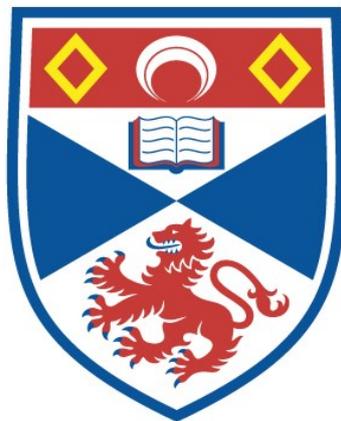


**A COMPARATIVE CULTURAL APPROACH WITHIN FUND  
RAISING THEORY : LOOKING AT BRITISH AND  
AMERICAN MUSEUMS**

**Eliza B. Watt**

**A Thesis Submitted for the Degree of MPhil  
at the  
University of St Andrews**



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Fund Raising Theory:  
Looking at British and American Museums

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M.Phil. Dissertation  
School of Art History  
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August 2002



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## Abstract

This text is a study of the cultural approach within fund raising theory in museums, looking specifically at museums within the United States and Great Britain. The definition of fund raising is established, as well as a definition of philanthropy, as one cannot exist without the other. A close study is made of the way in which museums are established according to each individual countries laws, and how these laws affect the practice of fund raising. Since the law defines how a potential donor can give money to a museum the tax implications of the Internal Revenue Service Code of America and the Inland Revenue of Great Britain are examined.

Having defined the legal issues of fund raising and established how a donor can give money, the question 'why does someone donate?' is looked at with regard to each country. The individual means of conducting fund raising are different for both of the countries under question, and is intimately bound together with the evolution of the idea of a museum. Once the motives for donating have been established a close inspection of the methods of conducting fund raising, in terms of the general public, trusts, and government sources, is analysed for both America and Britain. Also, the question of what the practice of fund raising is developing towards is looked at for both countries—how have recent changes in law and societal shifts changed fund raising in museums?

The final comparison of the overall methods of each country shows not only differences and similarities, but also how each system could potentially benefit from the other; how a reconciliation of the differences between the two systems could provide a greater understanding of the fundamental nature of museum fund raising.

## Acknowledgments

This paper would not have been possible without the help of numerous people, including Annette Carruthers, the staff of the School of Art History, and the staff at the University Library. The museum development officers, professional fund raisers, and those working in museums and professional organizations in both countries have been overly generous with both their time and information, but due to reasons of confidentiality many have asked not to be mentioned. Therefore, I've chosen not to mention any names, but simply to say 'thank you'.

Special thanks are due to M.Z. for help and support in the original printing of this thesis, to E.D. and Kinkos for the second printing, and the B.J. scholars and Donnally family for help during the third version. Legal advice and support has been provided by members of the law firms of Gambrell & Stolz, and Smith Helms Mulliss & Moore. Immeasurable support has come from my family and friends without whom my time in St. Andrews and working on this thesis would not have been so productive or so memorable. A final thank you is given to the Directors of Art First, Contemporary Art (London) who, in their own way, helped with the evolution of the topic of this paper.

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# Introduction

What is fund raising? Thirty years ago Harold J. Seymour defined the practice of fund raising as “planned promotion of understanding, participation, and support”<sup>1</sup>. James M. Greenfield refined this definition in 1997 when he stated the following:

Any public, when asked to join an enterprise, will more likely respond if its members can believe what they are told and agree that the stated purposes and intended outcomes are well matched to resolve agreed-upon problems. In their best moments, fund raising professionals only translate these noble beliefs and worthy purposes into giving opportunities. Fund raising is the means to the ends, never the ends themselves<sup>2</sup>.

These two definitions of fund raising are both true—fund raising is the planned act of soliciting money from members of the public for a specific, stated purpose.

The role of fund raiser, and its counterpart the philanthropist, is increasingly important in modern society. Institutions such as research foundations, libraries and museums, which rely on philanthropic acts, are finding the search for funding increasingly difficult. They are being forced to rely on the services of a professional fund raiser, and increasingly the fund raiser is forced to find new and different means of making the potential philanthropist aware that he/she should support a particular institution. The purpose of this paper is to look closely at the theory of museum fund raising in the United States and Great Britain; to analyze two apparently different concepts of fund raising and how these concepts affect the act of funding for a particular institution.

