REPORT OF THE TREASURER
For the Year Ended June 30, 1968

Condensed statements showing the financial position of the Museum at June 30, 1968, and income, expenses and changes in fund balances for the year then ended, are shown in the following pages along with the report of Price Waterhouse & Co., independent accountants, who have examined the statements. Detailed financial statements, including a list of investments held for Endowment Funds, will be furnished upon request.

During the year under review, Operating Expenses and Extraordinary Items reached an all-time high of $7,461,354. Available income of $7,054,341 was also substantially above prior years. The resulting operating deficit of $407,013 reduced the balance in the Reserve for General Purposes from $744,741 to $337,728 at June 30, 1968. This is the first year since 1959 that the Museum has had a deficit. Among the income items available for operations, grants and contributions for General Purposes substantially exceeded those received last year. Grants included $78,105 for new educational projects and $82,000 toward the cost of Special Exhibitions. The increase in contributions was principally for Extraordinary Items and for Special Exhibitions.

Net proceeds derived from Auxiliary Activities amounted to $19,761, as compared with $145,060 during the prior year.

Endowment Funds grew by $213,636 through gifts and bequests. Net profits of $3,629,757 realized on sales of securities were added to the book amount of Endowment Funds but did not materially increase the income therefrom.

Additions to Funds for Specified Purposes included contributions of $632,365 toward the cost of the one-hundredth anniversary celebration. The amounts of other gifts and bequests applicable to Specified Purposes attained an all-time high and totaled $2,644,489, of which $269,325 was devoted to the building programs, including net proceeds of $77,924 from the Twentieth Annual Party of the Year for the benefit of the Costume Institute. Gifts from several good friends toward the purchase of the Terrace at Sainte-Adresse by Monet aggregated $813,359. To make this acquisition possible, however, it was necessary to use, in addition to available purchase fund income, $195,000 from an endowment fund restricted to the purchase of objects of art. It is hoped that other monies may soon be obtained with which to repay this advance from principal. Expenditures from Funds for Specified Purposes included $4,388,614 for the further enrichment of the collections at the Main Building and at The Cloisters and $594,476 for the building programs.
Approximately 1,840 individuals, foundations, and corporations made gifts, large and small, all of which were vital to fulfilling the growing needs of the Museum. On behalf of the Trustees and the staff, our sincere gratitude goes to those who have given financial support to the Museum’s many activities.

It is obvious that future needs are very substantial: we must meet constantly increasing operating costs, we must acquire and preserve desirable objects of art, and we must finance our building programs. Your help through gifts of money and securities is urgently sought to satisfy adequately the responsibilities that the Metropolitan Museum faces today.

J. KENNETH LOUGHRY, Treasurer

Accountants’ Report

To the Board of Trustees of
The Metropolitan Museum of Art
New York, N. Y.

We have made an examination of the balance sheet of The Metropolitan Museum of Art at June 30, 1968, and of the related statements of income, expenses, and changes in general funds and in other fund balances for the year then ended. The accounting records are maintained generally on a cash basis and do not include objects of art, buildings, equipment, and supplies. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements present fairly, on the basis indicated, which is consistent with that of the preceding year, the financial position of The Metropolitan Museum of Art at June 30, 1968 and income, expenses, and changes in fund balances for the fiscal year then ended.

PRICE WATERHOUSE & CO.

New York, New York
August 26, 1968
## Condensed Comparative Balance Sheets: June 30, 1968 and June 30, 1967

(Generally on a cash basis and exclusive of Objects of Art, Buildings, Equipment, and Supplies, Note A)

