



LONG TERM FINANCIAL SUSTAINABILITY

SUMMARY

In 2021, the Board of Directors engaged a leading consultant in the children's museum industry, **ConsultEcon, Inc.** of Cambridge, MA, to provide us with a market feasibility study and business plan to explore the long-term feasibility of constructing a children's museum in Rock County. This study was completed in March 2022. The study's research data and conclusions convinced us that a museum is not only financially feasible, but that it will thrive in the long term.

A museum's main source of revenue is admissions fees, therefore, an accurate projection of annual attendance is critical to understanding a potential museum's financial health. Our consultant's qualitative analysis of population, their follow-up projections of attendance, and their subsequent comparison of this data with benchmark peer museums gives us a high level of confidence in these revenue projections.

The projections for annual operating expenses are based on a line-by-line comparison of costs at benchmark museums. These comparisons are then analyzed by different factors such as cost per attendee and cost per square foot. Comparing these projected costs to those of the benchmark museums corroborates the data, especially since projected costs are conservative when compared to these peer museums. We understand since the time of ConsultEcon's study there have been possible changes due to inflation and pressure on wages causing projected expenses to be slightly low. However, if expenses have grown, this increase is believed to be less than 10% of the projections shown in the study.

ATTENDANCE AND EARNED REVENUE

Like the peer children's museum and many others across the country, the Children's Museum of Rock County will not be entirely self-sustaining from the revenues earned through normal operations. On an annual basis, the museum's operating costs will exceed its earned revenue. Day-to-day revenue from normal operations come from:

- Daily admission fees
- Annual memberships
- After school programming
- Gift Shop
- Café/Food Service
- Day Camps
- Birthday Parties
- Facility Rentals

As previously mentioned, none of the benchmark museums can cover their annual operating expenses with their annual operating revenues. All require some level of annual fundraising to cover this difference. Taking this information into account, we believe that the museum will be able to sustain itself in perpetuity with modest annual fundraising efforts to bolster operations beyond earned revenues. Building this museum is not a short-term initiative, but rather is one intended to last lifetimes serving the community and its visitors.

The critical metric when determining a museum's viability is the percentage of operating expenses that are covered by a museum's earned revenue. The ratio of projected earned revenue to total projected operating expenses for the Children's Museum of Rock County is high compared to its benchmarked peers, indicating that the museum will not need substantial annual fundraising efforts to sustain its operations. This is due to many positive factors that separate this museum, at least for the foreseeable future, from its peers. These factors are outlined in greater detail in the Tables and narrative below.

The aforementioned additional annual funding for the museum will come from strong annual development initiatives. In fact, while the first employee hired will be the Executive Director and the second will be a Development Director. We anticipate that some of the additional revenue will come from sources like:

- Special Events – galas, speakers
- Mini courses
- Summer day camps
- Friends of the Museum annual appeal

CONSULTECON'S STUDY AND FINDINGS

Outlined below is data directly extracted from ConsultEcon's study. As described below, we believe that the data and conclusions from ConsultEcon are valid, logical, conservative, and provide conclusions we can rely on as we move forward with this project.

Table IV-4: Attendance Patterns and Market Capture Rates at the Selected Benchmarks

Most of the museum's earned revenue will come from daily admissions and annual family memberships. As with other children's museums, attendance will be proportional to the Metro Area ("MSA") population and factored by the number of children in the MSA. **Table IV-4** shows projected attendance and market capture rate for the Children's Museum of Rock County MSA compared to the peer museums, resulting in a stable year attendance of 81,000 - 89,000.

Table IV-4 shows a projected annual attendance of 81,000, which represents 49% of the 2020 MSA population. In its report, ConsultEcon also provided additional data and conclusions based on facility size, drive time for visitors, attendees per square foot, and school groups attendance vs. total attendance. We are happy to share these additional data sets with those who may be interested and upon request.

We believe the Market Capture Rate of 49% shown in **Table IV-4** is reasonable in comparison to the benchmark museums and consequently use this attendance level in the revenue projections.

ConsultEcon, Inc.

