



NASSAU COUNTY LEGISLATURE

Office of Legislative Budget Review

Review of The Cradle of Aviation Museum



Eric C. Naughton, Director

January 29, 2008



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Inter-Departmental Memo

To: Hon. Diane Yatauro, Presiding Officer
Hon. Peter Schmitt, Minority Leader
All Members of the Nassau County Legislature

From: Eric C. Naughton, Director
Legislative Budget Review

Date: January 29, 2008

Re: Cradle of Aviation Museum

As per the request of the Presiding Officer my office has reviewed the financial condition of the Cradle of Aviation Museum (the Cradle). The attached report states our results.

Introduction

As stated by the American Association of Museums (AAM), a museum should fulfill the following: ¹

- Have a clear understanding of its mission and communicate why it exists and who benefits as a result of its efforts.
- All aspects of museum operations are integrated and focused on meeting its mission the museum establishes measures of success and uses them to evaluate and adjust its activities.
- The museum should operate in a fiscally responsible manner that promotes its long-term sustainability.

Several steps toward these industry guidelines have been taken. The Cradle is no longer exclusively a museum and is evolving into multi-faceted institution.

Background

In the first quarter of 2006, the Cradle warned that without the County's assistance it would need to close its doors.² Nassau officials began considering a bailout plan for the Cradle. The County Legislature approved a bailout package that would provide a grant of \$500,000 and forgiveness of the County's \$2.5 million loan if certain benchmarks and milestones were reached. The chart below details the obligations to be met by the Cradle in connection with this agreement.

Museums at Mitchel Operational Agreement Milestones									
Description	Due Date	FY 2005 - 2006				FY 2006 - 2007			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Secure ten new corporate members	180 Days					Y			
Attain total of 1,000 individual and family members	180 Days							Y	
Sell 10 seats "You can own an IMAX seat"	180 Days					Y			
During annual appeal raise a minimum of \$20,000	180 Days							Y	
Inner Circle Support Group	180 Days								Y
Hire Museum Consultant	180 Days							Y	
Establish a mechanism for planned giving	12/31/2006								
Secure forty new corporate members	FY 2006 -2007								Y
Sell 20 seats "You can own an IMAX seat"	FY 2006 -2007								Y
Grant funding of at least \$100,000	FY 2006 -2007								Y
Annual Gala Net profit at least \$185,000	FY 2006 -2007						Y		

*Based on Cradle's fiscal year starting July

As shown by the chart the Cradle has met most of the goals set by the agreement, although not necessarily within the specified time frame. According to the Cradle, establishing a mechanism for planned giving would require it to become a 501(c)3 organization., which enables it to receive tax-deductible contributions. This initiative is still being developed by the Cradle's Board of Directors. Currently, the Cradle operates under non-profit designation of Museums at Mitchel. The Inner Circle Support or President's Club is a special level group of contributors.

¹ American Association of Museums www.aam-us.org, "The Characteristics of an Accreditable Museum"

