

**ENDICOTT COLLEGE**

**MASSACHUSETTS MUSEUM FUNDING**

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## **CHAPTER ONE: INTRODUCTION AND OVERVIEW**

### **INTRODUCTION**

*Massachusetts Museum Funding* addresses a very simple question: How do museums make money? In order to find the answer, the author examined financial reports of a selection of museums in Massachusetts, researched published literature, and conducted a survey of Massachusetts museum administrators. *Massachusetts Museum Funding* provides an analysis of past revenue streams and anticipated strategies of a selection of Massachusetts museums in order to create a template reflecting both the realities of museum funding as it exists today, as well as delineate possible future directions.

### **MUSEUMS AND BUSINESSES**

The Random House Webster's College Dictionary defines "museum" as "a building or place where works of art, scientific specimens, or other objects of permanent value are kept and displayed" (Random House, 1991). The American Association of Museums states "America's museums are community-centered places for remembering, discovering, and learning" (AAM, 2004). No doubt there are countless other definitions, because museums mean many things to many different people, and museums have widely differing missions, collections, and audiences.

It can perhaps be safely stated that all museums provide a service to an audience (even a very small one), and this service is most often based on the exhibit of objects or artifacts. In addition, all museums require a cash income to operate. In this way museums and other non-

profits closely resemble for-profit businesses. Business enterprises sell goods or services to customers, and thus have a well-defined income objective which may be easily stated as a sales goal or market share. Museums and other non-profits are different in that they pledge to provide their services at below market value to as wide an audience as possible. Therefore, if a museum is successful in distributing its services to a broad audience, it will not make enough income from the sale of these services to provide for its expenses. Additional income must be acquired from other sources. Museums sell their services just as businesses do, but to supplement their income museums also need to solicit outright gifts from individuals, foundations, corporations, and the government.

For business managers, sales income is the clearest way to measure a firm's success. Failure to meet sales goals means insufficient income—it's just that simple. For museum managers, there is no such unambiguous benchmark. The museum's mission may even require the museum manager to "sell" unpopular services because they enrich the community in ways of which the community may be unaware. Consequently, museums are forced to have a much wider variety of revenue streams than many businesses. Sources of income may include earned program fees and retail sales, but also gifts and grants from individuals and foundations; sponsorships from businesses; revenue from special events such as raffles and charity auctions; fund raising drives such as an Annual Appeal; bequests from the estates of individuals; and many more. The myriad funding choices used by museums, together with the variety of audiences, locations, and missions of museums large and small, may make it difficult for museum managers to determine if their own institution is generating income in the most effective way possible.

## **THE CHALLENGE OF MUSEUM FUNDING**

### **Museums as tax-exempt organizations**

Museums exist to provide a service to the community. This service, as defined by a museum's mission statement, may include preserving historic artifacts or works of art as formally accessioned collections; exhibiting such collections to the public; providing educational opportunities such as lectures and classes; and providing a forum for the exchange of ideas.

The major financial difference between a for-profit business and tax-exempt museum is that the museum's revenue streams are not necessarily derived directly from the services it provides. For instance, a hotel provides a service to its customers consisting of comfortable and safe overnight lodging and meeting facilities. The hotel's income is directly related to the service it provides, because the customers pay for their rooms. There may be ancillary sources of income such as a gift shop, but the success of the hotel depends upon a direct relationship between the product and the sale of that product to customers.

Museums, like other tax-exempt organizations, are founded upon the idea that their services must be made available to the community as a whole. The relatively simple relationship between service and revenue, which exists in a taxable business, is far more complex in a museum. The mission of a museum is to provide for the community as a whole, and consequently while some individuals may be able to pay for the true value of an exhibit or program, many others cannot. The difference in revenue must be made up through increased support from those who can afford it, including wealthier individuals, businesses, foundations,

and the government itself. This difference comes in the form of tax-deductible grants, donations and sponsorships, given freely to the museum by foundations, individuals and businesses.

In providing these services, museums fulfill a charitable educational and cultural function which would otherwise be provided by a government agency. Since non-profit charities lessen the burden of government, they are granted tax-exempt status by the Internal Revenue Service as described in the IRS Code Section 501(c)(3). Outwardly, the internal financial structure of a museum may resemble a private business in that there are revenue streams which may include program fees and retail sales. However, non-profits may also solicit tax-deductible contributions, which is a revenue source unique to non-profits.

### **Creating a Financial Model for a Museum**

While the direct relationship between sales and revenue that exists in a taxable business is more complex in a tax-exempt museum, many museum administrators are more comfortable with curatorial issues than finance. As a result, museum administrators and financial planners may not have an overview of the best practices of the museum industry, and may have difficulty creating a model or template of an appropriate financial structure. The goal of *Massachusetts Museum Funding* is to assemble data on how museums generate revenue as reported in their IRS Form 990s; to learn from museum administrators what their vision for the future is for their own institutions; and to create a template based both on existing practices and a shared vision of the future. In order achieve these goals this report relied upon available literature including the IRS Code 501(c)(3) and peer-reviewed articles; the IRS Form 990 forms filed by museums; and a survey of museum administrators

## **SCOPE OF THE REPORT**

In the United States, the range of tax-exempt institutions is wide, including colleges and universities, hospitals, churches and religious groups, social service agencies, historical societies and museums. The funding structures of each are different, and therefore this report focused only on museums and historical societies. There are approximately 8,300 tax-exempt institutions that call themselves “museums” in the United States, of which 338 are in the Commonwealth of Massachusetts (The Official Museum Directory, 2004).

The primary sources for this report are approximately thirty-six of the forty-five museums and historical societies in Massachusetts which file their own IRS Form 990 and which have revenues of \$250,000 or more annually. Museums which are not examined in this report include those which are operated by an educational institution (such as the Pratt Museum of Natural History at Amherst College), government agency (such as The John F. Kennedy Library and Museum, operated by the National Archives & Records Administration in Washington, DC), or a private corporation (The Museum of Bad Art in Dedham, MA). These museums tend to have revenue schemes which are pre-determined by their association with a parent organization, and thus do not have a “blank slate” upon which to create their funding strategy.

## **RESEARCH QUESTIONS**

The report addresses two fundamental questions: how museums structure their revenue streams today, and the structure museum administrators envision for their institutions in the next

five years. The data used to answer these questions came from two sources. In order to determine the revenue structure of museums in Massachusetts today, this report examines the IRS Form 990s which are filed by museums with the federal government, and which are publicly available on the non-profit website [www.GuideStar.org](http://www.GuideStar.org). Information about long-range strategic plans for many of these same museums was obtained by use of a questionnaire presented to senior museum administrators.

## **LIMITATIONS AND BIASES**

The GuideStar website provides photocopies of the original IRS 990 forms for many non-profit institutions nationwide. Consequently, this method of research involves viewing copies of federal forms on a website. There is no reason for the researcher to believe the forms are inaccurately represented or to doubt their legitimacy.

However, the financial information on the forms is supplied by the institutions themselves. Museum financial reporters, like anyone else making a report to the IRS, may “spin” data one way or another to satisfy some internal requirement. Likewise, the opinions expressed by the administrators who respond to the survey may be colored by their own desire to make a favorable impression even though the questionnaires are confidential.

By practical necessity, this report is limited to thirty-six museums in the Commonwealth of Massachusetts whose IRS Form 990s are available on [www.GuideStar.org](http://www.GuideStar.org) and which will easily fit on one Microsoft Excel spreadsheet page. It may be possible that museums in other states face entirely different funding challenges. In addition, it may be noted that the Museum of Fine Arts and the Peabody Essex Museum were included in the IRS Form 990 survey twice: The

Museum of Fine Arts reports for 2000 and 2001, and the Peabody Essex reports for 2001 and 2002.

The survey was mailed to sixty museum administrators throughout Massachusetts. Twenty-eight administrators responded, providing twenty-seven usable surveys. It may be noted, therefore, that the opinions that form the basis of this report are those that were willingly provided. There is no way of knowing whether or not this willingness correlates with the type of answers given. It may be possible, for instance, that those who responded had a generally positive outlook, while their pessimistic peers declined to participate. The reverse may be true as well.

## **SUMMARY**

*Massachusetts Museum Funding* answers the question of how museums in Massachusetts generate cash income. To create a template of today's best practices, the report examines the publicly available IRS Form 990s of thirty-six tax-exempt museums and historical societies in the Commonwealth of Massachusetts. To create a picture of strategic plans for the next five years, a questionnaire was mailed to sixty Massachusetts museum managers at many of these same institutions. Additional background information was obtained from a review of published literature.

These three sources of information were used to create a template of current practices and strategic plans at museums in Massachusetts. This template will serve as a guide for museum financial planners who require a benchmark against which they can compare their own strategic



plans, and perhaps assist them in creating a solid, broad-based funding strategy which will enable their institutions to more effectively serve their audiences in the years to come.

## **CHAPTER TWO: LITERATURE REVIEW**

### **INTRODUCTION**

This report draws upon both primary and secondary source material that provides information on museum finances and practices. There are two types of primary source material: the official publications and requirements of the Internal Revenue Service regarding 501(c)(3) non-profit charitable organizations; and the financial reports (IRS Form 990) of a selection of Massachusetts museums and historical societies as collected by GuideStar, a non-profit industry website and database. In addition, there is secondary source material consisting of published pieces from scholarly journals, museum and fund raising trade publications, and newspaper sources. These pieces reflect the changes and challenges of museum funding during the past ten years, and serve to highlight some of the issues revolving around the influence wielded by institutions and individuals who may be both interested stakeholders and major donors. This report ties together these three areas of source material to create a foundation for the survey and subsequent recommendations.

