



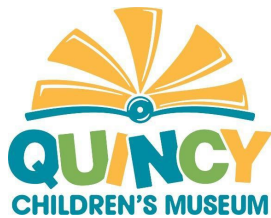
Quincy Children's Museum

Real Estate Development Services

Feasibility Assessment

Prepared for Quincy Children's Museum

August 2022



DEVELOPMENTSTRATEGIES®

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Executive Summary

What is this White Paper?

The Quincy Children's Museum has plans to fully renovate an existing building in downtown Quincy to provide a new children's museum to the area. Should it achieve this goal, it will not only provide a fun educational opportunity for the area's children, it will also serve to strengthen downtown Quincy and increase tourism. The purpose of this report is to summarize demographic, market, and financial implications of this proposed project so museum leadership can plan together, strategically, to create the best museum possible.

The demographic analysis specifically looks at households with small children across a wide area surrounding Quincy to understand the total number of target households, income, and other key demographics. In tandem with this market demographic analysis, a comparison of similar children's museums in the Midwest provides insight into overall size, exhibit and programming offerings, and the financial particulars of running these institutions. A financial comparison of the operating revenues and expenses of these comparable properties was conducted to better understand the likely outcome for the Quincy Children's Museum.

Using the market and comparable property information, a high level pro forma was constructed that lays out estimated revenues and expenses for the proposed museum, and identifies key issues or critical costs along the way.

Key Findings and Conclusions

The Primary Market Area (PMA) for the Quincy Children's Museum serves a diverse group of people ranging from families living in the city to rural families living 50 miles or more away. Households with children make up about 43 percent of the total family households in the market area.

Research shows that people in high-income households (household income greater than \$100,000) and those holding a bachelor degree or higher are more likely to visit museums and other cultural institutions. The share of high-income households and the share of population with at least a bachelor degree in Quincy is lower than that of aspirational markets, but within range in comparable markets.

Generally, the aspirational children's museums are located in market areas with much higher numbers of households and households with small children. These museums attracted between 42,000 and 78,200 visitors in 2019. Children's museums in comparable markets, with similar populations and number of households with children, attract up to 30,000 visitors per year.

Quincy is a small to mid-sized community located at least two hours away from existing children's museums. Other activities geared towards children and their families in Quincy are also extremely limited, especially with the recent closure of other attractions.

Comparable children's museums offer a wide array of exhibit types and special events. Of particular note, exhibits that tie-in with local history or landmarks are especially popular. Building strong relationships with community members and targeted outreach efforts focusing on patrons with paid memberships are other key strategies to maintain financial sustainability of children's museums.

Based on the findings of the market analysis, the Quincy Children’s Museum will likely attract a moderate number of annual visitors, comparable to—and at times higher than—museums in smaller markets in the Midwest. This is primarily based on the overall population of the primary market area. Therefore, we estimate a total visitation count of about 30,000 annually.

Apart from one-off grants or other special one-time revenue sources, successful museums generally raise the bulk of their revenue from ticket sales, memberships, or other special events. Fundraising and gifts made up the bulk of the remaining revenues. Even with those efforts, the comparable museums either broke even or operated at a slight loss in 2019. The sustainability of ongoing operations of the proposed museum is extremely important. Using similar metrics found in the comparable institutions, a high-level pro forma shows that the museum could break even, *if substantial funds are generated initially to construct the museum to offset future occupancy costs.*

In addition to fundraising for the initial construction, an endowment that generates annual revenue that could be used to fund either operating losses or invest in new programs or exhibits is critical to the long-term success of the museum. As the Quincy Children’s Museum matures and grows, the ability to tweak exhibits and program offerings to meet the needs of local families will be crucial.

Overall, the Quincy Children’s Museum has secured a building and is carefully investigating how their facility could operate in the future. This analysis is critical to creating a strong foundation for any institution. Research shows that other museums in both larger and smaller markets have managed to create exciting and dynamic spaces that encourage families to return. Assuming a robust fundraising effort to renovate the existing building, careful consideration of the exhibits chosen in the initial phase of work, and an effort to keep expenses low, the Quincy Children’s Museum should be able to make a true destination for families.

Introduction

The Quincy Children's Museum (QCM) is an emerging children's interactive and educational space located in Quincy, IL. The QCM was incorporated in 2019 and became a 501(c)3 nonprofit organization in February of 2020. The organization is led by an executive director and nine board members made up of dedicated community leaders, with support from three committees comprised of key stakeholders and community members who desire to contribute to the overall mission and strategic goals of the organization. With a wide ranging set of skills, expertise, and experiences, this group is currently leading the effort to bring the QCM to reality.

The Quincy Children's Museum has purchased the old Paper Box Company building at 230 N. 3rd Street in Downtown Quincy. The board plans to rehabilitate the building and premises to house the proposed museum. Currently, high-level construction cost estimates have been generated, and the board is looking forward to the next steps to raise funds for the museum and commence construction.

The QCM's mission is to transform the lives of the children growing up in Quincy, IL and the surrounding area through the creation and operation of vibrant interactive learning environments and experiences that inspire curiosity, connection, creativity and discovery. The goal is to raise a new generation of compassionate problem solvers and critical thinkers, and



build more connected, stronger and healthier families. Through pursuit of their mission, QCM will play an important role in sustaining Quincy as a vibrant, family-oriented, culturally rich, and connected community.

In addition to the educational, cultural, and family benefits created by QCM, it is expected to bring numerous economic benefits as well. This includes the jobs created during construction and renovation of the building, as well as the staff needed to run QCM's daily operations. Beyond the direct jobs, however, is QCM's potential to be an anchor for Quincy's education and enrichment opportunities. By collaborating with community businesses, attractions, and other cultural institutions, QCM will be a prominent destination that will attract people from across the region into the heart of Quincy to experience and support other businesses throughout the city.

Purpose and Scope

The board of the Quincy Children's Museum has been working to understand the overall costs to construct and operate the museum, as well as identify funding sources to make the museum a reality. To further that goal, a more detailed analysis of their intended operations is necessary to attract additional partners.

This report documents the high-level assessment of the initial development costs, projected revenues, and general operating expenses to ascertain the overall feasibility of the project and identify where there may be funding gaps. The first steps of this assessment include understanding the museum's market area, setting the appropriate scale of the children's museum, and estimating overall future visitation.