### Assets

<table>
<thead>
<tr>
<th>Endowment Funds</th>
<th>1968</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments</td>
<td>$112,559,900</td>
<td>$108,861,760</td>
</tr>
<tr>
<td>Cash</td>
<td>234,768</td>
<td>172,376</td>
</tr>
<tr>
<td>Total</td>
<td>112,794,668</td>
<td>109,034,136</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funds For Specified Purposes</th>
<th>1968</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Investments</td>
<td>7,379,232</td>
<td>7,263,267</td>
</tr>
<tr>
<td>Cash</td>
<td>224,000</td>
<td>151,167</td>
</tr>
<tr>
<td>Advances to the City of New York</td>
<td>394,962</td>
<td>192,021</td>
</tr>
<tr>
<td>Total</td>
<td>7,968,194</td>
<td>7,666,455</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Funds</th>
<th>1968</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term Investments</td>
<td>1,288,629</td>
<td>1,594,173</td>
</tr>
<tr>
<td>Cash</td>
<td>404,223</td>
<td>147,594</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>395,421</td>
<td>431,954</td>
</tr>
<tr>
<td>Deferred Items</td>
<td>95,160</td>
<td>74,122</td>
</tr>
<tr>
<td>Total</td>
<td>2,183,433</td>
<td>2,247,843</td>
</tr>
</tbody>
</table>

### Funds and Liabilities

<table>
<thead>
<tr>
<th>Endowment Funds</th>
<th>1968</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Include accumulated net profit of $40,139,932 in 1968 and $56,624,275 in 1967 on sales of investments. Approximately 35% of funds have income restricted for the purchase of art or other designated purposes.)</td>
<td>$112,794,668</td>
<td>$109,034,136</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funds For Specified Purposes</th>
<th>1968</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment Income for Restricted Purposes</td>
<td>2,917,789</td>
<td>2,909,965</td>
</tr>
<tr>
<td>Reserve and Funds for Property Improvements</td>
<td>3,142,157</td>
<td>3,499,189</td>
</tr>
<tr>
<td>Other Funds and Sundry Gifts</td>
<td>1,908,248</td>
<td>1,287,301</td>
</tr>
<tr>
<td>Total</td>
<td>7,968,194</td>
<td>7,666,455</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>General Funds</th>
<th>1968</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable and Accrued Liabilities</td>
<td>499,300</td>
<td>253,113</td>
</tr>
<tr>
<td>Deferred Income</td>
<td>145,000</td>
<td></td>
</tr>
<tr>
<td>Reserves for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Auxiliary Activities</td>
<td>908,496</td>
<td>888,735</td>
</tr>
<tr>
<td>Major Special Installations</td>
<td>292,909</td>
<td>361,254</td>
</tr>
<tr>
<td>General Purposes</td>
<td>337,728</td>
<td>744,741</td>
</tr>
<tr>
<td>Total</td>
<td>2,183,433</td>
<td>2,247,843</td>
</tr>
</tbody>
</table>

### Notes:
A. The buildings occupied by the Museum on Fifth Avenue are owned by the City of New York. The Cloisters in Fort Tryon Park is the property of the Museum but is not shown in the balance sheet.
B. Investments are carried generally at cost if purchased or at approximate market value on date of receipt if acquired by gift, less amortization of bond premiums.
Condensed Statement of Income, Expenses, and Changes in Reserve for General Purposes for the Year ended June 30, 1968
(With comparative figures for the year ended June 30, 1967)

INCOME

Unrestricted Investment Income from
   Endowment Funds                      $4,360,316 $4,262,837
   General Funds                        82,145  95,674
   Trusts and Estates in Administration 18,893  21,914
City of New York toward Guarding and Maintenance 1,678,369 1,554,152
Membership Subscriptions, Other than Corporation Memberships 414,960 399,240
Grants                                160,105  53,298
Contributions for General Purposes    181,413  18,523
Special Exhibition Fees               45,020  —
Other Income                          113,120  91,129

Total Income                          7,054,341 6,496,767

OPERATING EXPENSES

General Administration
   Administration and General Supervision; Registration and Cataloguing of Objects; Membership and Public Relations; and General Expenses 1,451,942 1,266,866

Building Maintenance
   Guarding and Maintenance; Repairs and Renewals; and Other Expenses 2,161,029 1,982,319

Educational Activities
   Curatorial Supervision, Research, Acquisitions, Restoration, and Installation of Objects; Lectures, Adult and High School Education Programs; Lending Collections; Special Exhibitions of Owned and Borrowed Objects; Maintenance of Reference Books, Periodicals, Photographs, and Reproductions; and Editorial Expenses 2,263,847 1,960,594

The Cloisters
   Curatorial Supervision; Guarding and Maintenance; and Other Operations at The Cloisters 392,049 322,126

Retirement and Employee Benefit Payments
   Museum's Share of Retirement Provision for Regular Employees, Supplemental Payments to Pensioners, and Other Employee Benefits (Note C) 829,174 704,627

