

The Metropolitan Opera, NY

The Metropolitan Opera, Taxable Bonds, 100,000,000, Series 2012, Dated: 12/6/12

Operating Results and Financial Condition

Revenues: Combined Growth

As of July 31, 2013

The Met's combined revenues for contributions, live performances in the opera house, and revenue from its *The Met: Live in HD* offerings has grown over the last 5 years. In the 2008-2009 season, the Met's combined revenues from these sources were \$240 million and by the 2012-2013 season had increased to \$279 million.

Box Office Revenues, Subscriptions

As of July 31, 2013

The Met's combined revenue from live performances in the opera house and its *The Met: Live in HD* theatrical offerings has grown. In the 2008-2009 season, the revenue was \$109 million and in the 2012-2013 season it had increased to \$117 million. Revenue for performances in the opera house ended up at 69% of total potential box office revenue in the 2012-2013 season (79% of seats were purchased, including discounts).

Summarized Consolidated Operating Results (in thousands)

Fiscal Years Ending July 31

	2008-09	2009-10	2010-11	2011-12	2012-13
Operating Revenues					
Box Office including handling and facility fees	\$97,028	\$97,163	\$99,474	\$98,850	\$93,358
HD theatrical and other media	\$21,997	\$29,013	\$33,455	\$33,295	\$34,534
Tours and presentations	\$7,662	\$7,770	\$21,602	\$8,360	\$8,013
Investment return and bequest authorized for spending amount	\$20,514	\$20,920	\$21,420	\$21,920	\$21,854
Merchandise sales	\$2,146	\$3,680	\$4,463	\$4,701	\$4,746
Other income	\$4,444	\$5,356	\$3,536	\$3,098	\$3,689
Total Operating Revenues	\$153,791	\$163,902	\$183,950	\$170,224	\$166,194
Operating Expenses					
New York season	\$176,340	\$185,711	\$186,732	\$193,696	\$200,340
Media expenses	\$25,638	\$25,169	\$32,937	\$33,463	\$33,902
New productions	\$12,805	\$21,562	\$21,879	\$24,348	\$21,788
Tours and presentations	\$7,816	\$8,344	\$23,306	\$9,101	\$8,948
Merchandising	\$3,404	\$3,609	\$4,209	\$4,008	\$4,071
Other	\$5,068	\$4,493	\$5,103	\$4,901	\$5,074
Opera house	\$18,764	\$19,721	\$18,572	\$18,713	\$18,730
General management	\$16,553	\$16,704	\$17,204	\$17,069	\$18,610
Total Operating Expenses	\$266,388	\$285,313	\$309,942	\$305,299	\$311,463
Loss from Operations Before Contribution Activities	-\$112,597	-\$121,411	-\$125,992	-\$135,075	-\$145,269
Contributions and Bequests, Including					
Net Assets Released From Restrictions	\$127,310	\$133,555	\$140,778	\$150,338	\$157,852
Less Fundraising Expenses	-\$16,055	-\$13,823	-\$14,182	-\$15,263	-\$15,351
Net Contribution Activities	\$111,255	\$119,732	\$126,596	\$135,075	\$142,501
Excess (Deficiency) of Operating Revenues Over Expenses	-\$1,342	-\$1,679	\$604	\$0	-\$2,768

Summarized Changes in Net Assets (in thousands)

Fiscal Years Ending July 31

	2008-09	2009-10	2010-11	2011-12	2012-13
Excess (Deficiency) of Operating Revenue Over Expenses	-\$1,342	-\$1,679	\$604		-\$2,768
Investment return greater (less) than spending amount	-\$40,508	-\$3,361	\$6,660	-\$3,238	\$7,774
Pension plan changes other than net periodic cost	-\$60,779	-\$15,661	\$4,994	-\$54,160	\$65,746
Fair value of interest rate swap			-\$1,800	-\$813	\$231
Change in donor designation	\$30,363	-\$144			
Capital contributions and other	-\$1,199	\$661	\$3,151	\$954	\$628
Change in Unrestricted Net Assets	-\$73,465	-\$20,184	\$13,609	-\$57,257	\$71,611
Change in Temporarily Restricted Net Assets	-\$25,536	-\$14,396	\$36,631	-\$38,613	-\$14,769
Change in Permanently Restricted Net Assets	-\$45,062	\$2,187	\$3,037	\$2,854	\$5,239
Total Change in Consolidated Net Assets	-\$144,063	-\$32,393	\$53,277	-\$93,016	\$62,081