### **INTERNAL REVENUE SERVICE REGULATIONS**

The museums included in this report all operate as tax-exempt charitable organizations, a status which is central to their identities, their missions and their financial structures. To qualify as a tax-exempt charitable organization described in IRC Section 501(c)(3) of the Code, an organization must be organized and operated exclusively for one of several charitable purposes.

The purpose that museums generally fall under is “lessening the burdens of government” [IRC Section 501(c)(3)]. Furthermore, an organization must not “engage, other than as an insubstantial part of its activities, in activities which are not in furtherance of one or more of those purposes” [IRC Section 501(c)(3)]. To underscore its importance, this qualification is reiterated later when the IRS states that an exempt organization “will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose” [IRC Section 501(c)(3)].

In order to clarify the often fuzzy line between charitable and ordinary for-profit activities, the IRS also specifically addresses Unrelated Business Income Taxation (UBIT) in areas such as museum restaurants and function rentals (IRS Publication 598). Complex definitions exist as to whether or not a function rental, for instance, is a tax-deductible activity for the client and/or conforms to the exempt status of the charitable organization.

The tax-exempt status of a museum is important because it affects not only the museum itself, but also its stakeholders. Donors who write checks to museums and other charities generally expect their gifts to be tax-deductible, which is only possible if the IRS recognizes the organization as a non-profit. A corporation that rents a museum for client entertainment, for instance, can deduct the cost as a charitable donation if the event conforms to IRS regulations. If it does not, it is not deductible, which in turn may influence the corporation’s decision to hold the event.

## **FINANCIAL REPORTS OF MASSACHUSETTS MUSEUMS: THE IRS FORM 990**

### **What is a Form 990?**

Non-profit IRS 501(c)(3) charitable organizations including museums are required by the Internal Revenue Service to annually file a Form 990. The Form 990 resembles a tax return document, and the filing organization is required to list revenue by category, expenses, major donors, and other financial information. The filing and acceptance of the Form 990 will support the organization's status as a tax-exempt charitable organization.

Revenues reported on the Form 990 are, by definition, non-taxable income. Income of \$1,000 or more from unrelated business activities (UBIT) such as some museum restaurant or retailing operations must be filed on a Form 990-T. For instance, the Museum of Fine Arts in Boston (MFA) has created a for-profit subsidiary corporation for its retail sales operations, which explains why Line 10c of the MFA's Form 990, "Gross profit or (loss) from sales of inventory" is blank (MFA Form 990, 2001). The Form 990-T is not available for public inspection (IRS Publication 598, 2000).

The front page of each Form 990 provides information such as institution name and address. The first set of data is "Part 1: Revenue, Expenses, and Changes in Net Assets or Fund Balances." In Part 1, lines 1 through 12 list revenues by category. Some lines have subtotals listed as "a, b, c," etc. The revenue lines used in this report are as follows, in each case followed by an explanation of the types of revenue sources for each:

1a-d Contributions, gifts, grants, and similar amounts received.

This line may include all personal gifts such as income from an Annual Fund, restricted gifts, gifts of stock and securities, and planned giving. May also include corporate gifts such as exhibition sponsorships and corporate grants from a corporate foundation; gifts and grants from private foundations; and grants from government agencies such as the Massachusetts Cultural Council or the federally funded Institute of Museum and Library Services. Amounts must be “voluntary contributions; that is, payments, or the part of a payment, for which the payer (donor) does not receive full retail value (fair market value) from the recipient (donee) organization” (2003 IRS Form 990, page 18).

2 Program service revenue.

“Program services are primarily those that form the basis of an organization’s exemption from tax.” (2003 IRS Form 990, page 19). May include earned income and fees from education programs such as school programs, lectures and concerts; income from tours and admissions; or any instance of educational or entertainment content provided in exchange for a fee.

3 Membership dues and assessments.

Fees from annual memberships, including corporate and individual. A tricky item because according to the IRS, “Whether or not membership benefits are used, dues received by an organization, to the extent they are more than the monetary value of the membership benefits available to the dues payer, are a contribution that should be reported on line 1a.” (2003 IRS Form 990, page 20).

4 Interest on savings and temporary cash investments.

5 Dividends and interest from securities.

For economy in this report, lines 4 and 5 have been combined to create one category of “Interest and Dividends.” This category may include all interest and dividends from cash accounts and securities. Does not include capital gains, which are reported on line 8.

6a-c Gross rents less rental expenses.

Many museums rent their facilities, or a portion thereof, for functions and special events such as business meetings, weddings, fund raising events, and receptions. However, “when an organization rents to an unaffiliated exempt organization at less than fair rental value for the purpose of aiding that tenant’s exempt function, the reporting organization should report such rental income as program service revenue on line 2.” (2003 IRS Form 990, page 20).

7 Other investment income.

Only a few of the surveyed museums used this line item, and for simplicity when creating Chart 1 the figure was placed into line 11, “Other revenue.”

8a-d Gross amount from sale of assets other than inventory, less cost basis or loss.

Includes income from the sale of stocks, bonds and securities, real estate, royalty interests, or partnership interests, either from an endowment fund or any other designated fund.

This line may reflect significant losses, especially in 2001-2002.

The IRS also includes “all other non-inventory assets (such as program-related investments and fixed assets used by the organization in its related and unrelated activities).”

The reference to fixed assets seems to be the only reference to the sometimes controversial strategy of selling collections items to raise cash. It appears that the IRS makes no distinction between a museum selling its IBM stock and selling a Picasso from its collections; however, the

AAM and other professional museum organizations maintain there is a huge difference.

Museum professionals who responded to the survey described later in this report may have been sensitive to this ambiguity when formulating their responses.

9a-c Special events and activities, less direct expenses.

Special events may include auctions, raffles, dinner parties, and other fundraising events, less direct expenses associated with the event. IRS regulations for this line can be complex. For instance, “Special events may generate both revenue and contributions. When a buyer pays more than the retail value of the goods or services furnished, enter...as gross revenue, on line 9a (in the right-hand column), the retail value of the goods or services.... as a contribution, on both line 1a and line 9a (within the parentheses), the amount received that exceeds the retail value of the goods or services given.” (2003 IRS Form 990, page 21). Because gross revenue is often exceeded by contributions, and is less than gross expenses, special fund-raising events often appear to lose money on the organization’s Form 990.

Furthermore, “If the goods or services given or otherwise offered at special events have only nominal value, include all the receipts as contributions...See General Instruction L for a description of nominal or insubstantial benefits.”

In addition, an activity which generates only contributions, such as an annual appeal campaign conducted by mail, is not a special event and is not reported on line 9.

10a-c Gross sales of inventory, less cost of goods sold, returns, and allowances.

“Sales of inventory items reportable on line 10 are sales of those items the organization makes to sell to others or buys for resale.” (2003 IRS Form 990, page 21). Does not include investments, which are reported on line 8. May include retail sales from a museum store, less certain expenses. Some larger museums such as the Museum of Fine Arts have spun off retail

operations into for-profit subsidiaries, which resolves non-profit status tax issues. Consequently, the MFA reported zero sales of inventory on the 2001 Form 990.

11 Other revenue.

Usually a tiny percentage of total revenue. “Examples of income includable on line 11 are interest on notes receivable not held as investments or as program-related investments.... interest on loans to officers, directors, trustees, key employees, and other employees; and royalties that are not investment income or program service revenue.” (2003 IRS Form 990, page 21).

12 Total revenue (sum of lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11).

Individual museums have their own accounting practices, just like for-profit corporations, and income and expenses can be classified by their accountants to achieve a desired goal. Therefore the organization and presentation of dollar amounts listed on a museum’s Form 990 may be disputed even within the museum’s own organization.

It is conceivable that line 8, sales of assets, may include revenue from sales of collections items. Whether or not this is the case cannot be determined from the Form 990, and museums are not required to disclose details of collections sales. However, AAM accredited museums are restricted to using the income from collections sales only to strengthen collections; funds cannot be diverted to other purposes. Museums that sell collections items in order to increase their apparent net worth—to build up collateral when taking out a loan, for example—are engaging in a highly dubious practice.

The IRS Form 990’s for hundreds of United States non-profits are obtained and made available by Guidestar, a non-profit agency which operates a website at [www.Guidestar.org](http://www.Guidestar.org). The Form 990’s presented by Guidestar and used for this report appear to be the original and



authentic forms filed by the organizations with the IRS. They are not summaries but are photocopied images of the actual forms.

### **Selection of Institutions**

The Form 990s from thirty-six Massachusetts museums were taken from Guidestar to create Chart 1. The selection had to be somewhat arbitrary in the interest of economy. Museums selected are all located in Massachusetts, and have incomes ranging from a high of \$117,553,237 (MFA, Boston, 2000) to a low of \$208,688 (Beverly Historical Society, 2001). The median income is \$2,545,711. Institutions range from traditional art museums (such as the MFA and the Cape Ann Historical Association), a large urban science museum (Museum of Science), historical societies and history museums (Wenham Museum, Plimoth Plantation), and an antique automobile museum (Larz Anderson Auto Museum).

### **Form 990 Data Compilation**

Because the museums surveyed are each unique institutions with widely different incomes, to compare their revenue streams based on dollar amounts would be pointless. For instance, the MFA reported \$8,185,816 in membership revenue in FY2001, while the Fitchburg Art Museum reported membership revenue of \$123,538 during the same period. A comparison of these two figures would be meaningless because the two museums are vastly different in size: the MFA reported total revenues of \$78,924,509 in FY 2001, while the Fitchburg Art Museum reported \$2,083,010 in the same period.