In order to more reliably estimate the scale of the future museum, and how that might impact future finances and the overall market for QCM, four case studies of children's museums in aspirational markets and three in similar markets were undertaken. These case studies include a qualitative analysis of the project's amenities and market area as well as a look into their finances using publicly available data. The quantitative analysis of these properties include annual operating revenues/expenses, visitorship that were gleaned from news reports, publicly available annual reports, and tax documentation.

The acquisition and projected construction cost data provided by the Quincy Children's Museum were used, alongside any information in previous studies conducted by the client (business plan, background report), especially those regarding the estimated cost to construct the exhibits. An estimate of ongoing operating costs was developed, using data from the client, case studies, and regional standards. Utilizing all the above data sources, an estimate of the future revenues, total development costs, and operating expenses was developed in a basic pro forma format.

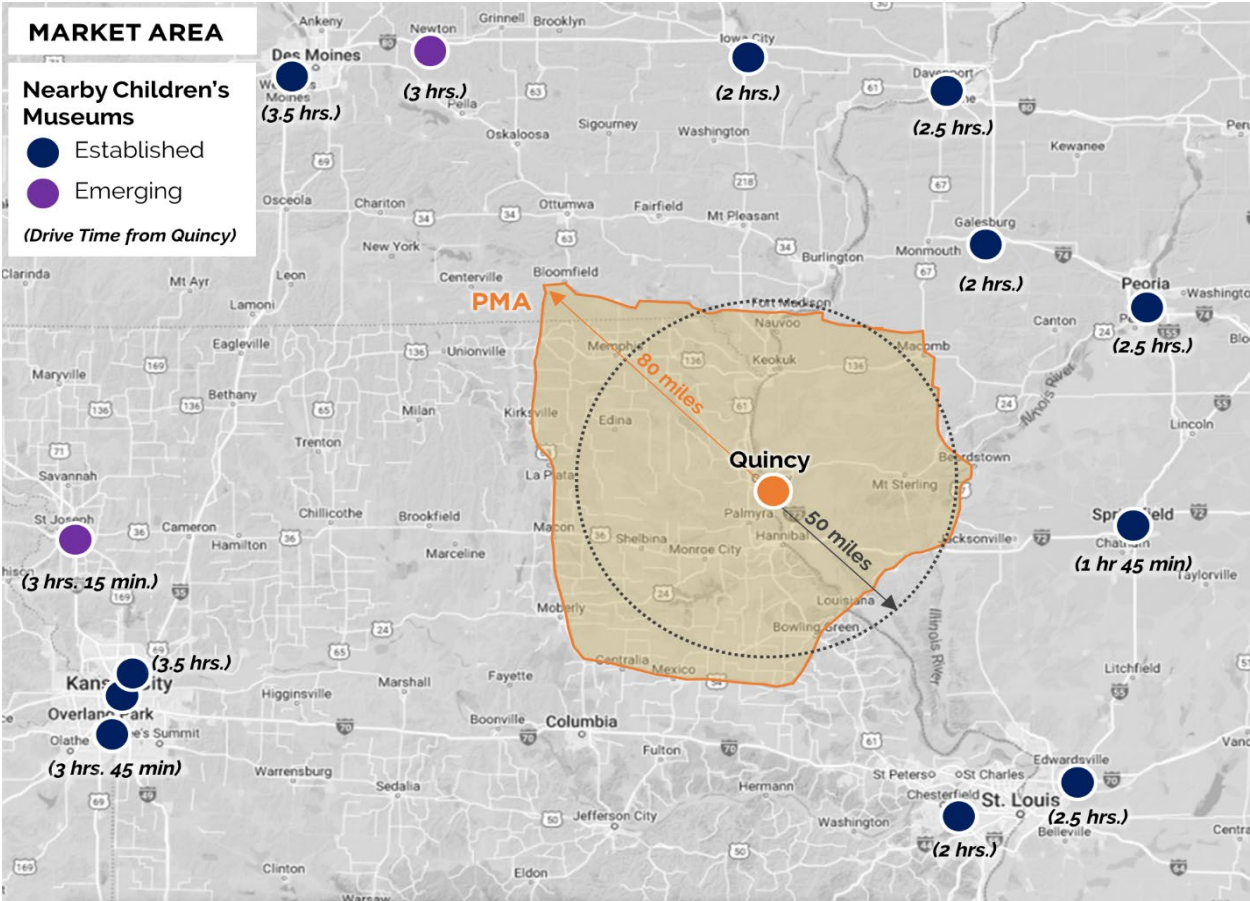
The findings of this report will help provide clarity to the board on costs and revenues for constructing and operating the facility, and to identify any financial gaps, in order to set fundraising targets, pursue future partnerships, and plan next steps.

Understanding the Market

Quincy is a small to mid-sized city in Illinois with a population of about 39,100 people. Comparable museums are set in similarly sized communities in Kansas and Missouri; while aspirational museums are set in markets closer to larger urban areas in Illinois, Indiana, and Wisconsin. The case studies include:

- Curious Minds, Parsons, KS
- Discovery Playhouse, Cape Girardeau, MO
- Bootheel Youth Museum, Malden, MO
- Discovery Depot Children’s Museum, Galesburg, IL
- Muncie’s Children Museum, Muncie, IN
- Children’s Museum of Illinois, Decatur, IL
- Children’s Museum of La Crosse, La Crosse, WI

The market area was identified as a 50-mile radius from the host city. Typically, children’s museums tend to consider 50 to 75-mile radius as their primary market areas. The identified market area of Quincy Children’s Museum extends beyond its 50-mile radius, irregularly towards the west as this area is unserved by any other established or emerging museum. It is fair to assume that a reasonable share of population from the unserved area is likely to be patrons of Quincy Children’s Museum.



Demographics

There are more than 300 children’s museum in the world, and every institution is unique. Children’s museums are not only interactive activity spaces, but also local destinations, educational laboratories, and invaluable community resources. They are strong advocates of children’s early development opportunities.

- A 2013 report suggests that 67 percent of all U.S. leisure travelers participate in cultural or heritage activities such as visiting museums.¹
- Nationally, museums spend over \$2 billion each year on educational activities. They also receive approximately 55 million visits each year from students in school groups.²

Based on an international report, minority groups are less likely to visit museums and galleries as compared to White ethnic groups.³ It is important to note that over 60 percent of adult visitors to museums and/or performing arts organizations first attended them as children. According to data collected by IMPACTS, lower income visitors/families are less likely to visit cultural institutions.⁴ Households with incomes more than \$125,000 are three times more likely to visit museums compared to those with income less than \$25,000.

