Report of the Chief Financial Officer

The Metropolitan Museum of Art, building on last year's commitment to approach all operations with renewed resourcefulness and a sense of moderation while upholding the highest standards in all it undertakes, closes out the fiscal year with an operating surplus of approximately $3.7 million. This is particularly impressive when contrasted with the operating deficit of $8.4 million in fiscal year 2009 and supports the actions undertaken by the Museum last year to respond to the unprecedented turmoil in the financial markets.

The Museum's results show strength in all areas of earned income. Among the many contributors to the fiscal year's financial success were the 5.2 million visitors to the Museum, the growth in sales in the merchandise operations, and more than 139,000 Museum Members. The sections below provide a more detailed discussion of the Museum's financial results for fiscal year 2010. As this discussion will highlight, the Museum's financial performance is directly linked to the work of its trustees, staff and volunteers, and the generous support of its Members, donors, and the City of New York.

Operating Results

The Metropolitan Museum of Art had an operating surplus of approximately $3.7 million in fiscal year 2010. This performance, just a year after the world's economies acknowledged a deep recession and in a period of continuing economic volatility, is particularly satisfying and reinforces the appropriateness and prudence of actions undertaken by the Museum in the prior fiscal year.

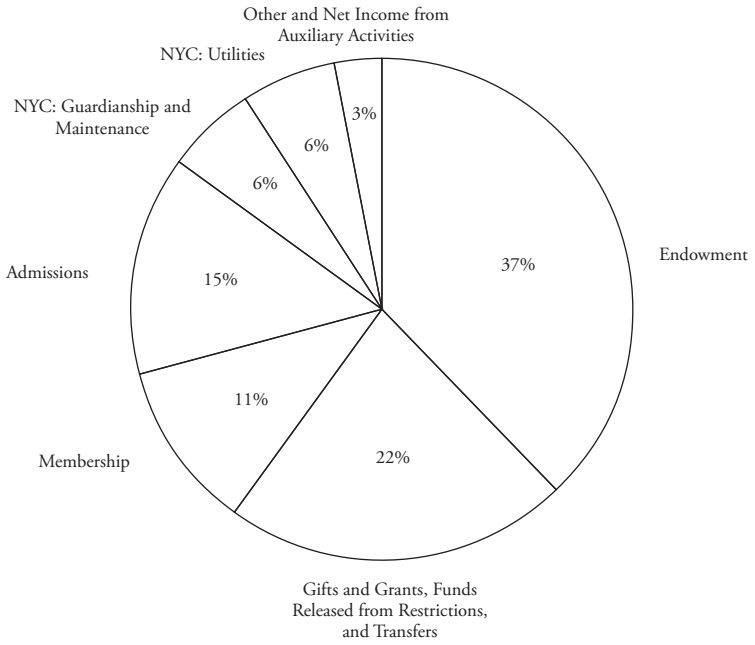
The fiscal year 2010 total operating revenue, support, and transfers were $207.9 million, a decrease of $5.1 million or 2.4% over fiscal year 2009. Offsetting higher earned revenue was lower use of specified donor funds (partly matched by lower expense), reduced City support, and a lower cost of utilities-in-kind provided by the City (matched in expense).

The fiscal year 2010 earned revenue was $77.4 million (with auxiliaries net), $9 million or 13.2% over fiscal year 2009. This growth is attributable to strength in admissions, membership, and auxiliary activities. Total admissions revenue grew by $1.5 million compared to the prior year, reaching $30.6 million. Members continued to show strong support for the Museum in fiscal year 2010 with renewal rates improving over last year and with a record-setting level of Museum Members. Membership income reached $23.8 million, a $1.1 million or 5% increase over fiscal year 2009. Finally, revenue from the Corporate Benefit was $1.8 million, exceeding fiscal year 2009 revenue by almost $1.2 million.