To create Chart 1, the line-item dollar amounts as listed on the Form 990 were converted to a percentage of 100%. In this way, the size of the institution is discounted, and the variety—or lack of variety—of revenue mixes becomes clear. The dollar amounts are not the basis for this report. This report focuses on the mix of revenue as a percentage of the total. Using this method, it can be seen that the MFA reported 10.37% of its revenues came from membership dues in FY2001, while the Fitchburg Art Museum reported that membership dues accounted for 5.93% of revenues.

The figures used to create these examples date from the years 2000 through 2003 and thus are not necessarily current, and are subject to interpretation. It is up to the individual organization to classify income for the IRS 990 form. The individual dollar numbers are not important and may be challenged. They become significant when compiled into a meaningful sample. The patterns that appear in the sample illustrate the wide range of funding strategies employed by museums and historical societies, and reveal general patterns of strategic planning—or lack thereof.

### **Form 990 Data Analysis**

The thirty-six museums are listed on the chart in thirty-eight lines, because MFA and the Peabody Essex Museum (PEM) are each listed for both FY2001 and FY2001. The second column gives total reported revenue as a dollar amount, and the museums are ranked in size from largest (MFA) to smallest (Beverly Historical Society). The median income is at bottom (\$2,545,711).

From left to right are the nine income categories corresponding to line items on the Form 990: Gifts and grants, Program revenue, Membership dues, Interest and Dividends, Rents, Sales of Assets, Special Events, Sales of inventory, and Other. The last column on the right is the total percentage (100%). The bottom row gives the overall average in each line item category (for instance, membership dues account for an average of 5.28% of revenues across the entire 36-museum sample). For each museum, the largest single revenue category is **bolded** (for instance, Historic Deerfield reported 31.05% of its income came from Sales of inventory, slightly higher than 30.83% for Gifts and grants, which is the second-ranked category).

Some general patterns can be quickly seen. The following are revenue categories by average percentage for the entire sample, from largest to smallest:

1	Gifts and grants	51.92 %
2	Program revenues	25.49 %
3	Interest and Dividends	11.14 %
4	Membership dues	5.28 %
5	Sales of Inventory	4.54 %
6	Special Events	3.97 %
7	Sales of Assets	1.47 %
8	Rents	1.05 %
9	Other	- 4.86 %
	TOTAL	100.00%

Within these averages are tremendous variations. Some museums depend heavily on public program fees such as the House of Seven Gables in Salem (66.53%); some are dependent

upon gifts and grants such as the Worcester Historical Museum (108.73%, which was offset by a loss in sales of assets of \$492,639, or -17.94% of revenues), while others such as the Sterling and Francine Clark Art Museum have substantial investment income (60.83%).

The Peabody Essex Museum reported \$19,989,343 in direct public support for FY2001 (line 1a, Form 990, 2001), which when added to \$939,667 in government grants (line 1c) equals 125.80% of total income. Gifts from five individuals accounted for \$15,506,932 of the amount in line 1a, or 78% of the total. One individual gave \$6,806,916 (Form 990, 2001). These gifts were partially offset by losses in Sales of assets (-9.09%), Special events (-.12%), and Other (-50.28%).

The Wenham Museum displayed an expansion in funding sources from 1993 (Wenham Museum Annual Report, 1993) to 2003 (Wenham Museum Annual Report, 2003) which is perhaps typical for many small museums. New strategies included corporate memberships, an antiques show, and a proposed golf tournament for 2004.

## **SECONDARY SOURCES: AVAILABLE LITERATURE**

One of the reasons *Massachusetts Museum Funding* fulfills a need is because there is very little published literature which specifically addresses museum revenue strategies. The available published literature suggests that there is no single set formula that all museums follow to generate income. There are a wide variety of sources available, and museums may use a few or many. For instance, some may depend primarily upon admission fees; others have sizable endowments; while others demonstrate a broad mix of revenue sources.

At one end of the spectrum are museums wholly supported by government subsidy, which is far more common in Europe than the United States (Zolberg, 1994). In the United States, there is occasional government support of major museums through direct subsidy, and this creates tension when museums present controversial exhibits, such as when Mayor Rudolph Giuliani of New York threatened to cut \$7 million off the Brooklyn Museum's city funding because of the *Sensation: Young British Artists* exhibit (Ahmad, 1999). Other forms of government support may include grants and bond issues, and certainly the waiver of taxes constitutes a form of investment (Zolberg, 1994). Major museums are able to seek direct tax support from their communities in the form of sales taxes (Sommerfield, 2001).

Museums have also traditionally relied on their boards of trustees to either provide direct funding or arrange for funding from a corporation or foundation with which they have a relationship. The Denver Art Museum, for instance, raised \$50 million entirely within their thirty-person board of trustees, which included several corporate presidents and chairmen, including the chief executive officer of Titanium Metals Corporation and the chairman of US West (Sommerfield, 2001).

Fund raising strategies used by museums and historical societies regardless of size include membership plans (Hays and Slater, 2001) that range from small "friends of" groups to full-fledged national campaigns (Reiss, 1993) and on-line enrollment services (Crain's, 2000). Endowment funds are also traditional sources of cash income (Jaeger, 1997), but their stability is tied directly to the performance of the stock market. The Children's Museum of Indianapolis, for example, amassed an impressive endowment that "swelled along with the stock market, from \$177-million in 1997 to \$235-million in 1999, and then remained flat for the next two years" (Schwinn, 2004). The museum relied upon the interest and dividends from the endowment for

fully two-thirds of its operating budget, but in recent years endowment income has only covered one-third of the budget—and the museum has not had adequate revenue sources to make up the difference. In the face of growing competition from other children’s museums, popular entertainment and culture and changing lifestyles, the museum has had to make changes which include converting its movie theatre (the CineDome) to a dinosaur exhibit, rewriting its mission statement to focus on families rather than just kids, and aggressively developing ties with individual, corporate and foundation donors.

Increasingly, however, museums are developing innovative strategies that blur the boundaries between scholarship and commerce. These include hiring of managers who have “fund-raising prowess, not sound stewardship” (Frumkin, 2002). Museums are quite honest in their expectations; in seeking a new executive director for The Burke Museum in Seattle, WA, acting director Roxana Augusztiny stated, “...And like every other non-profit, we wanted someone with a track record of fund raising” (Tice, 2001).

Museums are creating cross-promotions between exhibits and gift shop merchandise to exploit the brand potential of the exhibited work. “Blockbuster” shows by artists such as Picasso and Cezanne are seen as ways to generate funds (Marsh, 1999). These shows, which draw large audiences, are accompanied by carefully constructed marketing campaigns featuring “the sale of t-shirts, mugs, print books and other art collectibles” (Marsh, 1999). A Monet exhibit at the Royal Academy in London featured ninety separate items of related merchandise including “Monet T-shirts, mouse mats, a watch decorated with water lilies and a cuddly toy frog named Phillipe...” (Marsh, 1999).

Museums are turning to corporate partners. Corporations are finding that “museums make good billboards” (Neuborne, 1997). Investment in museums is growing as corporate

marketing planners such as TWA's Mark Abels increasingly believe that "Our moneys work harder in museums" (Neuborne, 1997).

Gifts and sponsorships are large. General Motors offered \$10 million to the National Museum of American History, a branch of the Smithsonian Institution. The gift would help finance a new gallery devoted to transportation (Fund Raising Management, 2001). At the Museum of Discovery and Science in Fort Lauderdale, board member Wayne Huizinga, founder of Blockbuster Entertainment, arranged for two gifts of \$2.6 million and \$2.4 million respectively to construct—and then upgrade—the museum's IMAX 3D Theater (Santoro, 1996). The Van Gogh Museum in Amsterdam's expansion was funded by an \$18 million gift from the Yasudo Fire & Marine Insurance Company through the Japan Foundation. Yasudo's CEO, Yasuo Goto, is an admirer of Van Gogh, and his company had paid \$40 million for one of the three versions of Van Gogh's "Still Life With 14 Sunflowers" (Reiss, 1999).

Museums are increasingly willing to involve corporations in their exhibit and program activities in exchange for financial support. The Van Gogh Museum will send five annual exhibitions to the Yasudo Company's own museum in Tokyo in exchange for its \$18 million (Reiss, 1999). General Motors' gift to the National Museum of American History includes attaching the General Motors name to the exhibition for the next thirty years. The Smithsonian's Congress of Scholars protested to the Institution's Board of Regents the acceptance of multi-million dollar gifts in exchange for such naming rights (Fund Raising Management, 2001).

When TWA sponsored a three-month-long exhibit at the St. Louis Art Museum, the airline placed its marketing materials in mailings sent from the museum to its members (Neuborne, 1997). Mercedes-Benz, whose vehicles had appeared in the film "The Lost World," sponsored a dinosaur program created by the American Museum of Natural History and sent to

regional natural history museums. The materials included real dinosaur fossils and contemporary fictional models created for the movie. Watchdog groups responded that “...for a museum to knowingly display an inaccurate dinosaur is astonishing. The museum is a place you should be able to get good, honest information” (Michael Jacobson, Center for Science in the Public Interest, in Neuborne, 1997).

Jeffrey Patchen, executive director of the Children’s Museum of Indianapolis, “acknowledges the ‘two tensions’ of securing gifts and advancing the museum’s educational mission. He says in many cases he is able to reason with donors who have ideas about an exhibit that would not fit with the museum’s goals. For example, Dow Chemical wanted to pay for an exhibit on genetic engineering, but Mr. Patchen says he persuaded the company to give money instead for a much more basic exhibit that explains DNA and genes” (Schwinn, 2004).