	Subject		Comparable			Aspirational			
	Quincy Children's Museum (PMA)	Quincy Children's Museum	Curious Minds	Discovery Playhouse	Boothel Youth Museum	Discovery Depot Children's Museum	Muncie Children's Museum	Children's Museum of Illinois	Children's Museum of La Crosse
Annual Visitors	30,000*	30,000*	2,100	NA	30,000	66,000	42,000	60,000	78,200
Market									
Total Market Size: Population (2020)	271,500	236,540	330,120	434,760	325,930	865,710	1,828,940	852,860	378,220
Family Households (2020)	68,100	60,800	84,500	111,200	85,700	223,000	472,100	206,100	95,600
Change since 2010	-4,780	-4,240	-4,790	-5,320	-8,150	-8,630	25,330	-6,650	1,970
Demographic Data - 50 mile radius/PMA									
Family Households with Children <18 (2020)	29,500	26,600	39,300	48,100	41,400	97,300	215,900	91,500	38,800
Change since 2010	7,640	7,430	12,140	13,870	14,500	31,270	74,420	27,040	9,180
Children 8 and younger	27,200	23,700	36,400	41,900	34,100	88,400	206,300	82,400	38,100
Children aged 9 to 12	12,400	10,900	16,200	19,300	15,800	40,500	96,500	38,100	17,700
Median Household Income (2022)	\$ 54,700	\$ 55,200	\$ 50,600	\$ 53,600	\$ 45,400	\$ 60,400	\$ 64,200	\$ 61,800	\$ 64,300
Household with Income >\$100,000 (2022)	20%	21%	19%	22%	17%	28%	31%	29%	27%
Share of population with Bachelor Degree or Higher (2022)	22%	21%	23%	24%	16%	27%	34%	36%	29%

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* Expected based on demographic analysis.

Quincy Children’s Museum expects to serve 40,000 visitors (annually) during its initial years. However, demographics indicate this estimate may be optimistic. Based on our demographic data analysis, we estimate an annual attendance of about 30,000 for Quincy Children’s Museum. Quincy’s primary market population is smallest among all the selected museums. Households with children make up about 43 percent of the total family households in the market area. Within these households, there are 27,200 children below 8 years of age. Typically, the primary target audience of children’s museums are children below 8 years of age. However, Quincy Children’s Museum’s business plan indicates that their target audience is children below age of 12—an additional 12,400 children—which we consider as the secondary target audience.

The median household income for the Quincy Children’s Museum is the lowest among the aspirational markets, but highest among the comparable markets. About a fifth of the households in Quincy have income higher than \$100,000. The share of high-income

¹ [The 2013 Cultural and Heritage Traveler Report](#), Mandala Research

² Merritt, E. E., Katz, P. M., & American Association of Museums. (2009). *2009 Museum Financial Information*. Washington, DC: American Association of Museums.

³ [Taking Part Report](#)

⁴ [IMPACT study](#)

households and the share of population with at least a bachelor degree in Quincy is lower than that of aspirational markets, but within range of shares in comparable markets.

Case Studies

Children’s museums are highly specialized non-profit institutions. They generally rely on a diverse mix of revenue sources – such as earned income (visitor admission ticket sales or non-visitor rentals and services), contributions, grants, endowments, and other miscellaneous forms of support. This study evaluates other museums in order to identify patterns that predict the proportion of revenue sources that can be relied upon for the QCM.

The Quincy Children’s Museum will provide a much-desired amenity to the region’s families, and as part of the preparation to make it a reality, it is imperative to look at other children’s museums in aspirational markets. This exercise allows key decision makers to understand what types of amenities are generally offered, average attendance, number of full-time and volunteer employees, and the overall operating budgets of these established institutions. Not only will this information help set expectations for the future operations of the museum, it also serves to provide general guidance on what to expect for key items that could affect the long-term health of the museum itself.

Quincy is the main city within a five-county, mostly rural, area. As the City of Quincy continues to work to improve its downtown to attract new businesses and visitors, the Children’s Museum will add an additional destination to attract families with children. We have chosen four children’s museums in the Midwest that are also located in relatively rural areas but serve as the regional cultural hub. They serve as ‘aspirational’ examples to provide insight into successful exhibits and programs for children’s museums. These four museums include:

- Discovery Depot Children’s Museum, Galesburg, Illinois
- Muncie Children’s Museum, Muncie, Indiana
- Children’s Museum of Illinois, Decatur, Illinois
- Children’s Museum of La Crosse, La Crosse, Wisconsin

Case Studies: Attendance, Operating Costs, and Revenue Selected Children’s Museum

Facility Name	Location	Annual Visitors**	Admission Fee	No. of Employees**	Operating Revenue	Operating Expenses
Quincy Children’s Museum	Quincy, IL	30,000*				
Curious Minds	Parsons, KS	2,098	\$ 8	7	\$ 227,700	\$ 69,800
Discovery Playhouse	de Girardeau,	NA	\$ 8	30	\$ 225,700	\$ 269,600
Bootheel Youth Museum	Malden, MO	30,000	\$ 7	NA	\$ 221,400	\$ 291,200
Discovery Depot Children’s Museum	Galesburg, IL	66,000	\$ 10	33	\$ 553,200	\$ 553,800
Muncie Children’s Museum	Muncie, IN	42,000	\$ 7	37	\$ 367,500	\$ 355,300
Children’s Museum of Illinois	Decatur, IL	60,000	\$ 9	20	\$ 497,000	\$ 751,400
Children’s Museum of La Crosse	La Crosse, W	78,200	\$ 8	28	\$ 595,200	\$ 770,900

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* Expected based on demographic analysis.

** The annual visitor numbers are pre-pandemic counts from 2019, sourced from impact reports or museum websites, exact numbers may vary.

*** Number of Employees includes all full-time, part-time employees, and seasonal employees (excluding volunteers). Permanent full-time staff numbers range between 4-6 people depending on the size of the museum.

Enticing exhibits that encourage repeat visitorship are key to building a financially strong institution. Some of the comparable museums’ exhibits tie into the local area’s history. For example, the Discovery Depot tailors some exhibits to building a Ferris Wheel, whose inventor was born in Galesburg. Others, such as The Children’s Museum of Illinois, focus on building healthy habits with regards to food and exercise. The Muncie Children’s Museum offers opportunities for multiple modes of play along with an outdoor learning center. The Children’s Museum of LaCrosse created a real child-sized television studio set, donated by a

local station. These creative, unique spaces, coupled with areas for pretend play and physical play create a destination that families return to multiple times.