Management & Economic Insight

March 30, 2022

Table IV-4
Attendance Patterns and Market Capture Rates at the Selected Benchmarks

Benchmark	Metro Area (MSA)	Attendance	2020 MSA Population	Market Capture Rate
Sciencenter Discovery Museum	Ithaca, NY	105,000	105,742	99%
Northwoods Children's Museum	Iron Mountain, MI-WI	27,200	30,178	90%
Children's Museum of Southern Minnesota	Mankato, MN	96,000	106,759	90%
Children's Discovery Museum	Bloomington, IL	130,000	171,240	76%
Exploration Station...a children's museum	Kankakee, IL	63,300	111,285	57%
Kidscommons: Columbus' Community Children's Museum	Columbus, IN	44,000	82,294	53%
Little Buckeye Children's Museum	Mansfield, OH	50,000	122,699	41%
Discovery Center Museum	Rockford, IL	139,600	345,079	40%
Children's Museum of Eau Claire	Eau Claire, WI	68,000	172,148	40%
Fond du Lac Children's Museum	Fond du Lac, WI	38,000	105,265	36%
Interactive Neighborhood for Kids	Gainesville, GA	70,000	205,699	34%
LaunchPAD Children's Museum	Sioux City, IA-NE-SD	44,000	148,777	30%
Madison Children's Museum	Madison, WI	200,000	677,926	30%
Above & Beyond Children's Museum	Sheboygan, WI	32,000	117,512	27%
The Children's Museum of Green Bay	Green Bay, WI	69,100	325,175	21%
expERIENCE Children's Museum	Erie, PA	55,000	273,523	20%
Betty Brinn Children's Museum	Milwaukee-Waukesha, WI	198,200	1,586,914	12%
Average		84,082	275,777	47%
Median		68,000	148,777	40%
<i>Children's Museum of Rock County</i>	<i>Janesville-Beloit, WI</i>	<i>81,000</i>	<i>163,816</i>	<i>49%</i>

Sources: Association of Children's Museums (ACM) Member Survey, 2018; Individual Benchmarks; and ConsultEcon, Inc.

Table V-1: Stabilized Attendance Potential

Table V-1 explores projected attendance at the museum in more detail based on population, distance from the museum, and the impact of local tourism. This data confirms our confidence in the projected attendance numbers.

**Table V-1
Stabilized Attendance Potential
Children’s Museum of Rock County**

	Projected 2025 Market Population	Market Capture Rates		Visitation Range			Percent of Total Attendance
		Low	High	Low Range Attendance	Mid Range Attendance	High Range Attendance	
Resident Market							
Primary Resident Market (0- to 15-Minute Drive)	80,024	30.0%	45.0%	24,007	30,009	36,011	36.9%
Secondary Resident Market (Remainder of Rock County)	85,971	20.0%	30.0%	17,194	21,493	25,791	26.4%
Tertiary Resident Market (Remainder of 30-Minute Drive)	80,362	8.0%	13.0%	6,429	8,438	10,447	10.4%
Quaternary Market Area (30- to 45-Minute Drive)	569,331	2.0%	4.0%	11,387	17,080	22,773	21.0%
Total Resident Market	815,688	7.2%	11.6%	59,017	77,020	95,022	100.0%
		Tourist Market as a Percent of Total Attendance					
Tourist Market		4.0%	6.0%	2,459	4,262	6,065	5.2%
Total Stabilized Attendance Potential Range				61,476	81,282	101,088	105.2%
Mid Range Attendance ^{1/}				61,000	81,000	101,000	

1/ Rounded to nearest 1,000.

Source: ConsultEcon, Inc.

An attendance potential range has been established for total stabilized attendance. Stabilized attendance levels are typically achieved in the third or fourth year after opening. Attendance potential at the Children’s Museum of Rock County in a stable year (Year 3) is estimated at 61,000 to 101,000, with a mid-range “best estimate” of 81,000.

Table IV-7: Current Ticket and Membership Pricing at Selected Benchmarks

Table IV-7 compares attendance, museum size, and admissions pricing at benchmark museums and suggests that the Children’s Museum of Rock County charge \$8.50 as a daily admission fee. We believe that this is a valid recommendation and, therefore, provides an accurate projection for revenue from attendance.