This topic evolved due to a chance attendance at a museum benefit in London during the autumn of 1998. While at this function a number of things peaked my interest as being different from similar functions I had attended in the United States: for example

the wording of literature given to attendees, attitudes of museum directors toward potential or existing donors, and the attitude of the donors themselves. Subsequent conversations with professionals in the commercial art sector, as well as general reading on the subject made me wonder if there were indeed significant differences in the manner in which fund raising for museums is conducted in the United States and Great Britain. Were there separate cultures of fund raising for each country? How had these apparently divergent attitudes and practices evolved? Are the two cultures/method of practice for fund raising in Great Britain and America truly that different; are there any similarities? If this evolved how and why does it change, and what, if anything, does fund raising evolve to-is there a clear, concise next step for fund raising within each country?

As initial work on the topic began it became clear that a systematic approach to these apparent differences was required. To this end a questionnaire was developed and sent to museums across the United States and Great Britain, an example of which is reproduced, with excerpted responses, in Appendix D. The same questionnaire was sent to museums in both countries. The questions evolved from preliminary literary research into the topic of fund raising. It was felt that while museums might not be able to answer all questions there could be answers to most questions. The wording of the questionnaire was designed to be understood by development officers of museums in both countries.

The purpose of the questionnaire was to gain basic knowledge of a particular museum's funding practices and approach to fund raising, and also to gain a general look at a particular country's approach to and response to fund raising as a practice and theory. Three hundred questionnaires in total were sent out, 150 within each country. They were sent to large-scale museums, small local museums, city museums; as well as both public

and private museums. The museums were carefully chosen with ideas of size, location, collection, and status in mind so that each American museum had a British equivalent, and visa versa-for example the British Museum was paired with the Smithsonian Museums, and the Tate was paired with the Museum of Modern Art, New York.

The response by museums was, overall, extremely poor. The majority of museums in America and all of the museums in Great Britain simply refused to respond. In Great Britain many felt the questionnaire was intrusive, and was asking for information that was too sensitive to be released to the general public.

In general those few museums in America which responded did so in a more favorable fashion than did their British counterparts. This was due, I feel, largely to the nature of American law, which requires that for any institution named a charity, as American museums are, all information about the institution or its practices is available to the general public upon request. Still, even the legal requirement was not enough-most American museums did not bother to respond at all.

Those American museums which did respond required that, while giving information about their funding practices, their names and direct facts or quotes were not to be used in the text of the thesis. Indeed, the legal departments of some museums required that any material to be potentially used in the thesis would require review by the said legal department.

Reviewed in totality the results of the questionnaires were deemed inconclusive. The responses given by museums from both countries have only been used to supplement other sources of research, these being largely literary. Thus the number of museums quoted and cited by name within the text is relatively small, and representative of only a

small sector of much larger museum communities within both countries. It should also be noted that of the quotes used only those individuals who agreed to have their names used, and in the case of some American museums only those whose legal departments felt the information acceptable for a wider audience, are printed.

The quotes, and the interviews from which they derive, were meant to be a follow up to each questionnaire, i.e. each museum which responded was to have a follow up interview/s. Of the relatively few museums in both the United States and Great Britain that did respond, fewer still agreed to be interviewed either in person or over the telephone. Some agreed to speak with me only on condition of total anonymity. The questions for the interviews which were conducted derived from responses to the questionnaire, and the answers which were given to those questions. At other times, when a questionnaire had not been completed, but an interview was granted the questions from the questionnaire were asked.

Fund raising professionals in both countries were also contacted for potential interviews. Only one individual a British fund raiser, George Smith, responded. Questions for those interviews were derived from research into the Mr. Smith's own body of fund raising literature, and career history. Equally the Museums Associations of both America and Britain were contacted for interviews-both refused repeated requests.

