the Museum continues to find new ways to entice visitors with experiences that both exceed expectations and become cherished memories. Increasing accessibility and enhancing the Museum's online presence and digital offerings in the galleries are ways in which the Museum facilitates such positive outcomes. The Museum can only accomplish these bold moves as a result of the work of its Trustees, its staff, its volunteers, and the generous support of its members, donors, and the City of New York.

## Operating Results

The Metropolitan Museum of Art had a modest operating deficit of \$3.5 million in fiscal year 2014. The year was filled with programming and publications that were academically superlative and for which the Museum received some of its most glowing reviews.

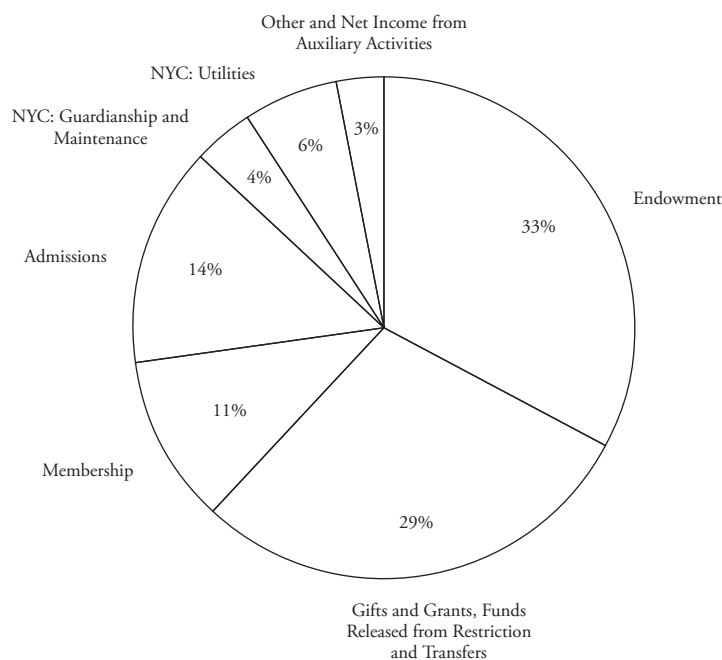
Fiscal year 2014 total operating revenue, support, and transfers were \$262.5 million, an increase of \$14.3 million or 5.8 percent over fiscal year 2013. Higher earned revenue was partially offset by higher compensation costs and by higher exhibition, legal, recruiting, depreciation, and other general operating costs (partially matched by higher funding).

Earned revenue in fiscal year 2014 was \$96.0 million (with auxiliaries net), \$2.1 million or 2.2 percent over fiscal year 2013. Continuing its strong support for the Museum in fiscal year 2014, Membership income reached nearly \$28.7 million, a slight \$0.7 million decrease over fiscal year 2013. Total admissions revenue reached \$37.9 million while maintaining a visitor level of 6.2 million. Net income from auxiliary activities decreased by \$1.7 million year-over-year. Merchandising, which makes up the bulk of the Museum's auxiliary activities, was affected by a change in senior management, a reassessment of its business model, and the resulting restructuring of some elements of the operation.

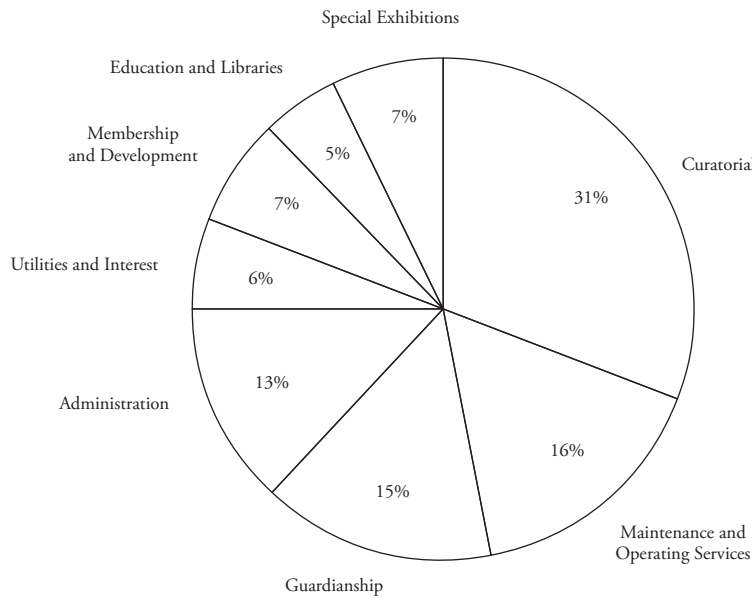
Support from the Museum's general operating endowment was \$76.2 million, an increase of \$2.0 million or 2.7 percent from fiscal year 2013.

From a fundraising perspective, through the combined efforts of Trustees, executive leadership, curators, and Development and Membership staff, the Museum secured over \$186 million in philanthropic gifts, membership dues, and governmental support during fiscal year 2014. It is important to note that during this period the

## 2014 Support of Operating Revenue, Support, and Transfers \$262.5 Million



2014 Operating Expenses  
(Excluding Auxiliary Activities)  
\$266 Million



Museum received an additional \$18.1 million in support of the acquisition of specific works of art.