**Table IV-7
Current Ticket and Membership Pricing at Selected Benchmarks**

Benchmark	City	State	Attendance	Total Square Footage	Adult Ticket Fee	Child Ticket Fee	Family Membership Price
LaunchPAD Children's Museum	Sioux City	IA	44,000	12,000	\$14.00	\$14.00	\$152
Exploration Station...a children's museum	Bourbonnais	IL	63,300	11,012	\$10.00	\$10.00	\$90
Madison Children's Museum	Madison	WI	200,000	60,385	\$9.00	\$9.00	\$135
Betty Brinn Children's Museum	Milwaukee	WI	198,203	24,600	\$9.00	\$9.00	\$85
Interactive Neighborhood for Kids	Gainesville	GA	70,000	25,800	\$9.00	\$9.00	\$99
Children's Museum of Southern Minnesota	Mankato	MN	96,000	11,000	\$9.00	\$9.00	\$108
Little Buckeye Children's Museum	Mansfield	OH	50,000	10,000	\$9.00	\$9.00	\$100
Northwoods Children's Museum	Eagle River	WI	27,242	14,050	\$8.50	\$8.50	\$90
Fond du Lac Children's Museum	Fond du Lac	WI	38,000	15,000	\$8.00	\$8.00	\$120
Discovery Center Museum	Rockford	IL	139,620	46,276	\$8.00	\$8.00	\$150
Children's Discovery Museum	Normal	IL	130,000	35,000	\$8.00	\$8.00	\$100
Sciencenter Discovery Museum	Ithaca	NY	105,000	42,800	\$8.00	\$8.00	\$85
The Children's Museum of Green Bay	Green Bay	WI	69,103	15,000	\$8.00	\$8.00	\$120
expERIEnce Children's Museum	Erie	PA	55,000	16,250	\$8.00	\$8.00	\$120
Kidscommons: Columbus' Community Children's Museum	Columbus	IN	44,000	12,000	\$7.00	\$7.00	\$99
Above & Beyond Children's Museum	Sheboygan	WI	32,000	13,950	\$7.00	\$7.00	\$100
Children's Museum of Eau Claire	Eau Claire	WI	68,000	15,000	\$5.00	\$5.00	\$99
Average			84,086	22,360	\$8.50	\$8.50	\$109
Median			68,000	15,000	\$8.00	\$8.00	\$100
<i>Children's Museum of Rock County</i>	<i>Janesville</i>	<i>WI</i>	<i>TBD</i>	<i>18,000</i>	<i>\$8.50</i>	<i>\$8.50</i>	<i>\$110</i>

Sources: Association of Children's Museums (ACM) Member Survey, 2018; Individual Benchmarks; and ConsultEcon, Inc.

Table VI-1: Revenues at Selected Benchmarks

An important point to consider is how the projected Earned Income vs. Operating Expenses compares to the benchmark peer museums. **Table VI-1** which shows data from the benchmark museums.