² Rocking the Cradle, Newsday, March 20, 2006

Current Financials

	Fiscal Year End		Actuals		Variances	
	7/06-6/07	7/07-6/08	7/06-6/07	7/07-6/08	Projection to	6 Mo Act 06 -
	Actual	Projection	6 MO Actuals	6 MO Actuals	Prior Year Actuals	6 Mo Act 07
REVENUE AND SUPPORT						
Museum	\$557,004	\$529,746	\$598,724	\$243,746	(\$27,258)	(\$354,978)
Classic IMAX	548,930	336,037	0	126,037	(212,893)	126,037
Feature length IMAX	0	678,189	0	498,189	678,189	498,189
Donated Facilities	0	0	0	0	0	0
Honor Roll Contributions	3,500	4,250	2,125	1,250	750	(875)
Unrestricted Contributions	523,146	301,941	145,982	51,941	(221,205)	(94,042)
Restricted Contributions	68,836	71,133	68,836	71,133	2,297	2,297
Program Sponsorship	0	454	0	454	454	454
IMAX Seat Sponsorship	7,000	0	5,000	0	(7,000)	(5,000)
Memberships	71,297	34,778	43,167	19,778	(36,519)	(23,389)
Gala Benefit	303,579	400,061	286,119	326,861	96,482	40,742
Lindbergh Dinner	30,510	1,670	0	1,670	(28,840)	1,670
Food Service Commissions	101,916	102,535	50,702	51,535	619	833
Museum Store Commissions	0	0	0	0	0	0
Deith Simulator Commissions	13,304	13,025	6,977	6,025	(279)	(952)
Museum Store Products	0	0	0	0	0	0
Catering Events	88,424	106,332	48,996	58,832	17,908	9,837
Museum Resource	0	0	160	0	0	(160)
Building Use	181,241	177,099	78,095	81,099	(4,142)	3,004
Event Vendor Commissions	16,114	11,000	9,642	0	(5,114)	(9,642)
Birthday Party Income	11,111	0	0	0	(11,111)	0
Educational Programs	46,924	25,760	27,148	13,640	(21,165)	(13,509)
Grants/County Support	252,153	285,711	202,153	221,711	33,558	19,558
Miscellaneous Income	2,624	14,238	1,432	14,238	11,614	12,806
Store Sales	255,610	155,516	133,009	75,516	(100,095)	(57,494)
Store Cost of Sales	(120,652)	(75,032)	(64,946)	(35,032)	45,620	29,914
Concessions	0	113,986	0	77,986	113,986	77,986
Concessions COS	0	(24,972)	0	(17,772)	(24,972)	(17,772)
Total Revenue	\$2,962,572	\$3,263,455	\$1,643,321	\$1,888,835	\$300,882	\$245,513

Source: The Cradle of Aviation

Revenues for the 2006-2007 fiscal year (July 1st through June 30th) totaled \$3.0 million. Total revenue is expected to grow by \$300,882 to \$3.3 million for the current fiscal year. As in past years the largest revenue sources for the Cradle are Museum Admission, Unrestricted Contributions, Gala Benefit and Store Sales. Less IMAX these four areas represented 68% of revenue in 2006-07 and are projected to shoulder 62% in the current year. After an increase in unrestricted contributions of \$28,598 or 6% to \$523,146 a decline of \$221,205 is projected for the current year. The Cradle projects Store Sales in the amount of \$155,516 for the current fiscal year. This is \$100,095 less than the prior year actual. Store sales are down due to the focusing of Cradle's limited resources on the IMAX. Membership revenue has totaled \$116,008 over the past two years. The Cradle which had 500 members in 2006⁴, currently has 1,250 members. The addition of feature length IMAX films is expected to generate \$678,189 in gross revenue in the current fiscal year.

The annual Gala raised over \$400,000, which is a record for the museum. During this event a journal displaying appreciations and acknowledgments by various vendors was introduced. This journal program generated approximately \$150,000 in revenue with costs of only \$8,000.