During development and operation of all of these comparable institutions, most utilized creative ways to finance the development of their new children's museums, efforts that continue decades after their initial opening. For example, the Discovery Depot was included within a Tax Increment Financing District in Galesburg, and funds from that District were used to finance various projects and upgrades at the museum. The Muncie Children's Museum recently began a campaign to raise \$3 million to complete a substantial overhaul of their now decades-old facility. Constant attention to fundraising, creative financing, and special gift resources is crucial to the ongoing health of almost any children's museum.

Case Study #1: Discovery Depot

The Discovery Depot Children’s Museum, established in 1999, is located in Galesburg, IL. It seeks to fulfill the mission of “Inspiring Wonder and Excitement for Learning” through diverse programs, exhibits, and community partnerships. The museum is conveniently located across the street from the Galesburg Amtrak Station and the Galesburg Railroad Museum.

The 14,000 square foot museum is 2 floors of interactive exhibits, science classrooms, and an art studio. It offers children between the ages of 1 and 12 with a range of hands-on activities that promote literacy, science, engineering, technology, mathematics, fine arts, and cultural learning. The museum aims to promote discovery, stimulate learning, and encourage critical thinking through activities and programs. In addition to drop-in visitors, programs are offered weekly and monthly.



DISCOVERY DEPOT
Galesburg, IL

Established 1999

2019 Revenue: \$553,240
2019 Annual Visitors: 66,000

OFFERINGS:

Exhibits

- Mr. G’s Build Shop *(for ages 5 and up, parent supervision required)*
- Ferris Junction
- Gears and More
- Farm Area and Village
- Train Table
- Light Exhibits
- Art Studio
- Air Adventures & Indoor Climber, etc.

Programs

- Engine and Caboose Preschool Program
- Smart from the Start
- Toddler Plus Tuesday
- Home School Hub
- Summer Mini Camps

REVENUE SOURCES AND EXPENSES

Total Revenue	\$ 553,238
Contributions	56%
Program Services	45%
Total Expenses	\$ 553,789
Executive Salaries	11%
Other Staff Salaries and Wages	24%

Case Study #2: Muncie Children’s Museum

Muncie’s Children Museum was established in 1977, with a mission to “provide fun through educational and interactive opportunities for children of all ages in a safe and creative environment.” Located at 515 South High Street in downtown Muncie, IN, just one block from Canan Commons Park, the museum provides hands-on, educational, and interactive exhibits and programs for children up to age 8 and their families.

The Muncie Children’s Museum’s current location is 24,000 square feet of leased space from the Horizon Convention Center in downtown Muncie. The museum aims to pioneer “the kind of learning environment which helps children understand the world in which they live.” The exhibits are designed to raise questions, provoke interest and stimulate curiosity from its young visitors.



MUNCIE CHILDREN’S MUSEUM
Muncie, IN

Established 1977

2019 Revenue: \$367,485
2019 Annual Visitors: 42,000

OFFERINGS:

Exhibits

- Discovery Park
- The Big Rig
- Tot Spot
- Outdoor Learning Center
- Make Believe Theater & Book Nook
- Water Works
- Barnyard
- Doctor’s Office & Veterinarian’s Office
- The Ant Wall
- Recycling Center
- Munseetown Express
- Nutrition Kitchen & Marsh Market
- Pixel Pegs

Field Trips and other programs

REVENUE SOURCES AND EXPENSES

Total Revenue	\$	367,485
Contributions		40%
Program Services		29%
Total Expenses	\$	355,343
Executive Salaries		39%
Other Staff Salaries and Wages		53%

Case Study #3: Children's Museum of Illinois

Children's Museum of Illinois, in Decatur IL, was established in 1989 with a mission to "enhance the community through the informal education of the Arts and Sciences." The museum is designed for children between ages 2 and 10 and offers a hands-on, interactive facility curating exhibits and activities that complement and enhance children's educational opportunities. The museum is located in Decatur's Scovill Park, near the Scovill Children's Zoo and Playground.

The 20,000 square foot museum attracts 60,000 children annually, two-thirds of those through school-sponsored visits. Child Magazine named the Children's Museum of Illinois as one of the top 25 children's museums in the country. The museum contributes to the community's quality of life as an educational facility, visitor attraction, family activity destination, and site for volunteerism.



CHILDREN'S MUSEUM OF ILLINOIS
Decatur, IL

Established 1989

2019 Revenue: \$496,500 million
Annual Visitors: 60,000

OFFERINGS:

Exhibits

- Seed to Shelf
- Super Service Center
- Water Table
- Healthy Habits
- HSHS Hospital
- A Peek Inside
- Ready.Set.Build!
- Paint Wall
- Mama Mia's Pizzeria and Gelato Stand
- Art Studio & Theater
- Toddler Farm and Toddler Port

Heroes Hall

Learning Labs

Field Trips

Summer Camp

Case Study #4: Children's Museum of La Crosse

The Children's Museum of La Crosse was established in 1999 with a vision to be a dynamic, interactive resource for families, community organizations and visitors. Located at 207 5th Avenue, in the heart of Downtown La Crosse, the museum provides hands-on exhibits and related programming targeted to children aged 1-10. The museum boasts three floors of hands-on exhibits and related programming. The facility welcomes people of all abilities and occasionally hosts inclusion night events.

The museum is located in a 30,000 square foot building donated by the Charles and Marjorie Collins family. It boasts three floors of exhibits and welcomes 70,000+ visitors per year from a 75-mile radius of La Crosse and beyond.



La Crosse, WI

Established 1999

2019 Revenue: \$595,245
2019 Annual Visitors: 78,200

OFFERINGS:

Exhibits

- Fire Truck
- Bank
- Whoosh
- Store
- Lucky Climber
- River & Bridges
- Pin Screen
- Library
- Treehouse and Dino Maze
- Blocks, Balls, and Ramps
- Crane
- Tater Tots & other hands - on - fun activities

Field Trips

Summer Camps



REVENUE SOURCES AND EXPENSES

Total Revenue	\$	595,245
Contributions		17%
Program Services		67%
Total Expenses	\$	770,878
Executive Salaries		14%
Other Staff Salaries and Wages		34%

Revenue and Expenses

The following tables provide a snapshot of the annual operating expenses of selected children's museums. These museums are located in a diverse range of community types, including very small towns in primarily rural areas to more populated regional centers. Because of the impact of the Covid-19 pandemic on visitorship to museums and large gathering spaces of all types during fiscal years 2020 and 2021, we focused on the financial statements for fiscal year 2019 so that a true picture of the financial performance of each property for a typical year was understood. A description of each major category of revenue or expenses, and a discussion of the likely outcomes for the Quincy Children's Museum, follows.