It may be noted that the opportunity to partner with a large corporation—and therefore open the door to ethical questions such partnerships create—exists primarily for large museums with regional or national audiences and budgets over \$5 million. Large corporations are simply not interested in the local audiences served by smaller museums. The local bank which is providing \$2,000 to underwrite an exhibit at the local historical society is not likely to want to influence the content of the exhibit.

## **SUMMARY**

Three areas of source material—IRS regulations, the form 990s filed by museums, and published literature—combine to form a picture of museums in transition. For many museums, the old way of relying on a few wealthy benefactors and government grants is being supplanted



by a new sense of urgency. Museums are creating for themselves high expectations for growth and community service that did not exist fifty years ago (Pommerehne and Frey, 1980), and increasingly resemble businesses in the service sector. The available literature suggests that museums are aggressively seeking revenue, and are adopting innovative marketing and fund raising strategies. Some strategies are traditional, such as the solicitation of large personal gifts from individuals; others may push the envelope, such as corporate gifts in return for exposure of the corporate brand to the museum's audience. It is up to museum managers and the museum's many stakeholders to plan for appropriate growth, ensure the integrity of the museum's mission, and provide a solid foundation of revenue to make it possible.

## CHAPTER THREE: RESEARCH METHODS

### INTRODUCTION

This examination of contemporary fund raising strategies currently used by museums has included a literature review and financial information from thirty-six Massachusetts museums in the form of their IRS Form 990s from the fiscal years 2001 and/or 2002. The information suggests that patterns of funding currently exist. For instance, the thirty-six sample museums derive an average of 51.9% of their income from “gifts and grants,” the highest single income category. In contrast, “sales of assets” often resulted in a net loss. Eighteen museums reported losing money on sales of assets—a result which is perhaps not surprising given the decline in the stock market in 2000-2002.

Despite these general trends, there is tremendous diversity in fund raising strategies. Some museums, like the Paul Revere Memorial Association, which operates the Paul Revere House in downtown Boston, reported only 6.30% gifts and grants but a substantial 79.70% from program revenue including admission fees. The Berkshire Museum reported 125.52% from sales of assets—offset by a loss of 195.55% in “other.” The Sterling and Francine Clark Art Institute reported that 60.83% of their FY2002 income came from “interest and dividends,” while Historic Deerfield’s highest category was “sales of inventory” at 31.05%.

In order to create a more comprehensive picture of trends in museum funding, it is necessary to look to the future. The realities of today may not accurately reflect the strategic planning of tomorrow. Museums are in transition, and these figures may have little to do with the revenue mix museum administrators believe is appropriate for their institutions. The logical

sources of information about strategic planning are the very museum administrators who are engaged in such planning. These administrators are accessible through a mailed survey form.

## **RESEARCH METHODS: PLAN AND PROCESS**

In order to project the future of museum funding, museum professionals from the thirty-six Massachusetts museums included in the Form 990 report were asked to complete a confidential survey. The goal of the survey was to elicit responses from these professionals regarding their institution's strategic financial planning. By comparing the results of the survey with the trends observed in historical data, a clearer picture of the evolution of museum funding emerged.

### **The Survey Form**

The survey consisted of a single sheet with a brief introduction, followed by ten statements. After each statement was a choice of five responses on a Likert scale: Strongly agree, Agree, Neutral, Disagree, and Strongly disagree. At the bottom was a request for comments to be written on the back of the sheet.

The first group of four statements dealt with overall growth and the breadth of funding at the respondent's museum. The first two statements reflected growth in the past and in the future, and respondents were asked to indicate if their museum has experienced growth in the past five years, and/or will experience growth in the next five years. The third statement reflected whether or not the respondent's museum intended to develop new revenue streams in the next

five years. The fourth statement asked whether or not the respondent's museum had a broad base of funding. These were all general questions that provided a framework for the statements that followed.

The next group of six statements was more specific, and related to six of nine line items on the IRS Form 990 including gifts and grants, program revenue, interest and dividends, membership, special events, and sales of assets. These choices allowed the respondents to provide more detailed information about strategic plans in the next five years. Finally, there was a line at the bottom of the page requesting that additional comments be submitted on the reverse of the form.

The completed questionnaires were to be correlated and the data compared with the historical information obtained from the Form 990. In this way a clear picture of change—or lack of change—in trends in museum funding would emerge.

### **Target Participants**

The survey was mailed to senior administrators at the thirty-six surveyed institutions. All forms were mailed directly to the executive director of each museum. In smaller museums, respondents may include the executive director. In larger museums, the respondents may include the development director or finance director, or some other staff member to whom the form was “passed off.” Since the replies are anonymous, we have no way of knowing exactly who responded.

## LIMITATIONS OF STUDY

The goal of this survey was to provide a sample of the opinions of a small group of museum professionals regarding what they considered to be likely fund raising strategies. The survey was limited by several factors. The questionnaire itself was the result of a balance between two conflicting circumstances: the fact that respondents were perhaps not likely to tolerate a lengthy questionnaire, and that the resulting one-page questionnaire with only ten questions was simply not comprehensive enough to address every important issue.

In addition, the survey depended upon the willingness and candor of the respondents. The survey asked the respondents to provide information which the institution—despite being a public charity—may regard as confidential or at least not appropriate for public dissemination. The survey asked for information that may be regarded as subjective, or at the very least the personal opinion of the respondent and not necessarily endorsed by the institution's board or formal planning body. In addition, the same problem may be encountered with the questionnaire responses as was encountered with the Form 990's, namely that information provided may be "tweaked" or "massaged" in order provide a favorable or consciously manipulated impression.

The questionnaire, like the survey of the Form 990s, provides information only on a limited number of museums in one state—Massachusetts. There is no way of determining whether or not the data and the conclusions are valid for all the museums in Massachusetts, or even for other museums in other states.

## **SUMMARY**

This report creates a comprehensive picture of the fund raising strategies used by thirty-six museums in Massachusetts. The Form 990s filed with the IRS and obtained on the GuideStar website presented information about strategies used in the recent past. This information was compared with the opinions offered by staff members at these thirty-six museums to a survey form. The survey form consisted of ten statements followed by a choice of five responses on a Likert scale, and asked the respondents about both past performance and strategic plans for the next five years. It was mailed to the executive directors of the thirty-six museums, and the responses were compared with the historical data gleaned from the Form 990s.

## CHAPTER FOUR: FINDINGS AND ANALYSIS

### INTRODUCTION

In May of 2004 sixty survey questionnaires were mailed to museum executive directors, development directors, and other senior administrators at forty-two independent 501(c)(3) tax-exempt museums in Massachusetts. The names, titles and addresses of these administrators were taken from *The Official Museum Directory* (American Association of Museums, National Register Publishing, New Providence, NJ, 2004). Selected museums had budgets equal to or larger than \$250,000, and represented art museums, historical societies, living and social history museums, and natural history museums. Most of the museums chosen for inclusion in the Form 990 survey described in chapter two of this report were included in the survey mailing. None of the museums chosen for the survey mailing were subsidiaries of, or supported by, a parent institution such as a university or government body.

Of the sixty surveys mailed, twenty-eight were returned. This represents a 46.6% response rate. Of the twenty-eight returned surveys, one was not included in the results. This is because the respondent chose “strongly agree” as the response to every question. The author concluded that the respondent simply could not have read the questionnaire directions carefully, because questions 5 through 11 ask the respondent to choose “revenue streams as a proportion of total income.” It is impossible to increase every part in proportion to the other parts of a whole. Therefore, while twenty-eight responses were received, n=27.

In the data tables following, the percentages have been rounded to the nearest whole percent, and therefore will not total 100%.

## DESCRIPTION OF FINDINGS: DATA TABLES

**Table A**

**Frequency of Response for “My museum’s annual cash budget is:”**

n=27

Response	Frequency	Percentage
Up to \$999,999	8	30%
\$1,000,000-\$4,999,999	8	30%
\$5,000,000-\$9,999,999	7	26%
Over \$10,000,000	4	15%
<b>TOTAL</b>	<b>27</b>	

This question was included to provide a basic demographic framework. Responses were received evenly across each of the four categories except for the largest, which received four responses. Later in this report we will briefly look at whether or not there are any differences in response between museums in the lower two categories (up to \$4.9 million) and upper two categories (\$5 million and above).



**Table 1**

**Frequency of Response for “My museum has experienced total income growth of at least 5% per year over the past five years”**

n=27

Response	Frequency	Percentage
Strongly Agree	4	15%
Agree	13	48%
Neutral	4	15%
Disagree	4	15%
Strongly Disagree	2	7%
TOTAL	27	

The responses were generally positive, with over 60% indicating “strongly agree” or “agree.” Fifteen percent were neutral, while 22% reported that their museum incomes had not grown at least 5% per year during the past five years.

**Table 2**

**Frequency of Response for “My museum will develop completely new revenue stream(s) in the next five years”**

n=27

Response	Frequency	Percentage
Strongly Agree	9	33%
Agree	4	15%
Neutral	8	30%
Disagree	6	22%
Strongly Disagree	0	0%
TOTAL	27	

This question addressed strategic planning for the next five years, and whether or not the respondent felt that the organization intended to devise entirely new sources of revenue. The results were mixed, with about half responding “neutral” or “disagree.” None, however, disagreed strongly.