As with the questionnaires the overall results of the interview process was felt to be inconclusive. Thus those interviews which were conducted have been used as supplementary material for literary research. Interestingly, there is one interview in the text from an actual donor. It was not the intention of this thesis to address the specific issue of how donors as individuals respond to solicitations for donations. As my initial

curiosity about the topic revolved around the culture of fund raising within museums themselves I felt that including work about the donors would unnecessarily complicate an already involved and complex topic. However, this one anomalous interview with an American donor, due to the nature of what was said, has been used to supplement other research.

Though the questionnaires and interviews were overall inconclusive the manner in which individuals responded to inquiries within each country does offer clues about the manner in which fund raising is perceived by institutions within each country. The lack of responses raise questions about why museums from both countries did not respond, and how, if at all, this is reflected in a larger fund raising atmosphere.

However, before these larger issues are discussed, the term, as used above, of *institution* should be defined. The act of fund raising is most commonly associated with charities. When the act of fund raising is mentioned in conjunction with the term *institution* the assumption is that the institution under question is a charity. What then defines a charity?

The definition of a charity varies from country to country. The classification of a charity is important to both the fund raiser and the philanthropist, as often the exact classification of an institution as a charity carries specific laws on how a fund raiser can perform his or her job, and how a potential philanthropist is able to donate. In the United States the classification of a charity comes from Internal Revenue Service regulations, outlined in Appendix A. These regulations state that an institution which does charitable acts must accomplish such things as relief of the poor, the distressed, or the underprivileged; advancement of religion, education, or science; maintenance of public

buildings; promotion of social welfare, in order to qualify as a charity. Examples of institutions that qualify as charities in the United States are hospitals, schools, churches, and museums.

In Great Britain these same regulations do not apply. Institutions that have charitable status do not fall into the same categories as those in the United States. Also, some British institutions can be partially qualified as charities, not wholly qualified. By this it is meant that such things as 'friends of' societies, which can be a division of a larger body, can be qualified as charitable, but the institution that they represent will not be considered a charity. All of this makes the concept and practice of fund raising different in Great Britain when compared to the United States-raising such questions as: where does the funding come from if the institution is not a charity; how do donors give to an institution and why if it is not a charity; and, importantly, do institutions then have a need for professional fund raisers?

Just as clarity of the legal issues surrounding fund raising is important to an understanding of the differences between the two countries, so too is the actual definition of a museum. In America the term 'museum' commonly covers an actual art collection, a historical home or garden, or even a personal collection housed in a garage. In Britain the common definition of the term is equally broad, covering collections in a plethora of sizes. However, it is the official definition of a museum that is of concern for this paper. In Britain the *official* definition of a museum can be supplied by a local, regional, or national museum board or association, and is usually related in some way to a registration process. The same is true in America. It does not mean that these boards and associations are the definitive means of being a museum. The generally accepted definition of what a

museum is comes from the Museums Association for both countries and the International Committee Of Museums (all of whom have essentially the same wording for what a museums is and does). The Museums Associations for both Britain and America also serves to register museums, thus giving an institution an official status as a "museum." An institution wishing to obtain "museum" status needs to conform to a set of conditions published by each individual Museum Association.

That does not mean that all museums are registered with a Museum Association; both in Britain and America there are numerous museums that are not registered, but are, none-the-less, museums. Some of these museums are privately owned and run, while others, especially in Britain, are run by small societies or Trusts that may not comply with registration requirements. In this paper the question of funding will be looked at only with regard to those museums that are officially registered as museums. The private and unregistered museums are too vast in number, in both countries, to be looked at in the context of this paper.

These differences in the actual definition of a museum also affect the way in which a museum is classed governmentally. In the United States museums, whether federal, state, or private, are all able to be classed as charities-again they must conform to a certain set of criteria to have this status conferred upon them. For example they must perform the educational function that the IRS stipulates to be one of the defining acts of a charity. In Britain the classification of a museum is further complicated with the issues of public and private: public-supported by taxes from either central or local government, or private-supported by the general public or societies. Another twist to the equation is

the issue of VAT (value added tax) that Parliament imposes on museums. In April 2000 some of the laws concerning fund raising and donations in Great Britain were changed<sup>3</sup>.