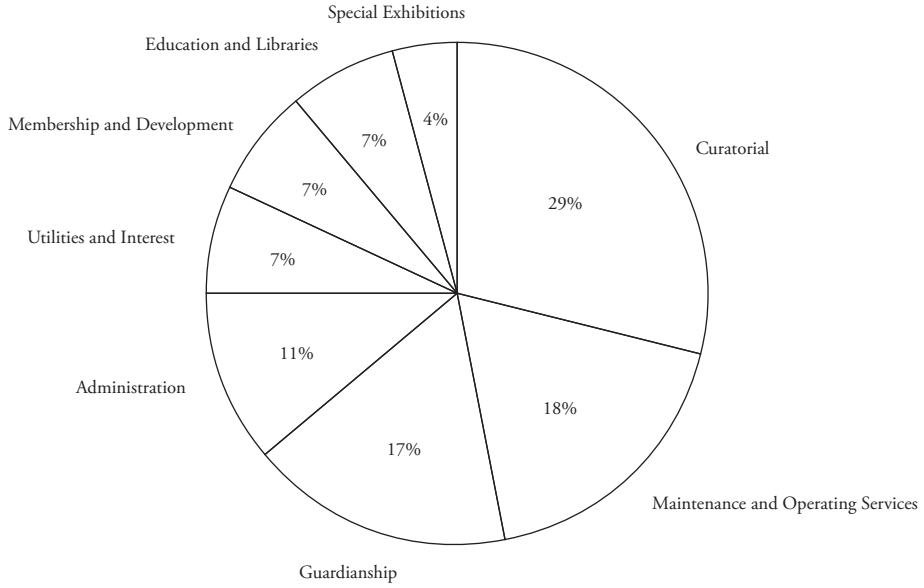
Support from the Museum's general operating endowment was $71.0 million, an increase of $2.9 million or 4.3% over fiscal year 2009. The annual support from the general operating endowment is determined by the Museum's spending rule—a calculation based on a trailing 20-quarter average market value. This rule is intended to ensure an appropriate balance between programmatic needs and the protection of the endowment's "purchasing power."

Net income from auxiliary activities increased by $5.1 million year-over-year, with all areas contributing to the increase. Most significant was the improvement in retail results, which increased by $4.6 million over the previous fiscal year. The retail improvement reaffirms the strategic decisions undertaken in the previous year. These included closing satellite stores, decreasing the merchandise headcount, and implementing a redesigned e-commerce site and a reconfigured catalogue.

2010 Sources of Operating Revenue, Support, and Transfers
$207.9 Million



2010 Operating Expenses
(Excluding Auxiliary Activities)
$204.2 Million



From a fundraising perspective, fiscal year 2010 reflected the realities of an uneven economic recovery and the challenges associated with predicting when and where rebounds occur. In previous recessions individual donor support has rebounded first; this year the Museum experienced a significant increase in corporate funding. Benefit events supported principally by corporations exceeded expectations and in two cases set records. The Corporate Patron Program exceeded its target. Overall, the annual programs income increased 9% over fiscal year 2009 and gross revenue from benefit events increased by 37%. The most significant area of continuing uncertainty remains in capital gifts, where in spite of a heartening number of seven-figure gifts, the overall total for the campaign decreased from fiscal year 2009 levels.

Government funding is a critical source of support for the Museum's operating and capital needs. The City of New York provided more than $24.9 million in funding for operating support and energy costs. While the Museum's operating support from the City declined by approximately $1.6 million, the City offset part of the reduction by providing an increase of $850,000 in funding for capital construction projects; the City also continued to fully fund the utilities for the Museum's main building. Appropriations of more than $6.5 million were made by the Mayor, City Council, and the Manhattan Borough President for the Museum's long-term capital and infrastructure projects. This appropriation is the fifth of a seven-year, $100 million funding request presented by the Museum. At the State level, The New York State Council on the Arts continues to provide operating support of over $200,000 annually. On the federal level, the Museum is encouraged by ongoing success at the National Endowment for the Arts, which awarded the Museum a $50,000 grant in support of "The World of Khubilai Khan: Chinese Art in the Yuan Dynasty" exhibition. The Museum was also pleased to receive once again a grant of $150,000 from the Institute of Museum and Library Services for conservation project support.