**Table VI-1
Revenues at Selected Benchmarks**

Benchmark	Fiscal Year Date	Earned Revenue	Implied Contributed Revenue ^{1/}	Total Operating Expenses	Ratio of Earned Revenue to Total Operating Expenses
Madison Children's Museum	06/30/2016	\$2,388,300	\$1,226,200	\$3,614,500	66%
Sciencenter Discovery Museum	12/31/2015	\$1,192,500	\$1,593,596	\$2,786,096	43%
Betty Brinn Children's Museum	12/31/2016	\$2,101,775	\$560,162	\$2,661,937	79%
Discovery Center Museum	12/31/2016	\$2,163,000		\$1,611,192	134%
Children's Museum of Southern Minnesota	12/31/2015	\$462,232	\$633,869	\$1,096,101	42%
The Children's Museum of Green Bay	12/31/2015	\$438,067	\$504,649	\$942,716	46%
LaunchPAD Children's Museum	06/30/2016	\$407,073	\$438,587	\$845,660	48%
Children's Museum of Eau Claire	12/31/2015	\$248,297	\$220,479	\$468,776	53%
Interactive Neighborhood for Kids	12/31/2016	\$422,883	\$35,771	\$458,654	92%
Exploration Station...a children's museum	04/30/2016	\$207,485	\$221,101	\$428,586	48%
Northwoods Children's Museum	12/31/2016	\$262,869	\$145,449	\$408,318	64%
expERIENCE Children's Museum	06/30/2016	\$172,906	\$193,551	\$366,457	47%
Above & Beyond Children's Museum	12/31/2015	\$138,752	\$128,229	\$266,981	52%
Little Buckeye Children's Museum	06/30/2016	\$234,250		\$213,293	110%
Children's Discovery Museum	03/31/2016	\$925,000			
Fond du lac Children's Museum					
Kidscommons: Columbus' Community Children's Museum					
Average		\$784,359	\$491,804	\$1,154,948	57%
Median		\$422,883	\$329,844	\$657,218	50%
<i>Children's Museum of Rock County</i>	<i>TBD</i>	<i>\$773,156</i>	<i>\$209,094</i>	<i>\$982,250</i>	<i>79%</i>

1/ Implied Contributed Revenue was calculated by subtracting Earned Revenue from Total Operating Expenses. It is implied that the remaining expenses must be covered by contributed revenues. Actual Contributed Revenues may be much higher than reported here, and in cases where Earned Revenue exceeds Total Operating Expenses, Implied Contributed Revenues are unavailable.

Sources: Association of Children's Museums (ACM) Member Survey, 2018; Individual Benchmarks; and ConsultEcon, Inc.

Table VII-4: Earned Revenue Potential

The critical question raised by this data is why the Children’s Museum of Rock County has a projected Ratio of Earned Revenue to Total Operating Expenses of 84% when most other peer museums have a lower percentage? In other words, why does the consultant believe that this museum will not have to rely on annual fundraising to the extent that benchmark museums do? Why will it be easier for the Children’s Museum of Rock County to cover its expenses from normal earned revenue sources?

ConsultEcon’s study cited a number of factors as to why this museum will outperform the children’s museums its benchmarked against:

1. It is a new museum, in a new community, with fresh exhibits thus generating attendance.
2. The location in downtown Janesville, and its reuse of a historic building, increases attendance compared to peer museums.
3. Many children’s museums are in donated or reduced rent spaces in commercial buildings or industrial parks. The fact that this museum is in “position A” in downtown, and in a beautiful remodeled/new facility, will increase attendance.
4. For the reasons stated in point 3, many benchmark museums are not sized correctly. These museums are either in too large of a space increasing their operating expenses, or are crammed into too small of a space rendering them ineffective.
5. We are hiring a quality exhibit/experience designer for this project. The exhibits created by this designer will have a huge impact on the museum’s popularity and generate attendance.
6. The benchmark museums are not as operationally efficient as we intend this museum to be.
7. The benchmark museums have successfully raised funds on an annual basis and, therefore, have become reliant on that revenue source rather than admissions.

Taking all of the above into account, the museum’s forward-looking Earned Revenue is shown in **Table VII-4**.

**Table VII-4
Earned Revenue Potential
Children’s Museum of Rock County**

	Stable Year					Stable Year	
	Year 1	Year 2	Year 3	Year 4	Year 5		
Total Attendance	93,150	85,050	81,000	81,405	82,215	81,000	
Revenues ^{1/}						In Current Dollars	Percent to Total
Ticket Revenue	\$360,067	\$325,044	\$323,559	\$325,177	\$349,339	\$307,968	39.8%
Membership Revenue	258,570	236,340	238,080	239,320	255,450	226,608	29.3%
Gross Retail	97,808	91,535	89,356	92,047	95,287	85,050	11.0%
Day Camps ^{2/}	21,000	32,288	44,126	45,229	46,360	42,000	5.4%
Add-On Programs ^{2/}	4,680	7,196	9,834	10,080	10,332	9,360	1.2%
Birthday Parties & Facility Rentals ^{2/}	65,000	69,956	85,363	87,497	93,272	81,250	10.5%
Special Events	7,500	7,688	7,880	8,077	8,279	7,500	1.0%
Other Revenue	14,842	13,848	14,099	14,237	15,135	13,420	1.7%
Total Earned Revenue	\$829,467	\$783,894	\$812,297	\$821,665	\$873,454	\$773,156	100.0%

^{1/} Year 1 Revenue in current dollars, with assumed inflation rate thereafter, with the exception of ticket revenue and membership fees which are assumed to increase at a rate of 5% every other year.