	Fiscal Year End		Actuals		Variances	
	7/06-6/07	7/07-6/08	7/06-9/07	7/07-9/08	Projection to	6 Mo Act 06 -
	Actual	Projection	6 MO Actuals	6 MO Actuals	Prior Year Actuals	6 Mo Ac 07
EXPENSE						
Personnel- Full Time	\$1,340,113	\$1,353,109	\$714,948	\$651,109	\$12,996	(\$63,839)
Personnel-Part Time	308,739	467,184	140,759	297,184	158,445	156,425
Personnel Benefits	62,324	66,714	23,658	33,714	4,390	10,056
Payroll Taxes	132,824	144,066	63,783	77,066	11,241	13,283
Payroll Expense - ADP	5,037	9,091	2,945	4,191	4,054	1,246
Bank Charges	236	751	10	751	515	741
Interest Expense	141,324	147,072	73,050	75,072	5,748	2,022
Credit Card Fees(2.5%)	28,776	34,385	16,395	17,485	5,609	1,089
Legal Services	3,176	51,391	11,725	21,391	48,215	9,666
Accounting Services	73,060	60,490	43,060	30,490	(12,570)	(12,570)
Consulting Services	133,271	13,239	26,070	13,239	(120,032)	(12,831)
Public Relations Services	3,035	0	3,000	0	(3,035)	(3,000)
Marketing Services	8,562	10,301	2,292	3,299	1,739	1,007
Advertising	145,815	141,904	45,032	40,404	(3,911)	(4,628)
Development Expenses	4,535	1,255	493	1,255	(3,280)	762
Printing	23,759	25,367	7,502	7,438	1,607	(65)
Office Supplies	21,846	16,707	6,615	10,554	(5,139)	3,939
Subscriptions	166	0	0	0	(166)	0
Membership Dues	(2,938)	0	242	0	2,938	(242)
Postage	15,597	19,334	7,297	11,134	3,737	3,837
Telephone	8,264	14,929	4,408	8,929	6,665	4,521
Insurance	135,615	126,689	67,620	66,689	(8,926)	(931)
Meeting & Conference	4,877	5,442	406	5,442	565	5,037
Travel	782	673	435	673	(109)	238
Gala Expenses/Lindberg	77,390	63,437	70,789	63,437	(13,953)	(7,352)
Lindbergh Dinner Expenses	30,342	14,130	0	14,130	(16,212)	14,130
Visitor Services Expenses	7,750	22,866	1,214	22,866	15,116	21,652
Educational Expenses	24,400	24,307	15,824	17,807	(93)	1,983
POS System	17,900	18,254	9,620	12,254	354	2,634
Curatorial/ Exhibit Expense	19,750	58,989	4,625	46,989	39,239	42,364
IMAX Corporate Lease	125,000	125,083	62,500	62,500	83	0
IMAX Supplies Expense	11,266	6,353	5,646	753	(4,913)	(4,893)
IMAX Maintenance Fee	81,206	87,724	40,175	44,252	6,518	4,077
Film Rental Fee	138,031	87,695	59,762	45,695	(50,336)	(14,067)
Feature length IMAX	0	393,449	0	303,449	393,449	303,449
Audio/Visual Supplies	21,240	12,545	1,913	0	(8,695)	(1,913)
SimEx Film Fee	12,000	0	0	0	(12,000)	0
SimEx Maintenance	20,237	0	22,500	0	(20,237)	(22,500)
SimEx Supplies	5,046	336	0	336	(4,710)	336
Building Maint. Supplies	79,895	63,528	39,030	21,528	(16,367)	(17,501)
Building Maint. Services	36,483	64,538	20,452	46,538	28,055	26,086
Depreciation Expense	461,112	470,556	230,556	230,556	9,444	0
Doubtful Accounts Expense	0	0	0	0	0	0
Total Expense	\$3,767,842	\$4,223,880	\$1,846,349	\$2,310,596	\$456,038	\$464,246
NET INCOME	(\$805,269)	(\$960,425)	(\$203,028)	(\$421,761)	\$756,920	(\$218,733)

Source: The Cradle of Aviation

Expenses for the 2006–2007 fiscal year totaled \$3.8 million. Expenses are projected to increase 12% or \$456,038 for the current fiscal year. This increase, as previously stated, is due in part to expenses associated with IMAX films and additional part-time personnel costs. Feature length films have a projected 07-08 cost of \$393,449. The expenses for the first six months of the 2007-2008 fiscal year are slightly higher than the previous year. On January 3, 2008 staff reductions took place at the Cradle reducing its full time headcount from 23 to 19. The positions removed were Assistant Box Office Manager, Education Director and Pilot. The duties associated with the Education Director were absorbed by the Education Manager. The Pilot

onboard changed from full-time to part-time status. Three part-time positions were removed in addition to a reduction in hours in other areas. According to the Cradle, these staffing adjustments will contribute to an annual savings of \$225,000. One quarter of the savings will be realized this fiscal year. These cuts are part of an ongoing effort to streamline operations and maximize revenues.

Exhibit Enhancement & Additions

The following are program standards as dictated by the AAM for museums:⁵

- Programs support its mission and public trust responsibilities
- Programs are founded on scholarship and marked by intellectual integrity
- Programs are accessible and encourage participations of the widest possible audience consistent with its mission and resources
- Programs respect pluralistic values, traditions, and concerns
- Revenue-producing activities and activities that involve relationships with external entities are compatible with the museum's mission and support its public trust responsibilities
- Programs promote the public good rather than individual financial gain.