**Table 3**  
**Frequency of Response for “My museum has a broad base of funding”**

n=27

Response	Frequency	Percentage
Strongly Agree	2	7%
Agree	13	48%
Neutral	4	15%
Disagree	7	26%
Strongly Disagree	1	4%
TOTAL	27	

This question addresses museum revenue streams today. Thirty percent expressed dissatisfaction with their organization’s base of funding, while the largest group (48%) expressed satisfaction. Only 7% were enthusiastically positive that their institution had a broad base of funding.

**Table 4**

**Frequency of Response for “In the next five years, my museum needs to make gifts and grants a larger proportion of total revenue”**

n=27

Response	Frequency	Percentage
Strongly Agree	11	41%
Agree	11	41%
Neutral	4	15%
Disagree	1	4%
Strongly Disagree	0	0%
TOTAL	27	

Tables 4 through 10 query specific revenue sources that correlate to the income lines on the IRS Form 990. This question mirrors line 1-d on the Form 990, “Contributions, gifts, grants and similar amounts received.” Responses show that museums pinpoint gifts and grants as a revenue source that should be strengthened in the next five years—only 4% disagreed.

**Table 5**

**Frequency of Response for “In the next five years, my museum needs to make program revenue a larger proportion of total revenue”**

n=27

Response	Frequency	Percentage
Strongly Agree	6	22%
Agree	10	37%
Neutral	7	26%
Disagree	4	15%
Strongly Disagree	0	0%
<b>TOTAL</b>	<b>27</b>	

According to the IRS, program revenues are services that define the museum’s mission. This question mirrors the Form 990 line 2, “Program service revenue.” There was general agreement that this area needs to be strengthened, though not as forcefully as the response for gifts and grants in table 5.

**Table 6**

**Frequency of Response for “In the next five years, my museum needs to make membership dues a larger proportion of total revenue”**

n=27

Response	Frequency	Percentage
Strongly Agree	8	30%
Agree	14	52%
Neutral	5	19%
Disagree	0	0%
Strongly Disagree	0	0%
TOTAL	27	

This question corresponds to the Form 990 line 3, “Membership dues and assessments.”

Membership was the category most chosen as the one needed to be strengthened. Not one respondent felt that their museum was over-dependant on membership, and fully 82% indicated that membership revenue needed to be increased as a proportion of total revenue.

**Table 7**

**Frequency of Response for “In the next five years, my museum needs to make interest and dividends a larger proportion of total revenue”**

n=27

Response	Frequency	Percentage
Strongly Agree	7	26%
Agree	11	41%
Neutral	6	22%
Disagree	1	4%
Strongly Disagree	2	7%
TOTAL	27	

Question 8 primarily addressed income from endowment funds. Only 11% disagreed that this source should be strengthened. Most (41%) chose “agree.”

**Table 8**

**Frequency of Response for “In the next five years, my museum needs to make sales of assets a larger proportion of total revenue”**

n=27

Response	Frequency	Percentage
Strongly Agree	2	7%
Agree	1	4%
Neutral	9	22%
Disagree	6	22%
Strongly Disagree	9	33%
TOTAL	27	

The first generally negative category, with only 11% stating that revenue from sales of assets should be increased.



**Table 9**

**Frequency of Response for “In the next five years, my museum needs to make special events a larger proportion of total revenue”**

n=27

Response	Frequency	Percentage
Strongly Agree	2	7%
Agree	13	48%
Neutral	5	19%
Disagree	5	19%
Strongly Disagree	2	7%
TOTAL	27	

Special events—functions, raffles, auctions, golf tournaments—are increasingly viewed as a potent revenue source for museums. Over half the respondents plan to increase special event revenues in the next five years. Seven percent, however, strongly disagreed, and 19% disagreed.

**Table 10**

**Frequency of Response for “In the next five years, my museum needs to make sales of inventory a larger proportion of total revenue”**

n=27

Response	Frequency	Percentage
Strongly Agree	5	19%
Agree	7	26%
Neutral	10	37%
Disagree	3	11%
Strongly Disagree	2	7%
TOTAL	27	

Sales of inventory includes museum retail store operations, and respondents were lackluster in their response. Fully 37% had no opinion, the highest score for this response in any of the eleven questions.

## WRITTEN COMMENTS FROM RESPONDENTS

Of the twenty-eight responses received, seven included handwritten comments in the space provided on the back of the survey form. They are as follows:

1. “The main evolution to our funding picture (we hope) will be the development of an endowment to supplement operating grants, earned revenue, memberships, etc.” This comment was received from a museum with revenue between \$1,000,000 and \$4,999,999, and whose respondent chose “strongly agree” for only one answer, number 8, “my museum needs to make interest and dividends a larger proportion of total revenue.”
2. “It is not clear what you mean by assets in #9 and inventory in #11. Since museums would consider these to be collections, and while all museums need to do careful deaccessioning, sales of collections simply to make money are frowned upon in the museum world.” The author believes that respondents who are unfamiliar with the IRS Form 990 instructions may have easily confused these questions.
3. “My responses are based in part on an assumption on our own part that we will acquire additional property in the 5 years span you note.” This comment came from a museum with revenues under \$1,000,000.
4. “The Massachusetts Cultural Council needs to re-structure its funding away from ‘boutique’ programs and events to almost solely operational funding to those institutions which can demonstrate that they are making significant structural changes in the budgeting, fundraising, cost control, earned income areas. These grants would reward and help fund fundamental long-term change in the institutions in order to ensure sustainability.”

5. “I would separate gifts from grants and public vs. private funding to show more clearly anticipated/needed revenue streams.” The point is well taken, as gifts from individuals, private foundations and corporations are solicited and processed in a completely different manner than grants from charitable foundations and government agencies. For example, gifts are generally received simply as the result of asking the prospective donor, while grants often require lengthy application, verification and evaluation procedures. In addition, grants are more likely to be conditional or carry restrictions, more likely to be designated toward a specific program or project, and may require the securing of matching funds. However, government and charitable foundation grants represent the tangible approval of community organizations that require the highest standards from applicant organizations.

6. “I strongly agree that we need to grow our endowment. However, that will not be interest and dividend income it will be 5% of the total return of the endowment over a three year rolling average.” The author is not sure what type of income this would be if not interest or dividends, which, aside from capital gains, are the vehicles for generating income from an endowment.

7. “Sorry for the delay in getting this to you. Our CEO just gave it to me.” The author sincerely wishes to thank the unnamed CEO for passing the survey along rather than pitching it in the trash.

## **PRESENTATION OF DATA ACCORDING TO MUSEUM BUDGET SIZE**

The survey form sent to the sixty museum administrators included one question about demographics. Question A asked, “My museum’s annual cash budget is,” and there were four choices: “Up to \$999,999”; “\$1,000,000-\$4,999,999”; “\$5,000,000-\$9,999,999”; and “Over \$10,000,000.” Given the availability of demographic information in the survey data provided by question A, it seemed worthwhile to determine if administrators at larger museums responded differently on selected questions than administrators at smaller museums. To simplify the presentation of this data, the twenty-seven respondents were divided into two groups: those representing smaller museums with annual revenues up to \$4,999,999, and those representing larger museums with revenues \$5,000,000 and above. Of course, if differences seemed substantial a more detailed analysis could be performed comparing each budget category with each of the eleven survey questions. For this report, museums were divided into two income categories and questions 1-4 were selected for examination because they addressed general revenue issues.

Sixteen respondents represented museums with annual revenues of between \$250,000 and \$4,999,999 (m=16). Eleven respondents represented museums with annual revenues of \$5,000,000 and above (p=11). Results for questions 1 through 4 are presented below.

**Tables 1a, 1b**

**Frequency of Response for “My museum has experienced total income growth of at least 5% per year over the past five years”**

1a. Annual revenues up to \$4.9 million (m=16)

Response	Frequency	Percentage
Strongly Agree	2	13%
Agree	5	31%
Neutral	1	6%
Disagree	6	38%
Strongly Disagree	2	13%
TOTAL	16	

1b. Annual revenues above \$5,000,000 (p=11)

Response	Frequency	Percentage
Strongly Agree	2	18%
Agree	3	27%
Neutral	0	0%
Disagree	3	27%
Strongly Disagree	3	27%
TOTAL	11	

Both groups display a divided response, with approximately half from each group providing a positive response (strongly agree, agree), the fewest responding “neutral,” and approximately half providing a negative response (disagree, strongly disagree). Based on these responses, we may conclude that museum budget growth or contraction during the past five years is not related to whether a museum has a budget under or over \$5 million.

**Tables 2a, 2b**

**Frequency of Response for “My museum will experience total income growth of at least 5% per year over the next five years”**

2a. Annual revenues up to \$4.9 million (m=16)

Response	Frequency	Percentage
Strongly Agree	2	13%
Agree	9	56%
Neutral	2	13%
Disagree	2	13%
Strongly Disagree	1	6%
TOTAL	16	

2b. Annual revenues over \$5 million (p=11)

Response	Frequency	Percentage
Strongly Agree	2	18%
Agree	4	36%
Neutral	2	18%
Disagree	2	18%
Strongly Disagree	1	9%
TOTAL	11	

Respondents from smaller museums were optimistic about growth in the next five years, with 69% registering a positive response. Administrators from museums with budgets over \$5 million were slightly more cautious, with 54% registering a positive response, and they also registered more negative responses with 27% total between “disagree” and “strongly disagree.”