Quincy Childrens' Museum
Comparable Operating Expense Analysis

<i>Name City, State Annual Visitors Date of Financial Statement</i>	Discovery Depot Galesburg, IL 66,000 FY 2019		Muncie Children's Museum Muncie, IN 42,000 FY 2019		Children's Museum of Illinois Decatur, IL 60,000 FY 2019		Children's Museum of La Crosse La Crosse, WI 78,200 FY 2019	
	<i>Total</i>	<i>Percent Share</i>	<i>Total</i>	<i>Percent Share</i>	<i>Total</i>	<i>Percent Share</i>	<i>Total</i>	<i>Percent Share</i>
Effective Gross Income	\$ 553,238		\$ 367,485		\$ 496,513		\$ 595,245	
Contribution and Grants*	\$ 295,938	53%	\$ 127,355	35%	\$ 146,575	30%	\$ 103,024	17%
<i>Fundraising Events</i>	\$ 85,742	15%	\$ -	0%	\$ 43,397	9%	\$ 18,728	3%
<i>Government Grants</i>	\$ 133,091	24%	\$ -	0%	\$ -	0%	\$ -	0%
<i>Gifts and Others</i>	\$ 77,105	14%	\$ 127,355	35%	\$ 103,178	21%	\$ 84,296	14%
Program Services**	\$ 251,404	45%	\$ 123,662	34%	\$ 348,743	70%	\$ 397,916	67%
<i>Admission Fees</i>	\$ 248,825	45%	\$ 105,451	29%	\$ 200,453	40%	\$ 190,121	32%
<i>Memberships</i>	\$ -	0%	\$ 18,211	5%	\$ 59,588	12%	\$ 133,969	23%
<i>Field Trips/Venue Rents/Other</i>	\$ 2,579	0%	\$ -	0%	\$ 88,702	18%	\$ 73,826	12%
Investment Income	\$ 39	0%	\$ 62,447	17%	\$ 1,195	0%	\$ 83,523	14%
Other***	\$ 5,857	1%	\$ 54,021	15%	\$ -	0%	\$ 10,782	2%
Operating Expenses								
Advertising/Promotion	\$ 11,296	2%	\$ 5,336	1%	\$ 7,663	2%	\$ 9,967	2%
Office/Admin Expenses****	\$ 44,890	8%	\$ 2,945	1%	\$ 48,467	10%	\$ 54,341	9%
Payroll Subtotal	\$ 206,406	37%	\$ 200,957	55%	\$ 274,968	55%	\$ 407,319	68%
<i>Office/Admin Salaries</i>	\$ 61,100	11%	\$ -	0%	\$ 67,000	13%	\$ 110,684	19%
<i>Other Salaries</i>	\$ 130,422	24%	\$ 188,249	51%	\$ 182,281	37%	\$ 260,255	44%
<i>Employee Benefits</i>	\$ -	0%	\$ -	0%	\$ -	0%	\$ 10,765	2%
<i>Payroll Taxes</i>	\$ 14,884	3%	\$ 12,708	3%	\$ 25,687	5%	\$ 25,615	4%
Occupancy	\$ 26,867	5%	\$ 91,022	25%	\$ 20,536	4%	\$ 63,408	11%
Insurance	\$ 9,432	2%	\$ 10,032	3%	\$ 27,049	5%	\$ 16,121	3%
Travel/Conferences	\$ 4,438	1%	\$ 364	0%	\$ -	0%	\$ -	0%
Equip/Exhibit maintenance & repair	\$ 50,730	9%	\$ 44,687	12%	\$ 138,163	28%	\$ 86,786	15%
Expenses	\$ 354,059		\$ 355,343		\$ 516,846		\$ 637,942	
Expenses/EGI	64%		97%		104%		107%	
Net Operating Income (NOI)	\$ 199,179		\$ 12,142		\$ (20,333)		\$ (42,697)	
Gross Revenue/Attendees	\$ 8.38		\$ 8.75		\$ 8.28		\$ 7.61	
Depreciation/Amortization	\$ 199,730	36%	\$ -	0%	\$ 234,579	47%	\$ 132,936	22%

*The amount in this category does not match the IRS reported amount due to inclusion of 'Net Fundraising' within 'Fundraising Events' subcategory amount and exclusion of 'Membership Dues'.

** The amount in this category does not match the IRS reported amount due to inclusion of 'Membership Dues' within 'Memberships' subcategory amount.

***Sales of assets, net inventory sales, unspecified other

****Office expenses, IT services, other professional services

Quincy Childrens' Museum
Comparable Operating Expense Analysis

<i>Name City, State Annual Visitors Date of Financial Statement</i>	Curious Minds Parsons, KS 2,100 FY 2019		Discovery Playhouse Cape Girardeau, MO FY 2019		Bootheel Youth Museum Malden, MO 30,000 FY 2019	
	<i>Total</i>	<i>Percent Share</i>	<i>Total</i>	<i>Percent Share</i>	<i>Total</i>	<i>Percent Share</i>
Effective Gross Income	\$ 227,657		\$ 225,663		\$ 221,350	
Contribution and Grants*	\$ 179,211	79%	\$ 11,085	5%	\$ 108,626	49%
<i>Fundraising Events</i>	\$ -	0%	\$ -	0%	\$ 47,061	21%
<i>Government Grants</i>	\$ -	0%	\$ -	0%	\$ 61,565	28%
<i>Gifts and Others</i>	\$ 179,211	79%	\$ 11,085	5%	\$ -	0%
Program Services**	\$ 18,818	8%	\$ 214,578	95%	\$ 109,702	50%
<i>Admission Fees</i>	\$ -	0%	\$ 131,308	58%	\$ -	0%
<i>Memberships</i>	\$ -	0%	\$ 48,111	21%	\$ -	0%
<i>Field Trips/Venue Rents/Other</i>	\$ -	0%	\$ 35,159	16%	\$ -	0%
Investment Income	\$ -	0%	\$ -	0%	\$ 861	0%
Other***	\$ 29,628	13%	\$ -	0%	\$ 2,161	1%
Operating Expenses						
Advertising/Promotion	\$ 595	0%	\$ 5,620	2%	\$ 6,797	3%
Office/Admin Expenses****	\$ 20,073	9%	\$ 23,996	11%	\$ 6,059	3%
Payroll Subtotal	\$ 37,202	16%	\$ 134,458	60%	\$ 142,689	64%
<i>Office/Admin Salaries</i>	\$ 34,558	15%	\$ 125,529	56%	\$ 121,177	55%
<i>Other Salaries</i>	\$ -	0%	\$ -	0%	\$ -	0%
<i>Employee Benefits</i>	\$ -	0%	\$ -	0%	\$ 10,221	5%
<i>Payroll Taxes</i>	\$ 2,644	1%	\$ 8,929	4%	\$ 11,291	5%
Occupancy	\$ 8,231	4%	\$ 36,944	16%	\$ 36,040	16%
Insurance	\$ 2,756	1%	\$ 8,728	4%	\$ -	0%
Travel/Conferences	\$ 640	0%	\$ 3,537	2%	\$ 2,044	1%
Equip/Exhibit maintenance & repair	\$ -	0%	\$ 17,338	8%	\$ 69,201	31%
Expenses	\$ 69,497		\$ 230,621		\$ 262,830	
<i>Expenses/EGI</i>						
Net Operating Income (NOI)						
<i>Gross Revenue/Attendees</i>						
Depreciation/Amortization	\$ 268	0%	\$ 39,021	17%	\$ 28,356	13%