The Cradle has recently started showing feature films at the IMAX theatre. Previously the theatre was used to display various educational motion pictures. The Cradle was able to upgrade equipment, alter seating and mitigate cleaning issues to show Hollywood films seven days a week. The Cradle has acknowledged the need to improve its scheduling of IMAX showings and corporate events which are sometimes in conflict. The Cradle is exploring scheduling alternatives in order to maintain both revenue streams. Additional concession stands are being planned to grow this part of the stream. Movie goers are charged \$12.50 to view films on the IMAX dome screen, which is the only one of its kind on Long Island. The Cradle has attempted to leverage this unique asset to bolster revenue and create an awareness of the museum. The Cradle sold out its first few showings of "Harry Potter and the Order of the Phoenix" during the summer 2007.⁶ The Cradle projects the net gain for the IMAX feature films to be \$85,000-\$100,000. However, the additional revenue will be offset by additional expenses related to showing feature films. Spot surveys performed by the Cradle reveal 60% - 65% of people at Harry Potter showings were first time visitors. The IMAX Hollywood ticket costs will be raised to \$13.50 in February. The organization projects this will increase revenue by \$100,000.

According to the Cradle utilizing the IMAX as a typical theatre and showing multiple films would actually create a net loss. The expensive nature of IMAX films and other related costs require large consumer volume to turn a profit. The Cradle has stated that movie selections will be consistent with its mission. The institution's agreement with the movie studios allows it to receive 40% of revenue in the first four weeks, 45% the following two weeks and 50%

⁵ American Association of Museums "www.aam-us.org"

⁶ "Conjuring crowds with IMAX power" Newsday, July 12, 2007

thereafter. Approximately 45,000 tickets were sold for these films from July '07 to December '07.

The Cradle plans to show at least three to four blockbuster feature films per year. The schedule for the current calendar year lists six feature films. The Cradle was able to introduce a concession stand for these film showings, after coming to an agreement with its caterer as to who was entitled to the concession revenue. Under the agreement the Cradle would receive 80% of the concession revenue. The Cradle receives approximately \$78,000 net from concessions per year. While the use of the IMAX theatre and the addition of concessions are innovative additions they alone will not cure the financial ills of the organization.

Prospective Feature Films	
Film	Date
Spiderwick Chronicles	February, 2008
Shine A Light	April, 2008
Iron Man or Indiana Jones	May, 2008
Batman	July, 2008
Harry Potter	November, 2008
Star Trek	December, 2008

Exhibits and programs have been added to the museum as well. One addition in this realm is the addition of the Space Explorer Simulator. This \$100,000 simulator which was donated by NASA (National Air and Space Administration) challenges a group of individuals with the task of launching a shuttle within a restricted timeframe. “It has the effect of forcing people into a very coherent high-performing work team.”⁷ This is the fifth facility to receive this program in 17 years. The simulator is currently open to school groups but the Cradle plans to open to public and corporate-training exercises for a fee.⁸ The simulator has a cost of \$2.00 per person. After all of the effort made to introduce and operate Hollywood IMAX, the Cradle plans to focus more on the Museum side in 2008. The following is a list of future exhibits coming to the Cradle.

Future Exhibits	
Exhibit	Sponsor
World War II Carrier Deck	-
Salute to 106th Rescue Wing at Gabreski Airport	-
Weather and Radar	Hofstra & Pratt
The Rise of Commercial Aviation on L.I.	Lufthansa

During the 2006-2007 fiscal year an engineering class had an opportunity to talk to Mercury astronauts Wally Schirra and Scott Carpenter. Students held a question and answer session with the astronauts. The two astronauts were also honored guests for the annual gala held at the Cradle.⁹

Fundraising & Corporate Partnerships

The organization is aggressively soliciting monetary support. Lufthansa, Lighthouse Development and Bloomberg LLP contributed collectively \$200,000 for Cradle exhibits. Curtiss Wright, a new board member, sponsored the current Hempstead Plane Exhibit. The Museum is also forming partnerships with school districts. Recently a corporate grant was secured from Washington Mutual for education. This \$12,000 grant paid for transportation and admission tickets for students from the Roosevelt school district. Projects with other school districts are in

⁷ “LI students try out space shuttle simulator”, Newsday, October 30, 2007

⁸ “LI students try out space shuttle simulator”, Newsday, October 30, 2007

⁹ “Cradle has ‘The Right Stuff’ for Students”, Newsday, November 10, 2006

the works as well. Another initiative has been introduced to involve High School students aspiring for education degrees to volunteer at the Cradle.