^{2/} Camps, Add-On and After School Programs, and Birthday Parties & Facility Rentals assumed to start in Year 1 at 50% capacity, in Year 2 at 75% capacity, and continue in Years 3 through 5 at full capacity.

Source: ConsultEcon, Inc.

Given this data and other quantitative support provided in ConsultEcon’s study, we are confident in the projected attendance and projected revenues for the children’s museum.

Table VII-5: Proposed Personnel Plan in Current Dollars

Like any business, a children's museum has a number of overhead costs. We anticipate the following major operating expenses:

Operating Expenses

- Personnel – wages, salaries, benefits, payroll taxes
- Exhibits – reinvestment and maintenance
- Fundraising – annual development
- Advertising/Marketing
- Programs – cost to conduct specific programming
- Administrative – other variable and fixed overhead expenses
- Facility Operations – maintenance, janitorial
- Rent/Mortgage Expenses
- All Others

The largest operating expense for the museum will be personnel. **Table VII-5** below contains the consultant's projection of positions, number of personnel, and personnel expenses. It is our conclusion that some of the salaries and wages are too low and some of the positions will not be filled until the need compels them to be added. We believe that positions like IT Lead, Marketing/Events Manager and Assistants, Lead Educator and Assistants, Visitor Services, Food Services, Store Manager will not be immediately required.

As mentioned in the Summary section above, inflation and pressure on employee wages may make these projected Personnel Expenses unrealistically low. Given this potential increase and the fact that we do not foresee initially filling some of these positions, we believe it is prudent to add \$50,000 to the Stable Year Operating Expenses for personnel. **Table VII-5** below details the proposed personnel plan.

**Table VII-5
Proposed Personnel Plan in Current Dollars
Children's Museum of Rock County**

Title/Position	Number of Full-Time	Number of Part-Time	Number of Part-Time Volunteers	Assumed Full Time Equivalent (FTE) Annual		Function
				Salary	Total Salary	
Administration, Finance & Operations						
Executive Director	1			\$90,000	\$90,000	Carries out policies set forth by Museum board of directors, supervises and participates in entire museum operations, personnel hiring, leads fundraising and development.
Office Manager		1		\$34,000	\$17,000	Provide administrative, financial, and operations staff with support in back of house and administrative activities, bookkeeping.
Development / Volunteer Coordinator / Membership Manager	1			\$40,000	\$40,000	Works with executive director on development activities, manages membership program and special activities for members.
Information Technology Lead		1		\$55,000	\$27,500	Manages internal information networks, webmaster supports exhibit upkeep
Facilities / Maintenance Manager	1			\$45,000	\$45,000	Interface with facility contractors and museum personnel, assist in selected mechanical & facility repairs.
Marketing & Events						
Marketing and Events Manager	1			\$55,000	\$55,000	Carries out major marketing and event coordination, develops promotional materials. prepare and support special events, miscellaneous duties. Assist with special events, facility rentals, birthday parties, misc. duties.
Marketing/Event Assistants		1	2	\$32,000	\$16,000	Assist with marketing and development mailings, prepare and support special events, miscellaneous duties. Assist with special events, facility rentals, birthday parties, misc. duties.
Programs & Exhibits						
Programs & Exhibits Manager	1			\$48,000	\$48,000	Develop, plan & maintain exhibits & exhibit floor, oversee program development / staff. 'Implement after-school and camp programs and assist in educational programming development.
Lead Educator	1			\$36,000	\$36,000	Develop and plan educational programming.
Education Assistants		1	2	\$32,000	\$16,000	Support after-school and camp programs, and assist with birthday parties. Support regular museum education staff. Maintain education exhibits, props.
Visitor Services						
Visitor Services and Store Manager	1			\$40,000	\$40,000	Coordinates schedules and assignments of visitor services staff and volunteers, trains volunteers, interns, and other temporary and seasonal staff. Fills in for all public interface positions as needed. Manages museum store.
Floor Staff			6	\$28,000	\$0	Manage visitor experiences and assist during daytime and evening events.
Cashiers - Admissions/Retail		3		\$32,000	\$48,000	Stock retail, admissions & cashier; support floor staff as necessary.
Total Salaries					\$478,500	
Taxes & Fringe Estimated at				20%	\$95,700	Benefit amounts and ratio to salaries is based on the planned employee mix.
Total Salaries, Taxes & Fringe					\$574,200	
Total Personnel				7	7	
FTE Equivalent Positions ^{1/}				10.5		
Number of PT Volunteer Positions				10		
Avg. annual hours worked:				300 ^{2/}		
Volunteers needed to fill each part time positions:				3.5		
Total Volunteers Needed				35		