*The amount in this category does not match the IRS reported amount due to inclusion of 'Net Fundraising' within 'Fundraising Events' subcategory amount and exclusion of 'Membership Dues'.

** The amount in this category does not match the IRS reported amount due to inclusion of 'Membership Dues' within 'Memberships' subcategory amount.

***Sales of assets, net inventory sales, unspecified other

****Office expenses, IT services, other professional services

Revenue

Fundraising & Gifts: Generally, comparable children’s museums rely heavily on traditional fundraising efforts and special gifts to fund the majority of the annual income. Fundraising and special gifts for all of the selected comparable museums, except for the Children’s Museum of La Crosse, represented between 29 and 35 percent of the total revenue. The Children’s Museum of La Crosse, however, did not focus as heavily on fundraising or special gift efforts, which represented only 17 percent of their annual revenue. Conversely, only five percent of Discovery Playhouse’s revenues came from fundraising or gifts. Instead, they relied heavily on program service revenues.

As part of a holistic effort to support the Quincy Children’s Museum, similar fundraising and special gift-giving efforts targeting roughly **25 to 35 percent of total revenue**—especially in the first few years of operations—will be necessary to ensure the ongoing success of the museum.

Grants: While grants exist for museums offering educational experiences to children, these are typically a one-time infusion of revenue that should not be relied upon on an ongoing basis. For example, the Discovery Depot in Galesburg received a grant of roughly \$133,000 in 2019, which represented 24 percent of its total income for the year. The Bootheel Youth Museum in Malden covered over a quarter of their total revenue for 2019 with a grant. However, neither of these museums would be able to rely on grants on a perpetual basis. Without those one-time allocations, their net operating incomes would have been reduced to approximately \$66,000 and negative \$103,000, respectively.

While it is recommended that the Quincy Children’s Museum explore and pursue all possible sources of revenue, including special grants, these revenues cannot be consistently relied upon as a sustainable source. One-time grants for specific programming, new exhibits, or other special events should be pursued on a speculative basis, and not intended to meet the regular operating costs of the museum.

Program Revenue – In total, program revenues represent funds generated by typical admission fees, memberships, field trips, or special venue rentals. Because each comparable museum reports their revenues in relatively unique ways (for example, Discovery Depot reports no revenues from memberships, but does in fact offer memberships), we cannot fully rely on the reported amounts for each specific program category. Therefore, we looked at the total of program revenues to understand the balance with other revenue sources and recommend that Quincy Children’s Museum target program revenues of at least **50 to 60 percent of total revenues**. For the Quincy Children’s Museum, we assume approximately 30,000 visitors in total, representing regular ticket buyers, members, and special event attendees.

- **Ticket Revenue:** For the majority of similar museums, regular ticket revenues represent the highest portion of annual income. The Quincy Children’s Museum should target ticket revenue to make roughly **30-35 percent of total revenue**.
- **Memberships:** Maintaining a steady stream of annual revenue in the form of museum memberships serves to strengthen the overall financial position of the museum and provides an anticipated pool of repeat customers who may also spend additional dollars on ancillary services such as concessions. Interestingly, the Children’s Museum of La Crosse focused heavily on memberships, which represented nearly a quarter of

their total annual revenue. Other museums choose to forgo membership options entirely, such as at the Discovery Depot. Given the varying demographics of the Quincy region, growing a membership base is recommended, but it is unlikely to provide more than **5 to 10 percent** of total revenues.

- **Special Events & Field Trips:** As a place to provide educational opportunities to children, it is understandable that field trips or other special venue rentals make up a portion of ongoing revenue for most of the comparable properties. Field trips are often given discounted ticket rates, and other special incentives are provided to large groups such as free adult tickets.

Investments: Long-term investments or endowments provide a sustainable source of revenue to public institutions. By their nature, they are more stable and can help overcome budgetary shortfalls due to unexpected costs or extraordinary events, such as the Covid-19 pandemic, as well as provide a funding source for special projects. While it often takes a dedicated effort to establish a fund or endowment capable of generating a stable passive revenue source, the benefits of this strategy over the long-term are increasingly important.

Ideally, the institution will not need to utilize those investment gains to offset annual budget shortfalls, and will instead use those funds for capital improvements or other long-term strategic investments. Both the Muncie Children’s Museum and the Children’s Museum of LaCrosse show significant revenues from their investments, ranging from 14 to 17 percent of their total revenues/expenses. Museums in smaller areas—including the Discovery Playhouse and Curious minds—showed no investment revenues. While the strategy to forgo investments may be necessary in the short-term, deriving income from investments is a sound long-term strategy, especially as a way to buttress the institution during economic downturns. Therefore, the Quincy Children’s Museum should plan to establish an endowment that will generate enough revenue in an underperforming year to offset approximately **15 to 20 percent of expenses.**

Operating Expenses

Advertising: Generally, advertising expenses for all of the selected comparable museums were relatively low, representing only one to two percent of total revenue in 2019. During the initial construction and first year of operation, it may be expected that the Quincy Children's Museum will need to spend a slightly higher amount on advertising in order to build initial public awareness. After stabilization, the museum should return to a standard amount in-line with the comparable properties.