The Internal Revenue Service for the United States and the Inland Revenue for Great Britain each state how an individual can give money to a registered charity. Thus, the Federal or Parliamentary definition of a charity, usually defined in terms of the national tax code, is a key issue. There are many other issues which factor into the definition of a charity, such as the personal benefits to a museum and possibly also a donor. In the United States the IRS regulations not only regulate how a museum can solicit money, but also how a donor/philanthropist is specifically able to give<sup>4</sup>. The core of these IRS regulations state that a donation above a certain amount is tax deductible for the giver, i.e. for every dollar that is given (again above a certain base amount) to a charitable institution the donor is liable to receive the same amount off of their annual income tax. In a very cold sense then the charitable, or philanthropic, gesture is a self-serving gesture.

In his essay "Why Do People Donate to Charity?"<sup>5</sup> Douglas White discusses this idea, but comes to the conclusion that philanthropy, or the act of donating, is ultimately an act of pure charity; that it is rarely done for completely selfish reasons. In dealing with this aspect of fund raising, which he calls the "dark side", White does not dwell on the financial, or tax reality of a gift, but chooses instead to discuss donations in terms of peer pressure, guilt, self-interest, and marketing. These are all valid reasons for a discussion of philanthropy, and by extension fund raising, in the United States. Giving, for what-ever the reason, is the core idea behind fund raising, and the return for this gift, though having a concrete value (the tax write-off), is understood to have much more of an intrinsic

value. This intrinsic value is generally understood to be the sense of having done something to benefit the moral integrity of the general society.

The word and concept of 'philanthropy' is commonly understood to be an unconditional act of giving. When the word is used such names as Carnegie, Vanderbilt, and Whitney come to mind, with implications of vast disposable wealth. However, it should be remembered that philanthropic gifts do not have to involve extraordinary sums of money; in terms of fund raising this is especially true. For the fund raiser, philanthropy is defined as *any* gift, large or small. Indeed, as shall be demonstrated in later chapters, smaller gifts can be more common than larger gifts. Indeed it is the continual flow of small donations that many museums rely upon.

In contrast to the American idea of a museum as a charity, done in part for the benefit of the donating public, a British museum is most often termed a charity for its own tax purposes, not because this status is of any benefit to the potential donor. Thus having an impact on the practice and ability of a professional fund raiser within a museum. This is not to say that British museums do not function for the benefit of the general public. Quite the contrary, like many American museums British museums have been established in a completely altruistic fashion. In many cases British museums existed for the education of the general public long before museums in America.

However, the tax status of a museum, while having an impact on the physical ability of a fund raiser to function, also has an impact of the perception of fund raising. In Great Britain the concept of the professional fund raiser is viewed differently than in America. In America, due in part to the high profile nature of the tax status of a museum, the professional fund raiser is a highly regarded professional. The profession of fund

raising is a necessary element of American culture, especially of American museum culture. Until recently professional fund raisers in Britain have been perceived by the public to be largely involved with either elements of larger museum boards, such as the Scottish Museums Council or Friends of the British Museum, or with 'pure' charities, such as the Cancer Research Fund. However, as the government changes both its funding practices and the laws governing donations, and Britain becomes more closely integrated with the European Union, the perception and position of the professional fund raiser within Britain is changing. Increasingly, this position is becoming a necessity in British museums of all sizes. The Natural Science Museum and the Victoria and Albert Museum, both in London, are just two examples of museums that have radically changed their fund raising practices in recent years. The Victoria and Albert Museum has, in fact, undergone major organizational change over the past ten years or so. These, and other changes in British fund raising, are a key focus of the chapter on Britain.