The Cradle has recently entered into an advertising partnership with Pepsi bottling company. Approximately 1.4 million Pepsi cans with a \$1.50 in IMAX coupons have been distributed throughout Long Island. Pepsi is now the official soft drink of the Cradle and has pouring rights for the building. This is an opportunity for the Cradle to increase its awareness on Long Island through this well known distributor. Additional joint marketing programs will be developed as well.

The Board of Directors is putting further focus on an annual “give or get” of \$25,000 per member. The Cradle currently has nine board members. The Chairman is Todd Richmond a Financial Advisor from Bernstein Global. The following organizations are represented through the current board members: Bernstein Global, Bethpage Federal Credit Union, Arkwin Industries, Talon Air, Keyspan, Northrop Grumman, Servo Corp and LARC Strategies. An expansion of the Board is in the works for the next six months.

The Cradle is currently reviewing software which would capture information on the donors to the Cradle. The software would collect demographic information on the supporting participants in an attempt to better manage donations.

Outlook

Museum Row marks the location of several museums such as the Cradle, Long Island Children’s Museum, Nassau County Firefighters Museum and Education Center, and the Long Island Museum for Science and Technology (LIMSAT). LIMSAT has not been completed as of yet. There are plans for a merger between LIMSAT and the Cradle.¹⁰ Discussions between the two Boards are still taking place. The partnership between the institutions will bring additional funding and positions to the Cradle. According to the Cradle this would be an 18-24 month build out process costing approximately \$3.0 million. This would also increase the number of Board members to the museum. The Cradle’s goal for the future is to infuse science and technology into its museum programming.

This past summer the Cradle and six other County museums participated in the Museum Row Festival. The festival weekend attracted approximately 5,000 participants. During this weekend the “Museum Row” brand was utilized as a marketing tool for the first time. This event marked the use of collaborative ticketing and staff usage amongst the various museums of “Museum Row”. The organization plans on utilizing funds from this year to start promotions earlier next year. As stated in the 2008–2011 Capital Improvement Plan an expansion and development plan is being prepared for Museum Row. The outcome and direction of this project will have a large impact on the future viability of the Cradle. The plan will determine the proper mix of non-profit and for profit uses for the area. Nunley’s Carousel, which is currently being restored, may find a home in this area as well. New information on the project is not available as of yet.

¹⁰ www.nassaucountyny.gov/website/EN/arts+culture/museum_row.html

Hotel & Motel Tax Cradle Proposed Expenditures for 2008	
Description	Amount
Simex Mars Ride	\$100,000
IMAX Film Series II	100,000
Carrier Deck Exhibit	50,000
Advertising/Marketing Initiative	50,000
Lighting Upgrade	30,000
Plane Restoration Program	25,000
Total	\$355,000

As portrayed by the chart above proceeds from the Hotel & Motel tax will be used for the Cradle in 2008. The largest costs are associated with the Simex Mars Ride and the IMAX. The expenditures for these two areas are for various carrying costs. The advertising and marketing initiative will be used to promote Museum Row and the Cradle within it. The lighting upgrade would cover the purchase of special bulbs needed for the exhibits. The final element of \$25,000 will be used to streamline the Plane Restoration Program process.

The County Executive has stated that “We are going to do whatever it takes to keep the Cradle of Aviation open.”¹¹ This conviction by the Administration may require consistent funding by outside sources. In spite of dramatic strides in programming and revenue, the Cradle’s financial stability remains precarious. As stated by the Cradle, an annual grant from the County may be needed to achieve the goal of fiscal continuity. With the fiscal pressures on the County’s horizon it may be difficult to provide the Cradle with the necessary assistance.

Even though the past two years has been highlighted by numerous improvements, the organization is currently projecting a deficit of \$960,425 for the current fiscal year. On the positive side many of these changes have helped increase awareness and attendance at the Cradle such as Hollywood IMAX. This will continue to bring new visitors to the facility. However, attendance alone cannot solidify its finances. The critical life sustaining element is fundraising.

¹¹ “Suozzi: Let’s keep museum airborne” , Newsday, September 27, 2006