

Report from the Chief Financial Officer

As reported in the “Report from the President and the Director,” following a historic period of widespread turbulence, The Met saw a range of accomplishments and new initiatives in fiscal year 2022, and as the Museum enters a new fiscal year, it is in a strong place operationally. The year’s achievements took place against a backdrop of positive trends, including the return of more on-site events and programming, increases in visitation and membership over fiscal year 2021, and unprecedented financial support for the Museum. As The Met advances a new and exciting programmatic vision informed by its unparalleled collection and the goals and values of its new Strategic Plan, the macro environment remains complex and challenging, requiring continued vigilance in the Museum’s financial planning.

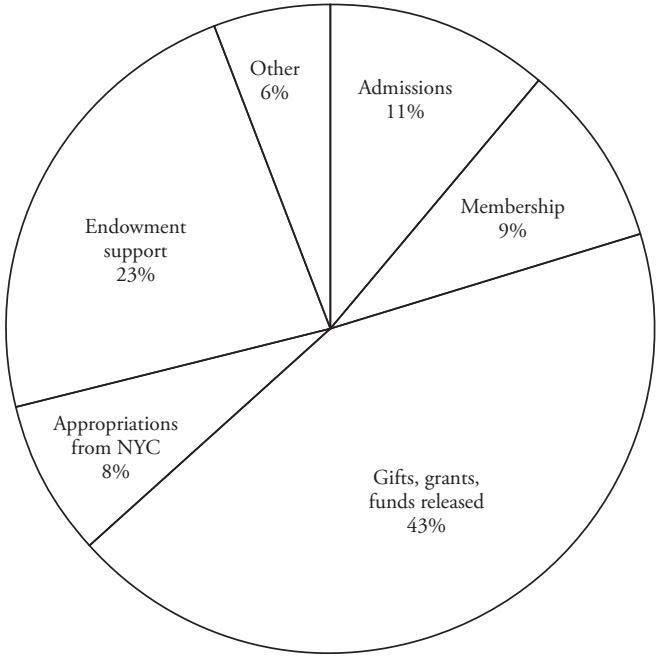
Direct evidence of the Museum’s strong recovery in fiscal year 2022 can be seen in its total revenue and other income improvement, which increased by \$61.4 million (105%) compared to fiscal year 2021. Operating expenses also increased, by \$50.1 million, or 18% over the prior year, due to the reintroduction of on-site events, additional on-site programming, increasing the Museum’s open days from five to six, and resuming Friday and Saturday evening hours. Consequently, The Met reduced its deficit this year, finishing fiscal year 2022 with a deficit of \$5.6 million, compared with \$7.6 million in fiscal year 2021.

Revenue

Unrestricted revenue (including auxiliary activities) totaled \$119.6 million in fiscal year 2022, compared to \$58.3 million in the prior year, marking a \$61.4 million (105%) increase over fiscal year 2021. Admissions and membership revenue contributed most significantly to the Museum’s unrestricted revenue, and both recovered significantly due to the return of visitors driven primarily by strong recovery in domestic tourism and also some recovery in international tourism. In fiscal year 2022, admissions revenue increased by \$21.8 million (215%) to reach \$32.0 million, while membership revenue increased by \$7.2 million (38%) to reach \$26.2 million.

Revenues from auxiliary activities, primarily the Museum’s retail and restaurant operations, also benefited from the recovery of visitors. Revenues increased by \$21.0 million (85%) to end fiscal year 2022 at \$45.6 million, while operating expenses from auxiliary activities increased by \$10.5 million (31%) in fiscal year 2022, to \$44.4 million. Net income from auxiliary activities was \$1.2 million in fiscal year 2022, compared to a \$9.2 million net loss in the prior year. The return of on-site events, along with the income streams associated with them, also contributed to revenue growth.

Fiscal Year 2022 Operating Revenue, Support, and Transfers
(Excluding Auxiliary Activities)
\$283.3 Million



Support and Transfers

Contributions and grants used to fund Museum operations, including operating funds from the City of New York, endowment support for current activities, and net assets released or transferred from restrictions, totaled \$209.3 million, reflecting a \$9.2 million (-4%) decrease over the prior year.