However, it should be remembered that though governmental changes can, and do, radically affect the practice of fund raising, equally important is the attitude of the donor/philanthropist. Greenfield's definition of philanthropy quoted at the start of this introduction addresses a core issue of fund raising: the public. The concept of philanthropy is vital to an understanding of what fund raising is. Any fund raising enterprise, be it by a museum, a library, or a hospital, is only as good as the philanthropy of the public. Fund raising and philanthropy exist in a mutually dependent cycle. For this reason the concept of philanthropy will be looked at with regard to each particular country, as each has fundamentally different concepts of giving. Philanthropy has become a part of the culture in America; has evolved its own culture and society.

American donors not only take pride in giving, but also enjoy a very public recognition for their actions. The culture of philanthropy has numerous magazines, such as *The Chronicle of Philanthropy*, as well as institutes and web sites devoted to the practice, study, and people of philanthropy, and by extension fund raising. Museums, and other charitable institutions, in America rely heavily on this sub-culture of donating, public recognition, and analysis.

In contrast to this Great Britain does not have the same sense of a sub-culture of philanthropy. There are professional bodies that study British philanthropy, and magazines that report on it, but these in no way compare to the high-profile nature of their American counterparts. Britain cannot boast of having an institution such as The Foundation Center (itself a non-profit organization), an institute devoted to the study of international philanthropy, as well as being an international library for all material written about philanthropy and fund raising. In Britain this difference can be attributed in part to the low tax benefit for the British giver. The British donor, until 2000, did not get the same pound for pound deduction that the American donor is able to receive. This has the effect of taking away some of the aspect of the 'dark side' of giving that philanthropy in the United States has developed.

British philanthropy could thus be seen to be closer to the 'pure' ideal of the concept of philanthropy—a donation given, often in a non-public fashion, because the donor believes strongly in the practices of the institution receiving the donation. In contrast to the overt and aggressive nature of America British donors and fund raisers are generally seen as being more passive. It should be remembered, however, that this passive seeming exterior can often be a cover for a different, subtler, method of obtaining

donations: "British society has continued to be very class-ordered, and this characteristic, combined with economic disparities, can make for strategies that are not readily apparent to outsiders."<sup>6</sup> This, then raises the question of whether British reasons for donating, and, again, by extension fund raising practices, are as radically different from American practices as a surface inspection would lead one to believe.

As stated above donating, or philanthropy, is, in the majority of cases, done for an understood intrinsic value, in both countries. Money is given because the public views it as the socially and morally correct thing to do; support of museums means support of an educational tool and a means of preserving ethnic and social history. Recently, both in America and in Britain, such things as volunteer support and family values have been seen, at least according to the popular newspapers, as being in decline. President Bill Clinton made family values one of the key issues of his campaign for his first term as President. Recently, Prime Minister Tony Blair has been publicly addressing the issue of, among other things, teen pregnancy. These issues may seem far removed from the concept of giving to a museum, but are actually closely tied in the public consciousness to the idea of giving.

Philanthropy, volunteerism, and family values are all sociologically connected. They all fall under the same moral umbrella. Thus if something such as family values are seemingly in decline, philanthropy is assumed to be in decline as well. However, the apparent decline of philanthropy is not many believe necessarily true. Everett Carl Ladd, former executive director of the Roper Center for Public Opinion Research in the United States and author of *The Ladd Report*<sup>7</sup>, argues that the noble and worthy ideals of philanthropy still exist. Not only do they exist, he states, but adds that philanthropy in

general is on the *increase* rather than the decline. This study was based solely on the United States but does raise interesting questions that can apply to both of the countries under scrutiny. If philanthropy were declining why would the field of museum fund raising be so prominent in America and in Great Britain? Having said that public philanthropy is increasing has an effect been noticed in the methods and/or concepts of fund raising? Why is the field of philanthropy, and thus fund raising, increasing? And, importantly, is there a need to encourage public philanthropy?

The professional fund raiser's ability to transform these "noble beliefs and worthy purposes into giving opportunities"<sup>8</sup> is the key to answering all of the above questions. The actual transformation of these qualities takes on many different forms. There are some similarities between the two countries in the methods they employ to raise the money. Professional fund raisers in both the United States and Great Britain use such things as annual events, members groups, capital campaigns, and special interest groups to raise money. Money is also raised from local, regional, and federal or central governmental groups. However, in the case of many museums the money from governmental sources is often not enough to maintain the running of a museum. In both the United States and Great Britain the governments are encouraging museums, as members of the larger arts communities, to search for funding from other non-governmental places.