It should be noted that this is a core of volunteers making substantial time investments in the museum. In addition, there will likely be a large number of other volunteers who work on a lesser level for special events, programs and fundraisers.

^{1/} FTE -- Full Time Equivalent positions are estimated based on full time personnel plus part time workers at 50% of full time.

^{2/} Average hours per volunteer based on 50 weeks at 6 hours per week.

Source: American Alliance of Museums National Comparative Museum Salary Survey, 2017; ConsultEcon, Inc.

Table VII-6: Stable Year Operating Expenses in Dollars

Table VII-6 details the museum’s Stable Year Operating Expenses.

**Table VII-6
Stable Year Operating Expenses in Current Dollars
Children’s Museum of Rock County**

Project Parameters			
Museum Gross Square Footage	18,000		
Annual Attendance	81,000		
Full-Time Equivalent Employees (FTEs)	10.5		See Personnel Schedule
Volunteer Part Time Workers	35.0		See Personnel Schedule
Detailed Budgetary Analysis			
	Annual Amount	Expense Factors ^{1/}	Percent To Total
Full and Part-Time Personnel	\$478,500	See Personnel Schedule	49.3%
Personnel Taxes & Fringe	95,700	20.0% Based on employee mix	9.9%
Professional Services	10,500 @	\$1,000 Per FTE	1.1%
Development Activities	10,000	Budgeted	1.0%
Supplies, Materials & Birthday Party Expenses	13,125 @	\$1,250 Per FTE	1.4%
Travel & Staff Development, Dues & Subscriptions	2,625 @	\$250 Per FTE	0.3%
Communications / Online / Website	7,875 @	\$750 Per FTE	0.8%
Postage & Shipping	1,050 @	\$100 Per FTE	0.1%
Equipment Rental/ Lease	7,875 @	\$750 Per FTE	0.8%
Advertising	60,750 @	\$0.75 Per Attendee	6.3%
Printing & Publications	12,150 @	\$0.15 Per Attendee	1.3%
Events and Programs	10,000	Budgeted	1.0%
Exhibit Reinvestment / Maintenance	40,500 @	\$0.50 Per Attendee	4.2%
Changing Exhibits	15,000	Budgeted	1.5%
Retail Cost of Goods Sold (COGS)	42,525 @	50% Of Gross Retail Sales	4.4%
Volunteer uniforms, gratuities & social events	3,500 @	\$100 Per Volunteer PT	0.4%
Utilities and Waste Removal	49,500 @	\$2.75 Per Interior SF	5.1%
Insurance	18,000 @	\$1.00 Per Interior SF	1.9%
Repairs & Maintenance Interior & Exterior	27,000 @	\$1.50 Per Interior SF	2.8%
Custodial	36,000 @	\$2.00 Per Interior SF	3.7%
Other Miscellaneous / Contingency	4,500 @	\$0.25 Per SF	0.5%
Subtotal Operating Expenses	\$946,675		97.6%
Capital Reserves	\$23,667	2.5% of Total Op. Expenses	2.4%
Total Operating Expenses	\$970,342		100.0%
Operating Analysis			% to Total
Operating Expense Per Gross SF	\$54	Personnel Costs	59.2%
Operating Expense Per Visitor	\$12	Non Personnel Costs	40.8%
Attendees Per FTE	7,714		
Op. Exp. Per FTE	\$92,414	Taxes & Fringe per FTE	\$9,114
Square Feet Per FTE	1,714	Taxes & Fringe Per Employee	\$6,836
Attendance per Square Foot	4.5		