General operating costs (excluding compensation, auxiliaries and exhibitions) totaled $36.9 million in fiscal year 2010, a decrease of $1.7 million or 4.3% from fiscal year 2009.

Capital Expenditures

The Museum continues executing its "21st-Century Met" master plan. Capital construction and building-related expenditures amounted to $66.3 million in fiscal year 2010, representing a decrease of $3.9 million or 6% from the previous year. Projects that generated the bulk of these expenditures include the continuing renovations of the American Wing, construction of the Galleries for the Arts of the Arab Lands, Turkey, Iran, Central Asia, and Later South Asia, and various projects associated with the multiyear infrastructure plan.

The Museum remains focused on technology and digital media initiatives. In fiscal year 2010 it invested in efforts associated with capturing collection data in a standardized manner, the creation of a digital media department, the first phase of a relaunched website, e-philanthropy initiatives, and a broad range of information technology projects.

Statement of Financial Position

The Museum's gross assets totaled $3.0 billion at June 30, 2010, an improvement of almost $98 million from June 30, 2009. The vast majority of this improvement is attributable to the Museum's long-term investment portfolio. The long-term portfolio totaled $2.2 billion at June 30, 2010, and represents the majority of investment assets. The return for the Museum's portfolio (before spending and gifts) for the fiscal year was a positive 12.6%.

Liabilities decreased by $18.3 million, or 4%, primarily because of decreased levels of investment trades payables, notes payable, and accounts payable. Investment trades payables are the result of the timing by which transactions are settled. The decrease in notes payable of $18.4 million relates to operating expense funding and the timing of reimbursements from the City of New York. The accounts payable

decrease of $16.2 million is associated with payments related to staff actions in 2009. These decreases were partially offset by a growth in pension and postretirement obligations of $41.2 million mostly related to the discount rate used in the actuarial calculations.

Looking Forward

Led by the Museum's Director, Thomas P. Campbell, and with support from trustees, staff, volunteers, Members, and donors, The Metropolitan Museum continues to build on its long tradition of excellence. The financial success of fiscal year 2010 positions the institution to address both the exciting opportunities as well as the challenges that recent events have highlighted. At the same time, the Museum recognizes that the effects of the economic downturn are deep and appear to be long-standing. Balancing all these divergent component parts will be at the forefront of decision making and strategic planning for fiscal year 2011 and beyond.

Statement of Operations

for the year ended June 30, 2010, with comparative totals for 2009 (in thousands)

	2010	2009
REVENUE, SUPPORT, AND TRANSFERS:		
Admissions	$ 30,554	$ 29,009
Membership	23,797	22,650
Gifts and grants, net assets released from restrictions, and transfers	44,810	55,054
Appropriations from the City of New York:		
Funds for guardianship and maintenance	12,139	13,714
Value of utilities provided	12,716	13,991
Endowment support	77,528	77,365
Revenue of auxiliary activities:		
Merchandising	59,913	57,789
Restaurant, parking garage, auditorium, and other	25,606	25,631
Other income	5,834	5,871
TOTAL REVENUE, SUPPORT, AND TRANSFERS	292,897	301,074
EXPENSES:		
Curatorial:		
Curatorial departments, conservation, cataloguing, and scholarly publications	52,728	58,644
Operations of The Cloisters	6,687	6,888
Special exhibitions	8,750	14,446
Education, community programs, and libraries	13,422	15,697
Development	7,568	8,147
Membership services	6,513	6,640
Operations:		
Guardianship	35,511	34,453
Maintenance	23,282	23,251
Operating services	12,857	14,202
Value of utilities provided by the City of New York	12,716	13,991
Communications	4,699	5,078
Financial, legal, and other administrative functions	18,107	19,386
Cost of sales and expenses of auxiliary activities:		
Merchandising	61,438	63,882
Restaurant, parking garage, auditorium, and other	23,578	24,148
Interest on debt service	1,355	659
TOTAL EXPENSES	289,211	309,512
(DEFICIT) SURPLUS FROM OPERATIONS	$ 3,686	$ (8,438)