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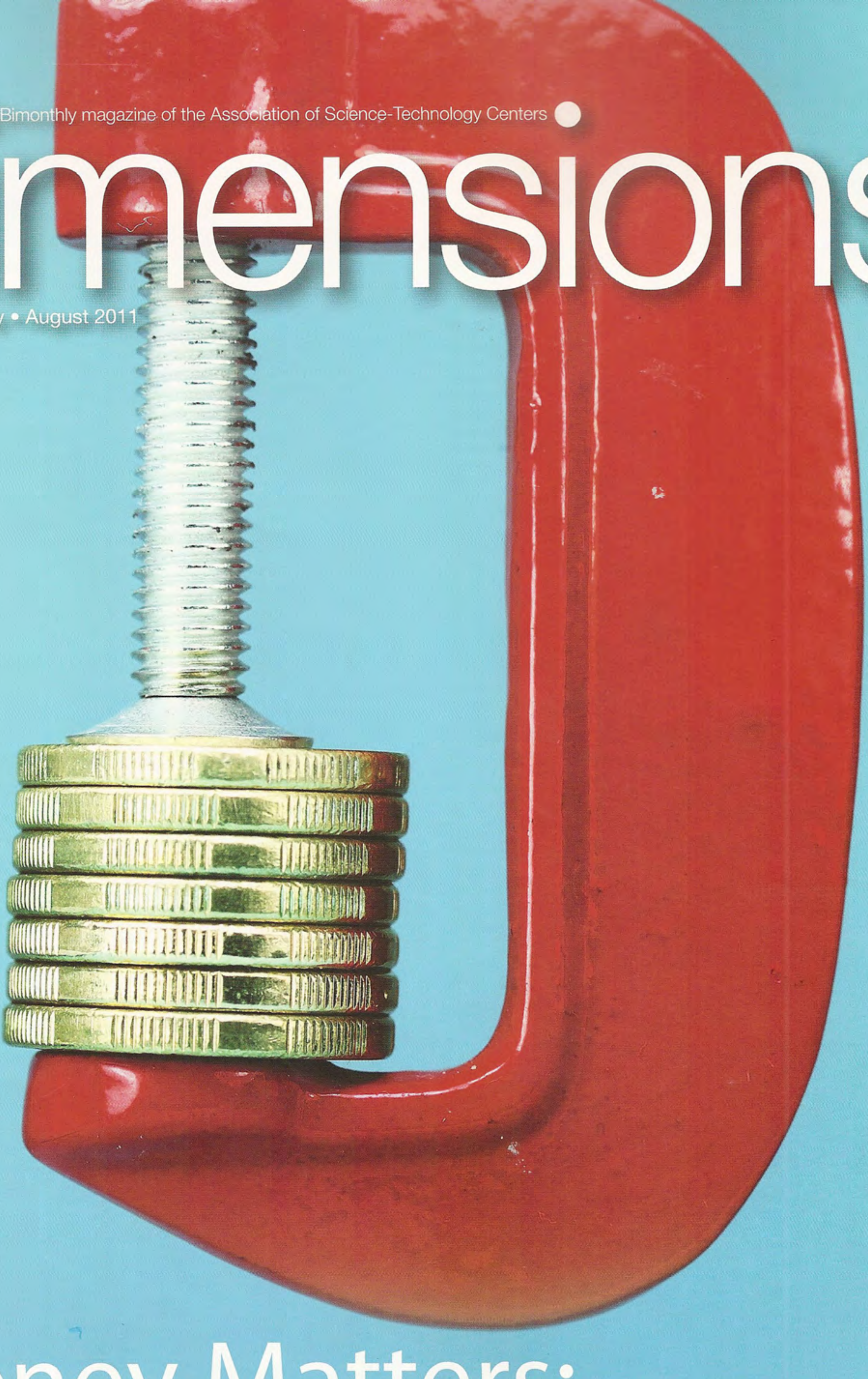


Money Matters:

Science Centers Thriving in Tough Times

Strategies for Financial Health

By Charlie Trautmann and Lara Litchfield-Kimber

Remaining financially healthy during tough economic times is hard work. With recent reports of resizings, downsizings, reorganizations, and museum closings, how can we inoculate ourselves against economic malaise?

The Sciencenter in Ithaca, New York, is a small museum with 10,000 square feet (930 square meters) of indoor exhibits, an annual attendance of 100,000, a staff of 27, and a budget of $2 million. Over the years, we have experimented with various strategies to improve our financial health. Some have worked and others haven't, but our approach has achieved a 25% growth in staff during the past three years; the ability to offer a bonus and a 2.5–3% raise each year for the past two decades; and a year-end operating statement in the black since 1989 (except in 2008, when investments dramatically declined).

In the spirit of "an ounce of prevention is worth a pound of cure," we offer six financial strategies—our "F-vitamins"—which have helped us get through tough times.

Free public events—such as this tour of a model of the solar system by Bill Nye, the Science Guy (center, in the hat)—can help science centers be valued and then supported by their communities. Photo courtesy the Sciencenter

Above: The Sciencenter invests in staff; here, an emeritus trustee gives a workshop to staff on planning for retirement. Far right: The Sciencenter finds that building goodwill in the community (for example, by serving as a United Way Pacesetter organization) leads to donor support. Photos courtesy the Sciencenter

Vitamin F1: Diversify income sources.