1/ Factors are based on industry standards and the specific attributes of the project and local conditions.

2/ Capital Reserves include funds for equipment replacements and minor capital for building improvements.

Source: ConsultEcon, Inc.

By adding \$50,000 to the personnel expenses listed as Full and Part-Time Personnel and Personnel Taxes & Fringes, plus 6.00% for inflation on all other expenses, the new Subtotal Operating Expense is \$1,037,997.50. This is \$73,442 higher than the \$946,675 projected by ConsultEcon. We believe that the revised amount of **\$1,038,000** is a conservative and reasonable estimate.

We are uncertain whether the museum will have an annual budget surplus to fund a Capital Reserve account, but it has been included in the projections for a conservative approach.

Pro Forma

Table VII-8: Net Income Summary

Table VII-8 is the Net Income Summary with Year 3 being the museum’s Stable Year.

**Table VII-8
Net Income Summary
Children’s Museum of Rock County**

	Stable Year					Stable Year In Current Dollars	Percent to Total
	Year 1 ^{1/}	Year 2	Year 3	Year 4	Year 5		
Total Attendance	93,150	85,050	81,000	81,405	82,215	81,000	
Revenue							
Earned Revenue	\$829,467	\$783,894	\$812,297	\$821,665	\$873,454	\$773,156	80%
Non-Earned Revenue							
Requirement for Breakeven Operations	\$164,849	\$218,897	\$207,168	\$224,148	\$200,268	\$197,186	20%
Total Revenue	\$994,315	\$1,002,791	\$1,019,465	\$1,045,813	\$1,073,722	\$970,342	100%
Operating Expenses							
Operating Expenses	\$970,064	\$978,333	\$994,600	\$1,020,305	\$1,047,534	\$946,675	98%
Capital Reserves	\$24,252	\$24,458	\$24,865	\$25,508	\$26,188	\$23,667	2%
Total Operating Expenses	\$994,315	\$1,002,791	\$1,019,465	\$1,045,813	\$1,073,722	\$970,342	100%
Net Operating Income	\$0	\$0	\$0	\$0	\$0	\$0	

1/ Year 1 shown in current dollars with assumed inflation rate thereafter.

Source: ConsultEcon, Inc.

In reference to Stable Year 3, we have substituted the modified operating expense of **\$1,038,000** for the \$994,600 adding in Capital Reserves of \$24,865 (which may not be financially feasible) thus increasing the Total Operating Expenses for Stable Year 3 to \$1,063,000. These changes assume a worst-case, conservative scenario, but reflect our most current presumptions about the museum’s ability to be financially sustainable.

Additionally, the increased Total Operating Expenses also increased the “Requirement for Breakeven Operations” line item from \$207,000 to **\$260,000**. The “Requirement for Breakeven Operations” refers to the fundraising/development effort the museum will need each year to cover its operating expenses. The potential need to raise an additional \$53,000 in Stable Year 3 may not be significant.

When contemplating the museum’s long term financial sustainability, an important question arises: “What is the plan if the annual Operating Expenses exceed our Earned Revenue?” The answers to this question are simple: a) like most children’s museums, there would need to be a larger annual development program to fund the gap; or b) there would need to be a reduction in Operating Expenses. As summarized above, building the Children’s Museum of Rock County is not a short-term initiative. The current Board of Directors intends to build up this organization for long term success so that it may continue to thrive in a future of unknowns and serve the community and its visitors for generations.