**Table 3a, 3b**

**Frequency of Response for “My museum will develop completely new revenue stream(s) in the next five years”**

3a. Annual revenues up to \$4.9 million (n=16)

Response	Frequency	Percentage
Strongly Agree	5	31%
Agree	3	19%
Neutral	5	31%
Disagree	3	19%
Strongly Disagree	0	0%
TOTAL	16	

3b. Annual revenues over \$5 million (p=11)

Response	Frequency	Percentage
Strongly Agree	4	36%
Agree	1	9%
Neutral	3	27%
Disagree	3	27%
Strongly Disagree	0	0%
TOTAL	11	

As in the previous table, small museums were slightly more optimistic (or perhaps felt more urgently) about developing entirely new sources of revenue in the next five years.



**Table 4a, 4b****Frequency of Response for “My museum has a broad base of funding”**

4a. Annual revenues up to \$4.9 million. (m=16)

Response	Frequency	Percentage
Strongly Agree	1	6%
Agree	8	50%
Neutral	3	19%
Disagree	3	19%
Strongly Disagree	1	6%
TOTAL	16	

4b. Annual Revenues above \$5 million (p=11)

Response	Frequency	Percentage
Strongly Agree	1	9%
Agree	5	45%
Neutral	1	9%
Disagree	4	36%
Strongly Disagree	0	0%
TOTAL	11	

Once again, there was very little difference between the two groups. Slightly more than half of each group reported that their museum had a broad base of funding. Of the remainder, museums with budgets under \$5 million reported a slightly higher level of dissatisfaction.

## **REVIEW OF DATA PRESENTED ACCORDING TO BUDGET SIZE**

### **Notes on the survey respondents**

Sixty surveys were mailed to museum senior administrators at forty-two independent museums in Massachusetts, and twenty-seven usable surveys were returned. The respondents represented museums from all of the four arbitrarily chosen budget ranges: eight from museums with budgets up to \$999,999; eight from museums with budgets between \$1 million and \$4,999,999; seven from the \$5 million to \$9,999,999 range, and four from the largest category of museums with budgets above \$10 million. It is not known whether or not these twenty-seven responses are from twenty-seven different museums. In the case of the largest museums with budgets \$10 million and above, it is conceivable that two administrators from the same large museum responded. The author believes there are six museums in Massachusetts which have budgets \$10 million and over which received surveys. Since most are very large in terms of numbers of senior staff, some, like the Museum of Fine Arts, were mailed two surveys to two managers such as the CEO and Development Director. One museum, the Peabody Essex in Salem, was sent three surveys. The reason for this duplication was simply to increase the chances of getting a response from a very narrow and inaccessible group of people. All of the museums with budgets under \$10 million were sent a single survey.

### **Results According to Budget Size**

Our review of the twenty-seven responses to questions one through four, when presented according to an arbitrary division of museums according to budget size, reveals very little difference in the responses received from large museums and small museums. Museums with budgets under \$5 million were slightly more optimistic—or more committed to—growth in the next five years. Museums with budgets under \$5 million also tended to foresee—or require—the development of entirely new sources of income in the next five years. The differences were slight, however, and for the purposes of this report our discussion of the survey results will discount the importance of budget size.

Indeed, a more comprehensive survey could conceivably analyze museums not only according to budget size but other criteria as well. These might include the type of institution (such as an art museum, social history museum, or science museum); the location of a museum (urban, rural), or the age of a museum (founded in the past twenty years, or perhaps over a century old).

## REVIEW OF FINDINGS

### Questions A through 4: General and Demographic

The twenty-seven respondents provided a wide range of responses. On some questions there was general agreement, and on others there was virtually no agreement. The first question “A” was demographic, and addressed the cash budget size of the respondent’s museum. Questions 1 through 4 addressed general issues of growth and whether or not the respondent’s museum had a broad base of funding.

Question 1 stated “My museum has experienced total income growth of at least 5% per year over the past five years.” Somewhat surprisingly, despite the poor economic climate of the past three years, 15% strongly agreed and 48% agreed. This means that 63% experienced total income growth of at least 5% per year for the past five years. Fifteen percent reported “flat” income, and 22% reported a decrease. As was noted previously in tables 1a and 1b, there was no significant difference in responses between smaller museums with budgets under \$5 million and larger museums. Forty-four percent of smaller museums reported some growth, and 45% of larger museums also reported some growth.

Question 2 stated “My museum will develop completely new revenue stream(s) in the next five years.” This addressed strategic planning for the next five years and whether or not the respondent felt the museum would, or needed to, broaden its base of funding to include entirely new sources of funding. For instance, a museum that is dependent upon a tourist audience may (or may not) feel it necessary to develop a base of local member households. Forty-eight percent

replied “strongly agree” or “agree,” while 52% were neutral or disagreed. It may be noted, however, that 33% chose “strongly agree” making it the highest scoring single category.

Question 3 develops the same theme regarding the present: “My museum has a broad base of funding.” Fully 55% expressed satisfaction with their base of funding, while 30% expressed dissatisfaction. Fifteen percent were neutral.

Some museums, by design or accident, have a narrow base of funding. The review of each museum’s IRS Form 990 shows that for seven museums, eight of nine possible line items accounted for less than 5% of their total income each. On the other hand, The Eric Carle Museum of Picture Book Art, the Museum of Afro American History, the Worcester Historical Museum, and the Institute of Contemporary Art reported that over 80% of their income came from gifts and grants, while less than 20% came from all other sources.

Others have a broad base of funding, and a few reported income in each of the eight line items, not counting “Sales of Assets” which is generally thought of as an undesirable income source. The Isabella Stewart Gardner Museum, the Beverly Historical Society, The Children’s Museum (Boston), and the Nantucket Historical Association each reported some income in every possible category except “Sales of Assets.” Amazingly, the Institute of Contemporary Art also reported minute amounts of income in every category—so despite their heavy reliance on gifts and grants, the ICA has mechanisms in place for generating revenue from a broad range of sources.

## Questions 4 through 10

The goal of this report is to determine patterns of agreement or disagreement among the twenty-seven respondents. Questions 4 through 10 queried specific revenue line items. These line items correspond to line items found on the IRS Form 990. In this way, the survey answers may be accurately compared with the data gleaned from the Form 990s. The data on the Form 990 is historical, while the survey questions point to the future. Therefore, the following discussion of questions 4 through 10 will be presented according to frequency of agreement among the twenty-seven respondents.

The question which elicited the most agreement was question seven, “In the next five years, my museum needs to make membership dues a larger proportion of total revenue.” This question elicited 82% positive and the remainder of 19% had no opinion. Not a single negative response was received. Clearly, a strong membership program is viewed by most museum administrators as highly desirable. This may be true because membership programs provide steady year-round income; are generally identified with a museum’s mission; and provide a crucial step in the process of attracting audience members who will become increasingly involved as patrons, volunteers, donors, and eventually trustees.

Of the thirty-six Massachusetts museums whose IRS Form 990s were examined, the five museums with the highest reported percentage of income from memberships were the Berkshire Museum (20.71%), Cape Cod Museum of Natural History (16.30%), Wenham Museum (14.96%), the Cape Museum of Fine Arts (13.73%), and the Heritage Plantation of Sandwich (10.70%). Nine museums reported zero income from memberships. Despite the importance of membership income as expressed by the survey respondents, none of the museums reported on

their IRS Form 990s that memberships were their single largest source of income. Indeed, we may conclude that membership income is highly regarded by museums but represents a revenue stream with a high “degree of difficulty” to achieve.

The next highest ranking question with a positive response was number five, “In the next five years my museum needs to make gifts and grants a larger proportion of total revenue.” For this question, 82% responded either “strongly agree” or “agree,” the same total as question seven but with a few more responding “strongly agree.” However, 15% chose “no opinion” and 4% chose “disagree.”

Gifts and grants—which to the IRS are the same but which to the museum professional are quite different as discussed earlier—are like memberships in that they tend to be regarded as mission-derived. Nonetheless, there exists a wide variety of gifts and grants. Gifts may include revenue from an Annual Fund or endowment campaign, corporate sponsorships of events or exhibits, or bequests from individuals. Grants may include federal, state, or municipal agency, or private foundation funds for general operating income or specific programs or projects.

The IRS Form 990 survey indicates that gifts and grants are the number one source of income for twenty-three of the thirty-six institutions. For all thirty-six museums analyzed the average is 51.92%, the highest single revenue category. The five museums reporting the highest percentage of revenue from gifts and grants are the Peabody Essex Museum (in 2001, 125.80%), the Worcester Historical Museum (108.73%), the Eric Carle Museum of Picture Book Art (99.94%), the Cape Ann Historical Association (91.55%), and the Museum of Afro American History (87.20%). Every museum reported some income from gifts and grants, the lowest being the Norman Rockwell Museum (5.47%). In the case of the Peabody Essex Museum (2001) and

the Worcester Historical Museum the income from gifts and grants was offset by losses in “other” and “sales of assets” respectively.

The question which ranked third in agreement was number eight, “In the next five years my museum needs to make interest and dividends a larger proportion of total revenue.” Sixty-seven percent answered either “strongly agree” or “agree,” while 22% had no opinion and 11% disagreed or strongly disagreed. For museums, interest and dividends is identified with an endowment. Many museums which have entered the fundraising arena relatively late as compared to schools and hospitals may lack an appropriate endowment, which is generally defined as holdings which are five times the annual cash budget.

The IRS Form 990 survey shows the five museums with the highest percentage of income from interest and dividends. They are the Sterling and Francine Clark Art Institute (60.83%, its largest revenue source and one of two museums for which this category is the largest overall), the Worcester Art Museum (37.76%), the American Antiquarian Society (35.74%), the Society for the Preservation of New England Antiquities (34.20%, its largest single source), and Heritage Plantation of Sandwich (31.86%). Every museum reported some income from interest and dividends, and one museum, the Cape Museum of Fine Arts, reported a slight loss of -.23%.