We once believed that finding a "silver bullet," such as state funding, a federal earmark, or a blockbuster exhibition, was the way to balance our budget. Now, however, we aim for a diverse portfolio with four to six main sources, none representing more than 20–30% of total income. Our current mix (as of 2009) is shown in the pie chart on the opposite page.

Vitamin F2: Minimize debt.

Debt is a scourge for museums. Unfortunately, boards sometimes forget that debt payments come from annual fundraising, not operating surpluses. Cavalier decisions can saddle future directors with debt, sometimes for decades. We learned the hard way that fundraising after a building's completion doesn't work, because no one donates after the opening. Furthermore, when times get tough and income drops, debt payments don't. So we stopped using long-term debt, even when it meant constructing less than we wanted and building what we could afford in phases.

Vitamin F3: Think long term.

Because we seek to leave behind an institution that is financially viable in perpetuity, we started an endowment when we opened in 1993. When we receive an unexpected donation, we generally put a portion into our annual fund, issue a special bonus to staff (to acknowledge that their efforts led to the donation), and invest most in the endowment. The fund now equals our annual budget; our five-year goal is to double it to provide 10% of operating revenue.

Vitamin F4: Use accounting principles to your advantage.

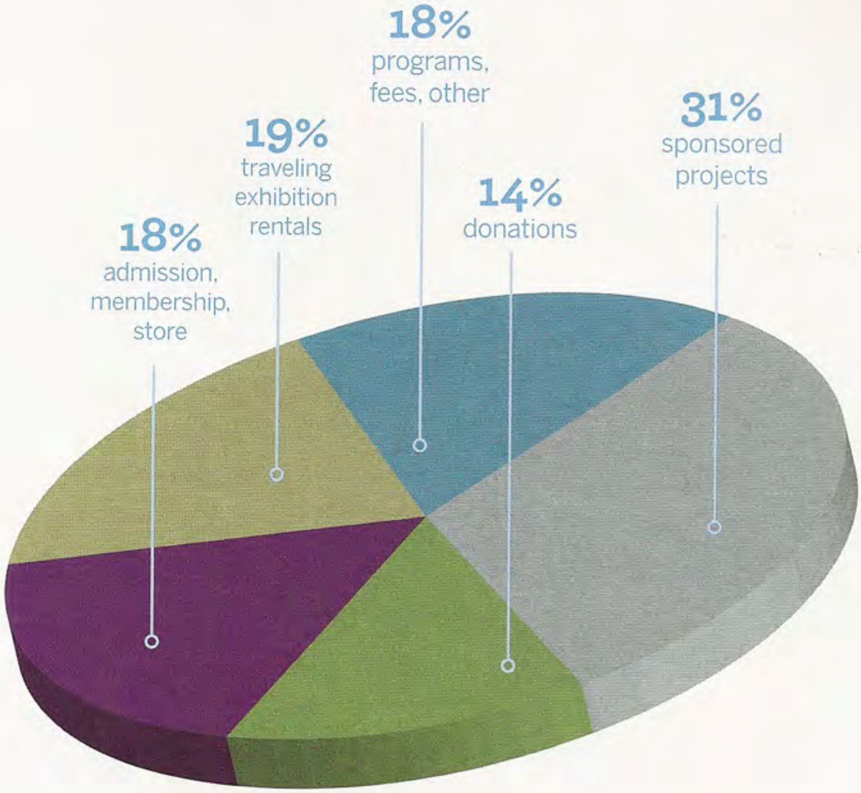
If you get U.S. federal grants, the government pays overhead, or indirect costs, using the ratio (indirect costs) / (direct costs). Rented space is considered a direct cost and reduces the ratio, but depreciation of buildings and exhibitions is considered an indirect cost and increases the ratio. Therefore, we aim to own and depreciate all our assets to maximize indirect cost recovery.

Vitamin F5: Focus on the triple bottom line: environment, society, and economy.

We take a broad view of the bottom line and include the indirect benefits from environmental and social investments. For example, we began buying 100% renewable wind-generated power a few years ago as the right thing to do; an environmentally conscious $500-per-year donor responded by increasing her annual gift to $25,000.

We invest heavily in staff. We typically send one-quarter of our staff to the ASTC Annual Conference. We use a quarterly staff climate survey to improve working conditions and have developed a reputation as a preferred employer. This has helped us to recruit a talented team that works well together, innovates constantly, and provides great visitor service, which promotes attendance through good word

The Sciencenter's 2009 Operating Revenue: $2.0 Million



of mouth. Other benefits include reduced turnover, lower recruitment and training costs, and frequent offers to partner on grants.

We also strive to build goodwill in our community—offering free membership to families eligible for free or reduced lunches, serving as a United Way Pacesetter organization, and providing free field trips to all 900 second graders in our county—which leads to donor support.

Vitamin F6: Nurture a top-notch finance committee.

Ours includes a college controller, tax accountant, retired corporate CFO, and banker. The committee meets monthly and digs deeply into the numbers, regularly suggesting ways to enhance our financial viability.

In summary, maintaining financial health is an ongoing process of regular hygiene and good habits. Though the financial vitamins we describe can be tough to swallow, most get easier over time. We focus on using them for tactical decisions, because, to paraphrase the famous self-improvement expert Dale Carnegie, "Take care with small decisions, and the bigger ones will take care of themselves." That is, use small decisions to develop good habits, and better decisions on big issues will come naturally. ■

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