In Great Britain the situation is complicated with the association to the European Union and the subsequent need to conform to EU policy and regulations. These policies and regulations, which will be dealt with in greater detail at a later point, are designed to unify aspects of government budgets in all European member countries—for example

spending on health care, the EU Parliament has said, should be equal for member states. These subsequent budget changes often result in budgetary cut-backs in other areas of government spending, such as in that of cultural or arts spending. Yet, the EU has a policy of support for the preservation of member states individual cultures and identities—defined through such things as national art collections and museums. Rather than clarifying issues these policies and regulations can often lead to other problems or complications.

Due to these changes by the various government bodies, museums must look to other sources for their funding; this is where such things as capital campaigns and annual fund raisers become important. Money given by members of the public can often mean the difference between the success or failure of a museum. In the case of a museum that is just being founded, as with the Georgia O'Keefe Museum in Santa Fe, NM this public money and support can be the only reason the proposed museum is able to break ground. Long-term success of this museum has yet to be determined, but no doubt will depend largely on the philanthropy of the general public.

There are sources for funding available to museums other than the general public. However, it should be noted that some of these are, in actuality, government established institutions; thus complicating the issue of government funding. In Great Britain the National Lottery and its various sub-divisions, which was started by the government and then contracted out to an independent consortium, provides one possible source of funding. The Lottery is meant to provide a source of funding to which museums, historical buildings, etc. are able to apply for a specific project—a new wing or restoration for example. However, as with all such bodies there are inherent problems and

public questions over the handling of the applications. Problems and public questions are also part of the American institution that performs similar practices to the National Lottery, the National Endowment for the Arts. This is a direct extension of the government and, thus, while many of the issues surrounding it are similar to those of the National Lottery, it does have separate problems, and sadly, scandals.

In America, where fund raising and philanthropy can be such an overt and social public act, large scale public scandal can often radically change not only the position of a museum, but also the general public's perception of fund raising itself. This is nowhere more apparent than in the problems faced by the Brooklyn Museum in the autumn of 1999. Not only were there very public questions about the fund raising practices of the museum, but also questions about the quality of artwork which the museum was choosing to display. The Brooklyn's problems were created and then exacerbated by the involvement of the Mayor of New York and the First Lady. However, it was the threat by the Mayor to withdraw local government funding from the museum that triggered a drastic reaction. Issues quickly spiraled out of control to the point where court cases were being discussed. The implications of such a threat have been far reaching. This particular issue involves a number of other factors, but does show how scandal and its repercussions can have very drastic effects, especially in terms of museum funding. The local, and central or federal, politics can have a strong effect on the funding of a museum. This is especially the case in the United States where the culture of philanthropy often has a direct relationship with the political needs or aspirations of the donor.

It should not be assumed that the only conclusions that can be drawn from an analysis of fund raising are of a negative nature. There are in fact many positive

conclusions—the public seems increasingly willing to volunteer time and money to support museums; museums themselves are increasingly aware, especially in Great Britain, of the need for funding from the general public; and there are an increasing number of museums being built. In fact, in America a new federal museum for Native American Art and Culture has recently started being built. Based around the collection of one man, and beginning from a large philanthropic gesture by another man, this newest addition to the Smithsonian complex of museums has already raised issues and controversy around itself. It seems, that in America especially, the culture of fund raising is rather healthy.

By comparison Britain, which does not have the scale, magnitude, or financial resources of America, also has an increasingly healthy fund raising atmosphere. The field of the professional fund raiser is gaining more and more attention in terms of both pure charities and museums. The implications of both the increase in philanthropy and professional fund raising are uncertain. So too is the direction in which museum fund raising will advance, if indeed it does advance. It is certain, however, that changes are occurring already and will continue to occur. The Internet has opened new possibilities to fund raise and, as is so often repeated in the popular press, its implications and possibilities are far reaching. The ability of fund raisers to reach their targeted audience is certainly enhanced by the Internet, but again, the implications of such an increased audience are uncertain: will a greater audience actually result in more donations?