The fourth highest-ranking question was number 6, “In the next five years my museum needs to make program revenue a larger proportion of total revenues.” Fifty-nine percent agreed or strongly agreed, 26% were neutral, and 15% disagreed. None strongly disagreed. As was noted earlier, the IRS defines program revenue as income that is mission-related, and therefore museum administrators should have no philosophical or ethical qualms about aggressively increasing this type of revenue. Program revenue includes fees for general admission, public



programs, school programs, lectures, educational presentations, and other activities that help a museum fulfill its mission to its audiences.

The five museums reporting program revenue as the highest percentage of income on their IRS Form 990s are the Paul Revere Memorial Association (79.70%), the House of Seven Gables (66.53%), the Larz Anderson Auto Museum (60.68%), the Norman Rockwell Museum (60.45%), and Plimoth Plantation (57.37%). It may be inferred that these institutions attract an audience largely consisting of tourists, as their membership revenues tend to be on the low side—the largest membership percentage being the Norman Rockwell Museum’s 5.13%.

Question number ten, “In the next five years my museum needs to make special events a larger proportion of revenue,” was the fifth most agreed upon statement, but not enthusiastically. Seven percent agreed strongly, but 48% agreed. Nineteen percent were neutral, 19% also chose “disagree,” while 7% chose “strongly disagree.”

Special events include dinners, holiday balls, silent and live auctions, antiques shows, golf tournaments, and concerts for which a premium price is charged in hopes that the event will net substantially more than its expenses. Special events attract corporate sponsors who pay for visibility and major donors who enjoy giving within the context of a social event. Special event accounting can be highly complex because the IRS wants institutions to separate income which represents an outright gift from income for which value was received. On the IRS Form 990, special events income represents only income for which the donor may take a deduction, that is, the gift portion. Perhaps for this reason twenty-one museums—well over half of the sample of thirty-six—reported zero special events income or a loss of income on their IRS Form 990s.

The five top museums for special events income as a percentage of total income are the Nantucket Historical Association (29.99%), the Danforth Museum (29.33%), the Cape Museum

of Fine Arts (27.41%), the Larz Anderson Auto Museum (17.60%), and the Wenham Museum (16.80%). The average for all thirty-six museums is 3.97%.

## **CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS**

### **INTRODUCTION**

This thesis seeks to answer one simple question: How do museums make money? Then, having answered the question with both primary and secondary source material, we seek to use the answer to create a model for museums to use as a best practices reference.

Within this question are four areas of inquiry. First, this report collects and presents financial data from thirty-six Massachusetts museums as well as research and commentary provided by a survey of published literature. Second, this report analyzes this data to determine if there are any patterns or best practices used by museums which may serve as a template or benchmark within the museum industry. Third, this report includes a survey of Massachusetts museum administrators who reveal their strategic plans and priorities for the next five years. And finally, this report analyses the comments and answers provided by these museum administrators to determine patterns or best practices in the area of strategic planning.

### **SUMMARY OF DATA**

#### **Financial data and commentary relevant to fund raising strategies**

The survey of available literature—from both professional journals such as the *Journal of Philanthropy* and popular sources such as the *New York Times*—suggests that museums are entering a new era of fund raising strategies characterized by a far more aggressive attitude and

larger budget requirements. Fifty years ago most museums were happy to subsist on a discreet mix of individual donations, admission fees, perhaps a government subsidy, and now and then a special event such as a ball or charity auction. In the past twenty years, however, museums have both expanded and faced new competition. Once viewed as institutions of quiet contemplation and cultural ennoblement, museums have entered the world of popular entertainment where the stakes are higher and the competition more aggressive. Museums, especially those lacking fabulous collections and therefore depending more upon education programs or interactive exhibits, are increasingly viewed by their audiences as just another cultural choice in a landscape filled with malls, movies, sports stores with built-in rock-climbing walls, furniture stores with IMAX theatres, kids soccer leagues, and countless other organized and highly marketed family activities.

The economic boom of the 1990's fueled museum expansion, but the recession which followed was painful. The Wenham Museum, for instance, was a low-key regional museum until the early 1990's when a strategic plan indicated that the museum could, and should, expand. A capital campaign in 1996-1997 netted \$1.67 million and the museum was doubled in size. The museum's budget grew until 2001, and then began to contract. Despite imaginative fund raising strategies, by 2004 the museum had a smaller staff and smaller operating budget than three years earlier (Wenham Museum, Annual Reports, 1997-2004).

In the past twenty years museums have expanded their repertoire of fund raising strategies, and made existing strategies more sophisticated. For instance, major donors could always have a wing or gallery named after them. Today, the use of "naming rights" has been expanded to include nearly everything from exhibits to professional positions. For example, the relatively tiny Cambridge Art Association has a \$300,000 annual budget, and yet the executive

director uses the formal title Norma Jean Calderwood Director in recognition of a major endowment gift given by Mrs. Calderwood's husband, Sanford Calderwood. Strategies for fund raising now include events such as golf tournaments and antiques shows; corporate underwriters have become *de rigueur* for major exhibits; and museums aggressively compete for dwindling government agency grants.

### **Patterns or best practices as revealed by IRS Form 990 financial data.**

One may propose as an axiom that museums need reliable funding in order to grow. In a world of uncertainty, one may further assume that since no single funding source is 100% reliable, a multitude of funding sources are always preferable to just one. In reality, the review of Massachusetts museums' financial data shows that while many museums have a broad base of funding, many others do not.

The largest museum included in the survey of thirty-six Massachusetts museums is the Museum of Fine Arts in Boston, which reported income of \$117,553,237 in FY2000, a sum which declined to \$78,924,509 in FY2001.<sup>1</sup> Ranked second was the Peabody Essex Museum with an income of \$47,501,405 in FY2002, followed by the Museum of Science with \$34,447,407 in FY2002.

The smallest institutions surveyed are the Beverly Historical Society (reported income \$208,688) and the Essex Shipbuilding Museum (\$280,839). The average income of the thirty-six museums was \$2,204,124<sup>2</sup>

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<sup>1</sup> See Appendix A, Sources of Income as Reported on Form 990.

<sup>2</sup> For this calculation, the MFA and Peabody Essex were included only once even though they appear twice on the chart.

The nine income categories included on the IRS Form 990 and included in this report are Gifts and Grants, Program Revenue, Membership Dues, Interest and Dividends, Rents, Sales of Assets, Special Events, Sales of Inventory, and Other. The thirty-six museums reported income in each of the nine categories, and this dollar amount was converted to a percentage of the total for each category. For the thirty-six museums and nine income categories, the percentage of income in each category ranged from a low of -195.55% (indicating substantial losses, in this case in the “Other” category), to zero, to a high of 125.52%.

The income category with the highest average percentage was Gifts and Grants. The thirty-six museums reported that an average of 51.92% of their income is derived from gifts and grants. However, the range is wide, with the Norman Rockwell Museum reporting only 5.47% and the Paul Revere Memorial Association reporting 6.30%; the highest percentages were reported by the Peabody Essex Museum in 2001 (125.80%, offset by losses in Other) and the Worcester Historical Museum (108.73%, offset by losses in Sales of Assets). The Eric Carle Museum of Picture Book Art reported that 99.94% of its revenue came from gifts and grants, without showing losses in any other category. The museum reported a mere .06% of its income from all other sources combined, earning the Eric Carle Museum of Picture Book Art the award as the Museum With the Most Narrow Base of Funding.

The next highest average category is Program Revenues, with an average percentage of 25.49% of reported income. Two museums reported zero program revenue—the Worcester Historical Museum and the Museum of Afro American History. The highest are the Paul Revere Historical Association with 79.70% and the House of Seven Gables with 66.53%. These figures reflect the fact that both these institutions are visited primarily by tourists, and have a relatively low percentage of local support.

Together, “Gifts and Grants” and “Program Revenues” accounted for an average of 77.41% of total reported income. Indeed, it is these two categories which most fully comprise a museum’s operational activities of serving the public on daily basis.

Somewhat surprisingly, perhaps, is the fact that the third highest category of funding was not Membership Dues but Interest and Dividends. This primarily represents income from investments held in an endowment fund, and museums reported an average of 11.14% of their income came from these sources. The Sterling and Francine Clark Art Institute reported that 60.83% of its income was derived from interest and dividends, the highest of the thirty-six museums surveyed. A few reported minuscule gains while the Cape Museum of Fine Arts reported a slight loss of less than 1%. None reported zero income—every museum reported some activity in this category. Income from interest and dividends may be seen as steady and reliable, freeing the institution from day-to-day worries over whether exhibits and programs are popular and will generate cash. On the other hand, such income is also subject to dramatic swings based on the performance of the stock market, and institutions which depend upon interest and dividends may face budget problems even though their daily operations are on budget.

Membership Dues accounted for only 5.28% of the incomes of the thirty-six museums, a surprising figure given the amount of energy and importance put into membership programs by most museums. None of the museums claimed membership dues as their highest single category—in contrast, twenty-four claimed Gifts and Grants as their largest category and eight claimed Program Revenues as their largest category. The highest in this category was the Berkshire Museum, with 20.71% of its income coming from membership dues.

Nine museums reported zero income from memberships. This demonstrates the fact that all of these figures are subject to “spin” and interpretation, and that institutions may also include

expenses which offset income, or may be counting memberships as gifts. For instance, this author happens to know that the DeCordova Museum and Sculpture Park has a membership program, but for some reason has chosen to list “zero” for membership income on their IRS Form 990.

