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To: Judith A. Jacobs
Presiding Officer, Nassau County Legislature

Peter Schmitt
Minority Leader, Nassau County Legislature

Craig Johnson
Chair, Finance Committee

From: Howard S. Weitzman
Comptroller

Date: September 5, 2006

Re: Review of Cash Balances for Cradle of Aviation Museum

On July 19, 2006 this office issued a limited financial review of the Cradle of Aviation. As a result of our findings, this office has continuing concerns about the financial condition of the Museum. Accordingly, we have prepared a short term cash flow analysis as of July 31, 2006 and projected the Museum's cash position through the end of the year.

Our analysis shows that even with the increased County subsidy, as of July 31, 2006, the Museum does not have sufficient cash to meet its payroll and pay its bills.

As of July 31, accounts payable total more than three times the cash available for operations:

- | | |
|--|-----------|
| • Cash in bank as of July 31, 2006 | \$263,175 |
| • Restricted cash as of July 31, 2006 | \$ 78,000 |
| • Cash available for operations | \$185,177 |
| • Accounts Payable balance as of July 31, 2006 | \$606,026 |
- (Approximately one half the balance is over 120 days old.)

We also projected the Museum's cash position through December 2006. We project that if current trends continue, the Museum will be unable to operate through November 2006 when it will face a month end negative cash position of \$173,531, increasing to \$259,899 by the end of December 2006. We project that open account payables will total \$936,026 by December 31, 2006. Our analysis assumes payments from the County as approved by the Legislature this year, revenue from admissions, rentals and the annual gala fundraiser similar to prior years' results. On the payable side, our analysis assumes that the Museum will pay current IMAX charges along with \$8,000 per month toward old charges, film fees, interest on the line of credit, fee for the museum consultant and those bills that have remained unpaid for six months or more. We make no provision for the Museum to pay anything toward its other current liabilities.

	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>
Funding Sources:					
Estimated Admissions	152,703	51,559	99,032	86,729	116,065
County Funding	100,000		100,000		
Pledges Receivable					30,000
Net Revenues from Museum Store Sales	19,257	6,502	12,488	10,937	14,637
Building Rental Revenue	21,438	21,438	21,438	21,438	21,438
Revenue from Annual Gala held in Nov.		60,000	247,527		
Total Revenues	293,398	139,498	480,485	119,104	182,140
Disbursements:					
Accounts Payable	30,000	30,000	157,057	60,136	38,990
Interest Expense	15,000	15,000	15,000	15,000	15,000
Gala Expenses				49,442	
LORD Consulting	25,000	0	70,000		
Film Fees	15,000	15,000	15,000	15,000	15,000
IMAX license and maintenance - Current Charges	22,000	22,000	22,000	22,000	22,000
IMAX license and maintenance - Previous Liability	8,000	8,000	8,000	8,000	8,000
Estimated Payroll	169,519	221,000	169,519	169,519	169,519
Total Expenditures	284,519	311,000	456,576	339,097	268,509
Monthly Cash Flow	8,879	(171,502)	23,909	(219,993)	(86,369)
Beginning of Month Cash Available for Operations	185,177	194,056	22,554	46,463	(173,530)
End of Month Cash Available for Operations	194,056	22,554	46,463	(173,530)	(259,899)
Estimated Accounts Payable Balance as of Month End	628,026	705,026	782,026	859,026	936,026

Notes on revenue projection:

- Admissions are projected based on monthly results for the FY 2005 and 2006. September revenue from attendance has been less than 50% of the average monthly revenue because of historically lower student visits.
- Store sale revenue forecast is based on average net revenue from store sales as a percentage of admission revenues from the last six months.
- Building rental forecast is based on average revenue from building rental from the last six months.

- County funding is based on the interim agreement between Museums at Mitchell and the County approved by the Legislature in April 2006.
- The museum only has \$30K in pledges receivable to be collected in the upcoming year.
- Net income from the annual fundraising gala is projected at last year's receipts, which was more successful than in previous years.
- No income from grants or other contributions are projected since we are currently unaware of any that will be bringing funds into the museum in this time frame.

Notes on expenditure projection:

- Payroll expense is based on the average monthly payroll & benefits for April – June 2006. There are three pay periods in September 2006. The payroll figure includes the Museum's initiative to reduce part time payroll in September to match historically low September attendance levels.
- With the exception of IMAX, we assume the museum will pay down only those accounts payable outstanding over 180 days.

Current liabilities excluded from projection:

Certain liabilities are not included in the projected expenditures:

Repayment to Roslyn Savings Bank of principal on a \$1,750,000 line of credit.

Amounts due to County for utility expenditures on the Museum's behalf totaling \$434,000 through July 31, 2006. Future utility expense is also excluded from account payable projections since the Museum does not apparently plan to assume this expense.

Liability to Simex for the simulation ride. The Museum has included monthly film fees of \$7,500 to Simex through June 30, 2006 in its accounts payable, but excluded such fees from July 2006 forward since it is in litigation with Simex. In addition, the Museum has past due capital lease obligations, as of July 31, 2006, of \$385,035 owed to Simex. This liability is included in the Museum's obligations under capital leases. There is no provision for payment of this liability. The lease expires February 2007.

cc: Members, Nassau County Legislature
Peter Gerbasi, Deputy County Executive