Investment Summary

Fiscal Years Ending July 31, 2012 and 2013

	2012	% of Portfolio Value	2013	% of Portfolio Value
Cash equivalents and short-term investments	\$24,988	9.5%	\$34,272	11.3%
Fixed income	\$66,315	25.2%	\$71,585	23.7%
US equities	\$66,913	25.5%	\$82,089	27.1%
International equities	\$15,163	5.8%	\$26,480	8.7%
Balanced funds	\$2,874	1.1%	\$2,986	1.0%
Alternative investments	\$85,052	32.4%	\$85,420	28.2%
Real Estate	\$1,302	0.5%	\$0	0.0%
Total	\$262,607	100%	\$302,832	100%

Composition of Investment Funds

Fiscal Years Ending July 31, 2012 and 2013

	2012	2013
Endowment funds	\$236,064.0	\$253,297.0
Charitable gift annuities	\$4,382.0	\$3,925.0
Other separately invested funds	\$20,859.0	\$45,610.0
Real estate - investment in cooperative apartment	\$1,302.0	\$0.0
Total investments	\$262,607.0	\$302,832.0

Investment Allocation and Performance

As of July 31, 2013

Fixed Income	0%- 40%
Domestic and International Equity	0%- 50%
Alternative Assets (including Private Equity)	0%- 30%

Spending Policy

As of July 31, 2013

The Met's spending policy is reviewed and approved annually by its Finance Committee and the Board. The draw continues to be subject to the consideration of various factors including specific restrictions set by donors as well as State law and regulation. The calculation considers factors such as the current market value relative to the original gift amount and sets forth parameters to determine the rate to apply to the fair value (most often based on a 20-quarter average). The donor endowment funds are managed in accordance with the New York Prudent Management of Institutional Funds Act, the Uniform Management of Institutional Funds Act, Trust Law, and the specific restrictions of the specific donors. In fiscal year 2013, the approved spending was \$21.9 million, including an additional \$1 million transfer of unrestricted bequests received in the prior year. The approved spending amount for fiscal year 2014 is reduced to \$15.8 million.

Outstanding Indebtedness

As of July 31, 2013

As of July 31, 2013, the Met's \$100 million bond represented its only outstanding indebtedness.

In August 2013, the Met renewed its \$30 million line of credit with Bank of America, N.A. under the same terms and conditions. The line is renewable again in August 2014. As of July 31, 2013, there was no balance outstanding on the \$30 million line of credit maintained by the Met.

The Met also has a letter of credit with Bank of America, N.A. in the amount of \$11.6 million, which serves as security with the Hartford Insurance Company for unpaid workers' compensation claims.

Pension Plan

As of July 31, 2013

The Met continues to maintain its defined benefit pension plan (the "Pension Plan") that covers approximately 700 of its employees, including orchestra, chorus and administrative personnel. Plan benefits are based on a participant's years of service, age, and compensation during a negotiated base year (the higher of fiscal year 2003 or fiscal year 2004). As of July 31, 2013, the fair value of the pension plan assets was \$176 million and the actuarial present value of accumulated plan benefits was \$244.3 million. The comparable figures as of July 31, 2012 were \$151.8 million and \$280.2 million, respectively. The discount rate used to determine the benefit obligations was 4.84% at the end of fiscal year 2013 and 3.47% at the end of fiscal year 2012. Based upon actuarial determinations, the Met makes sufficient annual cash contributions to the Pension Plan to meet minimum funding requirements. The Met estimates that it will make contributions of approximately \$12 million to the plan in fiscal year 2014.

The Met also makes contributions on behalf of certain employees not covered by the Plan who are covered by multi-employer plans as part of collective bargaining agreements.

For more information regarding the Met's Pension Plan, see note 6 to the Consolidated Financial Statements of the Met.

Other

The Met has had two changes to its senior management since December 2012. Gillian Brierley was appointed Assistant General Manager/Marketing, having served most recently as Head of Marketing and Communications for the Glyndebourne Festival in England. Henry Lanman was appointed General Counsel, having served most recently as Associate General Counsel of the Museum of Modern Art in New York City.