Sales of Inventory was next with 4.54% as the reported average percent of income. Sales of inventory includes retail store sales. Some large museums are spinning off retail operations into separate for-profit operations. For instance, the Museum of Fine Arts reported 19.10% of its income came from sales of inventory in FY2000, and reported zero in FY2001 not because sales were terrible but because the retail operation was spun off on its own. Historic Deerfield reported a high of 31.05% of income from sales of inventory (its highest single category), followed by the Norman Rockwell Museum with 30.18%. The Wenham Museum reported a loss of 3.27%.

Special Events was sixth with 3.97%. Many museums hold major fund raising events such as auctions and charity balls, but expenses tend to be very high. The museum with the highest reported percentage from Special Events was the Nantucket Historical Association with 29.99%, followed by the Danforth Museum with 29.33%.

Sales of Assets followed with 1.47%, with a wide range including 125.52% reported by the Berkshire Museum and 45.52% reported by the Peabody Essex Museum in 2002. This revenue is most likely to include sales of capital assets such as buildings, as well as securities such as stocks and bonds. Fully eighteen museums reported losses in this category including -25.84% by the American Antiquarian Society and -23.18% by the Museum of Fine Arts in FY2001. These losses may reflect steep declines in the stock market beginning in early 2000.



The final category of “Other” posted an average loss, -4.86%. The most dramatic loss was claimed by the Berkshire Museum with -195.55%, followed by the Peabody Essex in FY2001 with -50.28%. The highest gain of 20.38% was reported by the Museum of Fine Arts (FY2001). All other gains were below 10%, and nine institutions reported zero income in this category.

The data from the IRS Form 990s reported by thirty-six Massachusetts museums reveals that for the “snapshot” period of 2000-2001, Gifts and Grants account for an average of slightly over half the annual income for these museums. Slightly over a quarter of their income comes from Program Revenues, and less than an eighth from Interest and Dividends. Membership Dues, Sales of Inventory, and Special Events combined account for slightly more than an eighth, with Rents, Sales of Assets and Other contributing negligibly or posting a loss.

**Survey results: the next five years as seen by development and museum professionals.**

The survey mailed to sixty Massachusetts museum professionals in May, 2004 included one demographic question regarding the size of their institution’s cash budget, four questions regarding general funding history and plans, and seven questions directly relating to income areas delineated in the IRS Form 990.

Four individuals representing museums with budgets greater than or equal to \$10,000,000 responded to the survey. Seven individuals representing museums with budgets between \$5 million and \$9.9 million responded; eight individuals representing museums between \$1 million and \$4.9 million responded; and eight representing museums up to \$999,999 responded. One response was not included because the individual answered “Strongly Agree” to every statement.

For statistical purposes  $n=27$ , and it can be fairly stated that there are enough responses in every budget category to make the survey results useful.

In general, it may be seen from the responses to survey questions 1, 2, 3 and 4 that museum administrators report poor growth in the past five years; the prospects for increased growth in the next five years are mixed; there is nearly universal belief that museums must develop new revenue streams in the next five years; and that administrators do not feel strongly that their museums have a broad base of funding. The results to questions 5-11 can be analyzed from many different perspectives, but perhaps the most pertinent analysis will be whether or not the responses suggest a change in direction from the current practices as revealed in the IRS Form 990 survey above.

Question 5 asks whether Gifts and Grants need to be a larger proportion of revenue in the next five years. Currently, gifts and grants make up slightly over half of the annual income for the average Massachusetts museum. Nonetheless, the 27 responding administrators gave this question the most overwhelming agreement of any of the 11 statements! Fully 22 stated that they agreed or strongly agreed that gifts and grants needed to be increased as a proportion of total revenue. These are the same administrators who generally felt that their institutions did not have a broad base of funding.

This enthusiasm for gifts and grants may be explained by the feeling that gifts and grants are acceptable and consistent with a museum's mission, and reflect community support for the institution in an ethical and "politically-correct" manner. In addition, the IRS does not break out "gifts" and "grants" as separate items. There are many ways that museums solicit gifts—annual funds, sponsorships, planned giving—and administrators may be thinking of strengthening one program or another. Gifts come in all amounts, and most administrators are keen on constructing

gift “ladders” which encourage giving at all levels. In addition, administrators may want to increase grantwriting as a revenue source. A more comprehensive survey would differentiate between these areas.

The next highest area of interest among the respondents was Membership Dues. As with gifts and grants, there was nearly total agreement that this area must be strengthened. Currently, membership dues provide an average of only 5.28% of yearly revenue for the average Massachusetts museum. Nonetheless, most museums focus tremendous energy on membership programs because they are a reflection of community acceptance, are ethically consistent with a museum’s mission, provide reliable year-round revenue, and are perceived as helping to build audiences.

Interestingly, Interest and Dividends ranked high on the list of areas to be strengthened in the next five years. These funds come as the result of endowment funds, and currently supply Massachusetts museums with an average of 11.14% of their annual income. Program Revenue, which currently supplies slightly over 25% of annual revenue, was also cited as an area which needed strengthening in the next five years.

Sales of Inventory—which accounts for an average of 4.54% of income—received the most number of “neutrals” as the response (10 out of 27) and there seems to be only mild interest in strengthening this area, perhaps because retail sales are viewed as risky, difficult to make profitable, and at odds with the museum’s mission. Likewise for Special Events, which received a wide variety of responses ranging from strongly agree to strongly disagree. Special events, like retail sales, are viewed by many museum administrators as necessary evils which are costly and may not reflect the museum’s mission.

Of the seven income areas queried, one statement received almost universal disdain: Sales of Assets. This category accounts for the most losses in the thirty-six IRS Form 990s surveyed, and elicited comments from responding administrators. Of course, the IRS does not differentiate what assets are sold, and they may include stocks, bonds, and real estate. They may also include museum collections, which is anathema to accredited museums. Only three administrators expressed interest in strengthening this category, nine were neutral, and fifteen—the greatest number for any of the questions—disagreed.

### **Commentary on IRS Form 990 data**

Based on the survey responses, most Massachusetts museum administrators feel that their museums do not have a broad base of funding. A central question of this paper is how to define “broad base of funding.” To provide a definition, we may turn to the data in the IRS Form 990s. The average Massachusetts museum receives 3% or more of its income comes from these six income areas: Gifts and Grants, Program Revenue, Membership Dues, Interest and Dividends, Special Events, and Sales of Inventory.

If we then define a truly broad base of funding as at least 5% annual income from six or more of the nine IRS Form 990 categories, then only three museums qualify based on their IRS Form 990s:

Museum of Fine Arts (2000)

Nantucket Historical Association

Berkshire Museum

If the definition is expanded to include museums which meet the Massachusetts average, that is, at least 3% or more from six income areas, the following are added to the list:

Museum of Science

Isabella Stewart Gardner Museum

Society for the Preservation of New England Antiquities

Beverly Historical Society

Five additional museums nearly meet the Massachusetts average by having 3% or more in five income areas. These are:

Museum of Fine Arts (2001)

Children's Museum, Boston

Heritage Plantation of Sandwich

Larz Anderson Auto Museum

Wenham Museum

By our definition, eleven museums (including the Museum of Fine Arts in two successive years) have a broad base of funding and may be used as a model for others. Conversely, we may define museums as having a narrow base of funding as those with less than 3% in six or more income areas. These nine museums include:

Peabody Essex Museum (2002)

Eric Carle Museum of Picture Book Art

Institute of Contemporary Art

American Antiquarian Society

Worcester Historical Association

Museum of Afro American History

Discovery Museums

Fuller Museum of Art

Paul Revere Memorial Association

It may be seen that there is no correlation between a museum's base of funding and its budget size. Museums are seen to have either narrow or wide bases of funding across the spectrum of annual cash budgets.

## **CONCLUSION AND RECOMMENDATIONS**

This thesis is based upon the premise that a well-managed and growing museum will have a broad base of funding. We have examined a selection of Massachusetts museums to reveal an average or best practice of broad-based funding. We have seen that some Massachusetts museums meet our definition of broad-based funding, while many do not. Museums are in transition, and Massachusetts museum administrators are keenly aware of the challenges of museum growth in the next five years and beyond. Most Massachusetts museum professionals are dissatisfied with the growth of their institutions and intend to focus on constructing a broad base of funding.

Our research enables us to create a model of the typical Massachusetts Museum. The typical Massachusetts museum generates income or (losses) from nine distinct categories (which are defined by the IRS) in the following proportion:

Gifts and Grants	51.92%
Program Revenue	25.49%
Interest and Dividends	11.14%
Membership Dues	05.28%
Sales of Inventory	04.54%
Special Events	03.97%
Sales of Assets	01.47%
Rents	01.05%
Other	(04.86%)

This is the average, but it may not necessarily be the ideal. Regardless of how museum administrators seek to develop revenue from diverse sources, it is likely that certain tendencies will not change. Gifts and grants may always be the most potent source of museum funding, perhaps because they are a harmonious extension of a basic philosophy which drives museums: that museums are reflections of their community, and should derive their support from resources freely given by the community. Gifts and grants truly comprise a category of their own, and it was beyond the scope of this paper to survey in greater detail the effectiveness of Massachusetts museums in soliciting the myriad types of gifts and grants. Nonetheless, the information gathered and presented herein may be a valuable resource for museum administrators, trustees and other stakeholders when judging the effectiveness and breadth of their own institution's revenue producing strategies. Not all museums are the same and each has its own audiences, strengths and weaknesses, yet each can strive for a secure future and flourish with support from every segment of its community.

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