Administrative Expenses: The majority of comparable museums budgeted between eight and ten percent of their annual revenue to administrative expenses, including general office expenses, IT, and other professional services. It should be noted that the Muncie Children's Museum and Bootheel Museum had a considerably lower Administrative Expense, likely due to donated office supplies or other services. Regardless, the Quincy Children's Museum should expect that Office and Admin expenses will be similar to other children's museums at roughly eight to ten percent of total effective gross income.

Payroll: The most significant expense for all of the comparable children's museums is payroll. The amount varies significantly from as low as 16 percent at the Curious Minds museum (likely due to heavy volunteer commitments) to as high as 68 percent of total revenue. Given the expected size of the Quincy Children's Museum and anticipated offerings, payroll as a percentage of revenue should target 50 to 55 percent, unless a significant portion of the day to day operations are expected to be handled by volunteer staff.

Occupancy: This line item includes rent and other expenses related to the physical space that each of the comparable properties occupies. Somewhat similar to the Quincy Children's Museum, both the Discovery Playhouse and the Children's Museum of La Crosse occupy their own buildings.

Given the known and expected costs to acquire, renovate, and populate the selected location with exhibits, and assuming a 30-year mortgage at a rate of 5.0 percent, we expect annual costs related to the building of \$260,000 per year.

Insurance: While insurance rates for museums and other large institutions can be highly dependent on location type of offering, the comparable properties ranged between two and five percent of total revenue, which is generally in line with national standards. The Quincy Children's Museum should target insurance expenses at roughly **three percent of total revenues**.

Travel: The choice to designate a portion of the annual budget to conference or other special event travel is entirely dependent on the overall goals and desires of the institution and its employees. Looking at the comparable properties, travel expenses ranged from none to as high as \$4,400.

It could be anticipated that during the first few years of operations, key staff from the Quincy Children's Museum may travel to area conferences in order to build relationships with other key institutions, to further enhance brand awareness, and bring additional visitorship to the area. Costs should be kept low, at under two percent of total revenue.

Maintenance: Costs for ongoing maintenance can vary widely from institution to institution, depending on a multitude of factors, including: if the space is owned or leased, the age of exhibits, and the types of exhibits offered. Given that the building will be owned and operated by the Quincy Children's Museum and it is expected that the exhibits will be highly interactive, anticipating maintenance costs similar to the Children's Museum of La Crosse or the Discovery Playhouse seems appropriate. We estimate that these costs will total roughly **15 to 20 percent of total revenue.**

Interview with Comparable Institution

Efforts were made to reach out to the leadership at many of the selected comparable properties. An interview with Anne Snow, the executive director of the Children's Museum of La Crosse, occurred in early July. Ms. Snow has been involved with the museum since its inception in the 1990s, and offered a wealth of thoughts and advice relating to starting a new children's museum, operations, and how they weathered the recent Covid-19 pandemic.

Planning & Startup: The Children's Museum of La Crosse spent roughly 2 years building consensus within their community and determining the exact needs that the future museum would address before beginning fundraising activities in earnest. To avoid overspending in the museum's infancy, museum leadership chose to build the minimum amount of exhibits necessary to get the museum started and then added and adjusted exhibits in later years. They targeted a total renovation cost of \$1.9 million, but exceeded that goal, which allowed them to create a bridge fund to cover operations for the first few months the museum was open.

Lesson Learned: The Quincy Children's Museum should carefully evaluate the types and amount of exhibits necessary to open the museum, with an eye towards expansion in the future, to avoid overspending in the museum's early years.

General Attendance: While the museum had roughly 63,000 attending in its first year of operations, the Children's Museum of La Crosse experienced a dip in attendance in years 2 through 10 of roughly 40,000. In 2009, the museum invested in a travelling exhibit, which spurred attendance to reach 63,000 in that year. From then on, attendance has grown, with an exception for 2020 and 2021 due to the pandemic.

Lesson Learned: The Quincy Children's Museum should anticipate that the first year of operations may have high attendance, with a drop in attendance in the subsequent years. Leadership should plan to offer an array of activities or exhibits to encourage repeat visitation.

Funding: Now that it is fully established and stabilized, the Children's Museum of La Crosse strives to be run like a business and not be overly reliant on donations or special gifts. Roughly 75 percent of their revenues are derived from regular program activities. They have moved away from large fundraising events after finding that the amount raised often was minimal after factoring in the costs of those events. Instead, the museum focuses on building relationships with regional businesses and individuals that may contribute in the future. The museum also has an endowment of roughly \$1 million, which is not utilized unless absolutely necessary.

Lesson Learned: The Quincy Children's Museum should focus on minimizing the need for special gifts, fundraising, and endowment interest as much as possible. Holding endowment funds in reserve for a 'rainy day' can help the museum survive any downturns.

Staffing: The Children’s Museum of La Crosse operates with a relatively small staff as compared to some other museums. Prior to the pandemic, the museum had only five full time employees, which has reduced to three employees. Other employees are utilized as needed to operate the museum daily. The museum strives to run a relatively lean operation to keep expenses low.

Lesson Learned: The Quincy Children’s Museum may consider focusing on 2 to 3 key individuals as full-time staff for the museum and build relationships with volunteers and/or part time employees to operate some of the daily events.

Refreshing Exhibits: Because it has been in operation for over two decades, the Children’s Museum of La Crosse has periodically refreshed or replaced exhibits. Museum leadership found it important to remember that feedback from families about exhibits being ‘tired’ or for smaller children must be taken lightly as children eventually age out of the museum’s target demographic. This avoided the museum attempting to over-expand its services in an effort to attract older children or teenagers, which was beyond its stated mission. Instead, the leadership chose to refresh or replace exhibits on a very conservative basis with an eye towards continuing to attract younger children and their families.

Lesson Learned: The Quincy Children’s Museum must remain cognizant that eventually families will age out of the museum and its services. Efforts to replace exhibits should be on a truly as-needed basis, to both reduce costs to the museum and avoid mission creep.

Key Takeaways

Generally, all of the comparable properties utilize a variety of funding sources to cover their expenses. While the overall scale and scope of each museum varies, the majority of the financially sound museums show that revenues from Program Services (admissions, memberships, etc.) make up the majority of their total revenues. Few rely on special grants to cover their expenses.