However, what is certain is that fund raising is a vital part of museums in both the United States and Great Britain. The analysis that follows will attempt to look at the issues and questions that have been raised by this introduction. It will also attempt, in

looking critically at fund raising, to come to some conclusions as to the current state of fund raising in America and Britain and how each system could possibly benefit from the other, and thus provide a greater understanding of the fundamental nature of fund raising.

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<sup>1</sup> Harold J. Seymour. Designs for Fund Raising: Principals, Patterns, Techniques. (New York: McGraw-Hill, 1966) 115. A second edition was issued in 1988 by the Fund Raising Institute.

<sup>2</sup> James M. Greenfield, ed. The Nonprofit Handbook: Fund Raising. (New York: John Wiley & Sons, Inc., 1997) xiv.

<sup>3</sup> See Appendix C for a summary of these changes. Appendix B outlines the general law with regard to charities.

<sup>4</sup> See Appendix A for a summary of the regulations regarding donations to charitable institutions.

<sup>5</sup> Douglas White. "Why Do People Donate to Charity?" The Nonprofit Handbook: Fund Raising. ed. James M. Greenfield. (New York: John Wiley & Sons, Inc., 1997) 175.

<sup>6</sup> Thomas L. Harris. "International Fund Raising." The Nonprofit Handbook: Fund Raising. Ed. James M. Greenfield. (New York: John Wiley & Sons, Inc., 1997) 594.

<sup>7</sup> Everett Carl Ladd. The Ladd Report. (New York: The Free Press, 1999)

<sup>8</sup> James M. Greenfield. The Nonprofit Handbook: Fund Raising. (New York: John Wiley & Sons, Inc., 1997) xiv

## Chapter 1: The United States

Art is not created in a vacuum. Social and production factors, along with the aesthetic issues, affect the content of the final piece. Working artists are affected and influenced by social factors in both mundane and profound ways. A piece of this social influence is funding; who is sponsoring and purchasing the final piece of art. Michelangelo's *David* might not have the shape and influence which it has had the artist not been influenced by both the leaders of the city of Florence (who commissioned the piece)<sup>1</sup> and the desire to create a piece better than the previous versions of the subject (such as the one created by Raphael). While his desire to create a better image of David was largely personal, the choice of subject, medium, and financing all came from the state of Florence. Thus, the leaders in performing the function of patron were not only influencing the production of the piece, but were also legitimizing it as a piece of art. The function of the patron, whether it be a group or an individual, was to further the creation of art. However, in so doing the patron became the legitimator of art, in part the creator of acceptable artists, both past and present. The structure of the Vatican would be different today had Bernini not been influenced by both the desires of his patron, Pope, and social culture, in a similar manner to Michelangelo, when he was designing the forecourt of St. Peter's<sup>2</sup>. More recently as art has seemingly become freed from such influences, Andy Warhol famously commented on the influence of social culture, and inadvertently patronage, on art in his piece *Campbell's Soup Can*<sup>3</sup>.

It should be remembered that such things do not negate the aesthetic value within a piece of art. Rather what these examples show are some of the production values which

affect the creation of a final piece. Having said this it is, however, important to remember that art that is created is not necessarily art that is remembered. The art that is remembered, as the above examples have been, is often art that has been influenced by these very same social factors. As the concept of patronage has changed over time, the subsequent vacuum has been partly filled by museums. Thus, for art to be remembered museums are an essential piece of the process<sup>4</sup>. A museum frames a piece of art; it legitimates new artists; reinforces the reputations of established artists; and can even revive the work of lost or forgotten long-dead artists. Objects displayed in museums automatically, to the viewing public, become *works of art* while those not in museums are often relegated to the categories of “craft”, “decoration”, or simply “not art”. Museums validate art and help to simultaneously create and uphold the accepted artistic canon. The canon which, by definition, can include only validated art. The museum becomes then an integral part of the creation of art.