The annual support from the Museum's endowment, as set by The Met's Spending Policy, continues to provide a significant source of financial strength and stability to the Museum as it continues to make progress toward regaining the high visitor levels it experienced pre-COVID. In fiscal year 2022, the Museum appropriated \$173.6 million from its endowment through its Spending Policy, representing a 3.6% increase over the prior year. The Museum's spending rate (i.e., the dollars appropriated annually as a percentage of the endowment's prior year-end market value) was 3.9% in fiscal year 2022, compared to 5.0% in the prior year, reflecting the impact of strong market returns in fiscal year 2021.

Operating Expenses

Operating expenses (excluding auxiliary activities) increased by \$39.6 million (16%) compared to the prior year, totaling \$290.1 million in fiscal year 2022. The key driver was a rebound in activity levels compared to fiscal year 2021, including higher levels of activity in programming, events, and marketing.

The Museum's interest expense on its bond and interest rate swaps is reported as a non-operating charge and totaled \$12.4 million in fiscal year 2022, relatively flat with the prior year. Interest expense is fully funded through a designation of the Museum's unrestricted general operating endowment support, which is reflected in the Non-Operating section of the Statement of Activities in the Audited Financial Statements.

Fundraising

Thanks to a dedicated and generous community of supporters and driven by the return of in-person events, including two Costume Institute Benefits, along with strong results from annual fundraising

programs and continued momentum around priority capital projects, fundraising increased by \$78.0 million (49%) from the prior year to \$237.1 million in fiscal year 2022.

Capital Expenditures

Capital construction and infrastructure-related expenditures totaled \$61.1 million in fiscal year 2022, up from \$39.6 million in the prior year, reflecting investment in a wide range of projects. Key projects included phase two of the project to renovate the skylights in the European Paintings Galleries, renovation of the Michael C. Rockefeller Wing, and infrastructure upgrades related to the project to renovate the Ancient Near Eastern and Cypriot Art Galleries, which received an allocation of \$13 million from the City of New York, with whom we continue to work hand in hand on outreach, diversity, and energy conservation programs.

Statement of Financial Position

Net assets at the end of fiscal year 2022 were \$4.7 billion compared to \$4.8 billion a year ago, reflecting a \$121.5 million (-2.5%) decrease. Investment returns of negative 3.7% were the primary driver of this decline. The Museum's investments decreased by \$249.8 million (-5.0%) after factoring in negative investment returns and spending resulting from The Met's Spending Policy.

Offsetting the decline in investments was a \$68.4 million decrease (-36%) in the Museum's pension and postretirement medical liability, due to the increase in discount rates in the pension plans.

Looking Forward

Financial and operating sustainability, particularly during a period of significant macro environment stress and economic uncertainty, is a top priority for the Museum as it launches its new Strategic Plan. The strength of the Museum's financial planning and governance process will allow it to navigate the upcoming period by aligning further gains in visitor recovery with reinstatement of programmatic activities and staffing levels.

Statement of Operations (unaudited)

for the year ending June 30, 2022, with comparative totals for 2021 (in thousands)

	2022	2021
REVENUE, SUPPORT, AND TRANSFERS:		
Admissions	\$ 31,952	\$ 10,144
Membership	26,170	18,990
Gifts and grants	42,861	17,613
Operating appropriations from the City of New York	22,560	18,936
Endowment support for current activities	65,350	89,684
Retail and other auxiliary activities	45,589	24,639
Other income	15,903	4,487
Net assets released from donor restrictions	78,518	92,289
Total revenue, support, and transfers	328,903	276,782
EXPENSES:		
Program services	213,456	187,740
Auxiliary activities	44,382	33,852
Supporting services	76,644	62,783
Total expenses	334,482	284,375
Change in net assets from operating activities	\$ (5,579)	\$ (7,593)