While each comparable museum can provide lessons and give the Quincy Children’s Museum leadership an idea of the range of revenues and expenses to expect in the future, the Discovery Playhouse in Cape Girardeau, Missouri may warrant further research by leadership. Cape Girardeau, as a whole, is similar in size, economy, and other key metrics when compared to Quincy and the greater Quincy region.

Construction Costs

The Quincy Children’s Museum will be housed in the rehabilitated Paper Box Company building in Downtown Quincy. The building is made up of a main 3-story building that has a full basement, with additional 1-story buildings attached to its east, south and south-west. The total construction cost will include the cost of rehabilitating the Paper Box building, creation of the exhibits and programming area, and parking.

A visual structural evaluation of the existing buildings was conducted in March 2021 by Klingner & Associates. A number of issues were identified that affected the integrity of the existing structures, which must be remedied before it can be occupied. According to the structural evaluation report, the major costs of rehabilitation of the building would be for interior environmental clean-up and abatement, replacing and strengthening the floor and roof framing and sheathing, re-roofing, window replacement, exterior stair replacement, and replacing the existing plumbing, electrical and HVAC systems. Note that the report did not include the 1-story south-west addition that has a different owner.

The rehabilitation cost estimated by Klingner & Associates in August 2021 is shown below. The rehabilitation will include the demolition of the 1-story east building, and result in a renovated building with a total interior floor space of 24,600 square-feet.

Rehabilitation Cost		
Paper Box Building Rehabilitation Cost Estimate		
Rehab Component	Total Cost	Share
Demolition	\$452,430	19%
Roofing	\$257,000	11%
Structural	\$214,600	9%
Interior Finishing	\$419,800	17%
Openings	\$330,650	14%
MEP	\$611,000	25%
Contingency	\$114,000	5%
Total Building Rehabilitation Cost	\$2,399,480	100%

Source: Klingner & Associates, Aug 2021

According to the QCM Background Report, the majority of children’s museum exhibits currently available for rent are designed for gallery spaces over one thousand square-feet in size, costing \$10K-\$30K for a three-month rental. Construction costs for new exhibits range between \$150-300 per square-feet and has an expected life of 7-10 years before they are no longer “fresh”. Assuming two-thirds of the interior space will be used for permanent exhibits, this will bring the construction cost to around \$3.7 million (@ \$225 PSF).

Feasibility Analysis

Revenue and Expense Conclusions

The Quincy Children’s Museum can look to the performance of other children’s museums in similar markets as a guide for how revenues typically are generated and where funding gaps exist. Generally, those comparable properties relied heavily on fundraising and investment income—in addition to traditional ticket, membership, and special event revenue sources—to maintain financial feasibility. Even then, expenses sometimes exceeded those revenues, causing a need for additional fundraising or utilizing existing endowment funds. From the outset, the Quincy Children’s Museum must carefully build a strong fundraising and endowment base so that the continued success of the museum will be guaranteed.

Pro Forma

On the right is a high-level revenue and expense analysis that utilizes the ‘lessons learned’ from the comparable properties analysis, estimates of program revenue based on an attainable ticket sales and the size of the market.

Of particular note, the total cost of construction, inclusive of exhibits, is assumed to be roughly \$5 million. To understand the impact on the annual revenue and expense analysis, we calculated an average annual loan payment, using some basic assumptions. This loan payment was found to be roughly \$260,000 annually. Given the expected revenues that could be generated by the project, it is critical that the museum leadership find substantial sources of capital to complete the construction and reduce the annual cost of occupancy to roughly \$41,000. To achieve this level of payment, approximately 88 percent of the total expected development cost will need to be funded through fundraising or other sources.

Quincy Children’s Museum Income and Expense Analysis

	DS Estimate	
	Total	Percent
Income		
Contribution and Grants	\$ 102,000	35%
Program Services	\$ 145,600	50%
Investment Income	\$ 43,700	15%
Other	\$ -	0%
Effective Gross Income	\$ 291,500	
Operating Expenses		
Advertising/Promotion	\$ 5,800	2%
Office /Admin Expenses	\$ 29,200	10%
Payroll Subtotal	\$ 145,800	50%
Occupancy	\$ 40,800	14%
Insurance	\$ 8,700	3%
Travel/Conferences	\$ 2,900	1%
Equip/Exhibit maintenance and repair	\$ 58,300	20%
Total Expenses	\$ 291,500	
Net Operating Income	\$ -	
<i>Expenses/Gross Income</i>		<i>100%</i>

*Assumes average annual attendance of 34,200. Of that attendance, a sizeable amount is assumed to be memberships, field trips, or other discounted rates.

**Note, this assumes that the total occupancy payment is somehow reduced through initial fundraising to a manageable \$40,810 annually. Total construction costs are estimated to be roughly \$5 million. Assuming a traditional loan at a 5 percent rate and 30 year term with 20 percent as equity, this translates into total yearly payments of roughly \$260,000.

Conclusion

The Quincy Children's Museum is a large project that will provide education and joy to countless families. While the market area is relatively lightly populated when compared to similar children's museums in the Midwest, the ongoing efforts to improve Quincy's downtown and create a destination serve to bolster the museum's appeal, especially for those living farther away.

Looking at comparable properties, a diverse offering of exhibit types and special programs is absolutely crucial to attract families and encourage repeat visitors. Creating special exhibits tied into local history serves to connect visitors with the town and creates a unique destination that cannot be replicated elsewhere. The Quincy Children's Museum should work closely with exhibit specialists to be sure that an array of exhibit types is created that would appeal to all kids.

In total, construction costs of roughly \$5 million—inclusive of basic building renovations and the provision of initial exhibits—are anticipated. A brief analysis of expected operating revenues and expenses for the proposed museum shows that this cost, when combined with annual operating expenses, will not be covered by traditional revenue sources (ticket fees, etc.) as is similar to most children's museums operating in the Midwest. Therefore, all efforts should be given to raising ample funds to provide for the initial construction of the museum and the creation of an endowment capable of generating some modest returns for the future. These funds will be critical—especially in the first few years of operations or during downturns—in ensuring that the museum is successful. As the museum matures, careful planning and administration can ensure that the majority of revenues are derived from actual programming, with some additional assistance from fundraising and gifts.

Overall, the Quincy Children's Museum has repeatedly demonstrated that their leadership is thoughtfully approaching the development of their institution, with a careful eye towards the future. Assuming that the general recommendations regarding the overall operations of a financially sound children's museum are followed, it is likely that the museum will be able to build a successful and entertaining destination for children throughout the Quincy region and beyond.