Government funding is a critical source of support for the Museum’s operating and capital needs. In fiscal year 2014, the Museum received more than \$25 million in total funding from the City of New York for operating support and energy costs; City funding remains vital to the daily operation of the Museum. An appropriation of \$4.5 million in capital funding was made by the New York City Council and Manhattan Borough President Gale Brewer for the Museum’s multiyear infrastructure improvements and upgrade efforts, along with a special grant of nearly \$800,000 from the City for energy efficiency upgrades. This is the ninth consecutive year in which the City has allocated funding for infrastructure initiatives as part of The Fund for the Met. At the State level, the Museum received a grant of \$123,000 for infrastructure improvements. In addition, the New York State Council on the Arts renewed its commitment to operating support and to Concerts & Lectures programming, and the New York State Library renewed its support of book conservation. On the federal level, assistance continues from the National Endowment for the Arts, which awarded the Museum \$85,000 in support of the exhibition “Lost Kingdoms: Hindu-Buddhist Sculpture of Early Southeast Asia, 5th to 8th Century.”

*Capital Expenditures*

Capital construction and building-related expenditures amounted to \$56.7 million in fiscal year 2014. Driving this cost were expenses related to the new David H. Koch Plaza on Fifth Avenue, the renovation of The Costume Institute’s Anna Wintour Costume Center, and several other infrastructure projects. The Museum continued to focus on its capital needs and possibilities in the long term for the development of its buildings. This effort was led by Beyer Blinder

Belle Architects & Planners LLP who were commissioned to create a long-term feasibility study, the results of which became available in fiscal year 2014.

In tandem with physical improvements, the Museum remains focused on technology and digital media initiatives including the management, production, and delivery of digital media content for a variety of audiences, both online and in the galleries. As the Museum makes rapid advances in digital expansion and outreach, the support of donors is absolutely vital. Bloomberg Philanthropies generously supported the development of the Museum’s digital platforms including a new Met App and online permanent collection features, and the Sherman Fairchild Foundation, Inc., pledged funds for the construction of a center for the Digital Media Department and for website infrastructure, among other initiatives. Investment in core information technology and systems also continued. In fiscal year 2014 there was a complete overhaul of the Museum’s financial, payroll, and human resource systems, and advancement in the consolidation of constituent systems.

*Statement of Financial Position*

The Museum’s gross assets totaled \$3.7 billion at June 30, 2014. The long-term investment portfolio, which accounts for the bulk of the Museum’s assets, totaled \$3.0 billion at June 30, 2014. For the fiscal year ending June 30, 2014, the Museum’s long-term investment portfolio returned a positive 15.1 percent, before spending and gifts. Liabilities decreased by \$16.3 million or 3.5 percent, primarily due to loan amortization.

*Looking Forward*

Led by Director and Chief Executive Officer 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 taking on exciting new initiatives. A fierce commitment to access continues to be a defining characteristic of our institution.

In developing the Museum's financial plan for the coming year, the goal has been to maintain these priorities while balancing strategic investment and fiscal discipline with innovations occurring across the Museum. Such objectives require careful resource manage-

ment, the drive for change, and the incorporation of strategies that recognize that the global economy has not yet fully stabilized.

As fiscal year 2015 and beyond are contemplated, the Museum's financial strength, coupled with the stewardship provided by the Director and the President and their exceedingly high standards, ensures that the Museum will continue to thrive and deliver on its commitment to local, domestic, and international audiences.

Statement of Operations

for the year ending June 30, 2014, with comparative totals for 2013 (in thousands)

	<u>2014</u>	<u>2013</u>
<b>REVENUE, SUPPORT, AND TRANSFERS:</b>		
Admissions . . . . .	\$ 37,935	\$ 38,220
Membership . . . . .	28,684	29,430
Gifts and grants, net assets released from restrictions, and transfers . . . . .	76,686	65,119
Appropriations from the City of New York:		
Funds for guardianship and maintenance . . . . .	11,205	9,456
Value of utilities provided . . . . .	15,157	14,980
Endowment support . . . . .	84,868	82,366
Revenue from auxiliary activities:		
Merchandising . . . . .	70,081	69,337
Restaurant, parking garage, auditorium, and other . . . . .	27,266	25,430
Other income . . . . .	6,134	5,123
	<u>358,016</u>	<u>339,461</u>
<b>EXPENSES:</b>		
Curatorial:		
Curatorial departments, conservation, cataloguing, and scholarly publications . . . . .	74,275	68,399
Operations of The Cloisters . . . . .	8,055	7,790
Special exhibitions . . . . .	16,261	14,000
Education, community programs, and libraries . . . . .	13,730	13,099
Development . . . . .	10,884	10,833
Membership services . . . . .	9,002	8,458
Operations:		
Guardianship . . . . .	40,013	40,894
Maintenance . . . . .	27,169	26,221
Operating services . . . . .	15,109	15,705
Value of utilities provided by the City of New York . . . . .	15,157	14,980
Communications . . . . .	8,684	6,010
Financial, legal, and other administrative functions . . . . .	26,944	25,437
Cost of sales and expenses of auxiliary activities:		
Merchandising . . . . .	67,799	66,362
Restaurant, parking garage, auditorium, and other . . . . .	27,705	24,897
Interest on debt service . . . . .	765	782
	<u>361,552</u>	<u>343,867</u>
Total expenses . . . . .		
(Deficit) from operations . . . . .	<u>\$ (3,536)</u>	<u>\$ (4,406)</u>