Total Operating Expenses                7,098,041 6,236,532

Excess (deficit) of Income over Operating Expenses before Extraordinary Items $ (43,700) $ 260,235

NOTE:
C. See page 156.
**Condensed Statement of Income, Expenses, Etc. (continued)**

### EXTRAORDINARY ITEMS

<table>
<thead>
<tr>
<th>Item</th>
<th>1968</th>
<th>1967</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Alterations, Improvements, and Other Expenses</td>
<td>$431,658</td>
<td>$269,841</td>
</tr>
<tr>
<td>Less Amounts Provided from Reserve for Major Special Installations</td>
<td>(127,550)</td>
<td>(197,788)</td>
</tr>
<tr>
<td>Reserved for Major Special Installations</td>
<td>59,205</td>
<td>85,000</td>
</tr>
<tr>
<td><strong>Total Extraordinary Items</strong></td>
<td>363,313</td>
<td>157,053</td>
</tr>
<tr>
<td>Increase (decrease) in Reserve for General Purposes</td>
<td>(407,013)</td>
<td>103,182</td>
</tr>
</tbody>
</table>

### RESERVE FOR GENERAL PURPOSES

<table>
<thead>
<tr>
<th>Balance, Beginning of Year</th>
<th>744,741</th>
<th>641,559</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, End of Year</td>
<td>$337,728</td>
<td>$744,741</td>
</tr>
</tbody>
</table>

**Condensed Statement of Changes in Reserve for Auxiliary Activities**

*for the Year Ended June 30, 1968*

### ADDITIONS

- Proceeds of Sales and Net Royalties from Art Publications: $1,731,843
- Admissions and Subventions for Auditorium Events: $380,894
- Other Receipts (Net): $21,690

Total Additions: $2,134,427

### DEDUCTIONS

- Cost of Sales and Certain Production Expenses: 1,710,971
- Direct Expenses of Auditorium Events: $372,063
- Special Studies, etc.: 31,632

Net Additions: 19,761

### Balance, Beginning of Year

$888,735

### Balance, End of Year

$908,496
## Condensed Statement of Changes in Other Funds for the Year Ended June 30, 1968

### Endowment Funds

**Additions**
- Gifts and Bequests, including Corporation Memberships: $213,636
- Net Profit on Sales of Investments: $3,629,757
- Restricted Income Allocated to Endowment Funds: $12,139
- For Prior Service Pension Costs (Note C): $100,000

**Deductions**
- Transfer of Endowment Funds Restricted to Purchase of Objects of Art to Funds for Specified Purposes: $195,000
- Net Additions: $3,760,532
- Balance, Beginning of Year: $109,034,136
- Balance, End of Year: $112,794,668

### Funds for Specified Purposes

**Additions**
- Restricted Income from Investments: $2,132,733
- Income from Trusts and Estates in Administration for Restricted Purposes: $36,006
- 100th Anniversary Contributions: $632,365
- Gifts, Bequests, Proceeds of Sales of Objects of Art, and Other Receipts for Specified Purposes: $2,710,225
- Transfer from Restricted Endowment Funds for Purchases of Objects of Art: $195,000

**Deductions**
- Purchases of Objects of Art and Library Accessions: $4,057,411
- Cloisters Acquisitions and Installations: $331,203
- Expenditures for Building Programs: $594,476
- 100th Anniversary Expenses: $171,902
- Subsidy of Publications: $62,710
- Fellowships and Special Research: $102,118
- Other: $24,770

**Net Additions**
- $5,706,329
- $5,344,590

**Balance, Beginning of Year**
- $361,739

**Balance, End of Year**
- $7,606,455

**Balance, End of Year**
- $7,968,194

**Note:**
C. Substantially all of the Museum's employees are covered by pension plans. The unfunded actuarial liability for prior service of employees retiring after June 30, 1966 approximates $353,000. Of this amount, $100,000 was included in Operating Expenses in the current year and added to $1,200,000 previously transferred to Endowment Funds for prior service pension costs. The normal pension costs of $202,000 for the current year also were included in Operating Expenses. It is presently intended that the remaining $253,000 of unfunded prior service liability will be funded in the next three years.