If it is assumed that the statement that art is not created in a vacuum is true, then the statement is equally true, if not doubly so, for museums. A museum, by its very function as an arbiter and keeper of culture, is subject to the effects of social and production conventions. Few people visit artist’s studios, thus most average people rely on museums to learn about not only art, but also the history of both human culture and the natural world. In addition to this the “specialists”—historians, collectors, professional artists, and curators—rely on museums to study and experience the objects on display and in storage. The objects which museums display at any given time are subject to the desires and pressures of trustees, scholars, curators, and the public. A museum cannot display objects without the funds to do so. In fact, without money museums cannot

operate. This money must come either from a governmental source or from the public. It is this "Trojan Horse" that Victoria Alexander discusses when she states:

Funding carries the goals and demands of donors. Funders always have reasons for giving and always seek something in return for their gifts.<sup>5</sup>

Such a pessimistic view of the reasons behind giving however automatically negates pure philanthropy. However, regardless of the reasons for giving the fact remains that museums need money. In looking at why museums need money it should, first, be understood how a museum is able to achieve its goal.

## 1.1 The government and the museum

In the United States museums have the ability to be classed by the Internal Revenue Service as charities under Section 501.<sup>6</sup> A museum must apply to the Internal Revenue Service be classed under this Section; an application which requires significant information from a museum about its management, collections, and financial standing. Once a museum has been accepted as a 501 (c)(3) institution there are a number of regulations which impact on the manner in which a museum is able to raise money, and the manner in which a particular person is able to give to a museum.

In the late nineteenth century, as America was emerging from the Civil War, art patronage and collecting was the hobby of the wealthy. The economic atmosphere in America at the time had evolved to help create a series of super wealthy individuals. Names such as Vanderbilt, Carnegie, and Whitney were among the few. These men made their money through enterprise and discovery, and chose to spend it embellishing their homes with treasures from Europe and abroad. These art collections evolved into

America's museums. This is not to say that all of America's museums are a direct result of personal collections, but to imply that the inspiration that led to the collections also led to the museums. American museums were modeled on European ones both in the display of their objects, and also in principles. American museums were founded on principles of "civic boosterism and cultural enlightenment;"<sup>7</sup> ideals which are the result of the waves of reform which engulfed the nineteenth century<sup>8</sup>. These two ideas are at the heart of the legislation under which museums are classified as charities. Museums are meant to educate the public about a variety of subjects, including the history and culture of America. As a direct response to these ideas of cultural enlightenment and civic boosterism (educate the uneducated) the federal government established over time, as part of the tax code, a body of law allowing institutions and organizations such as museums to be classed as tax-exempt, as charities. By registering as a charity a museum does not have to pay federal income taxes. This also means that money raised by the museum is tax free- for both the museum and the donor. Money donated to a charity above a certain amount, usually \$250 or more, can be deducted from the donor's yearly income tax return. This is defined and regulated by Internal Revenue Code Section 401 (summarized in Appendix A). This is called gift substantiation. In order for a donor to be able to receive the tax break on his/her donation he/she must obtain written substantiation from the donee charitable organization:

More specifically, the rule is that the charitable deduction is not allowed for a separate contribution of \$250 or more unless the donor has written substantiation from the charitable donee of the contribution in the form of a contemporaneous written acknowledgement. Thus, donors cannot rely solely on a cancelled check as substantiation for a gift . . . However, cancelled checks will suffice as substantiation for gifts of less than \$250.<sup>9</sup>

This substantiation rule applies also to separate donations; in other words, a donor is able to write a cheque for a particular amount one day and write a separate cheque on either the same day or another day, to the same charity if desired, and receive a separate deduction. The donor is not then deducting simply one check, but two. In cases of contributions made by withholding from wages, what in Great Britain is termed payroll giving, the deduction from each paycheck is treated as a separate payment. In both cases it is the responsibility of the donor to obtain substantiation from the charity for the donations given in order to receive the tax deduction.

Nonprofit (or not-for-profit) or charitable organizations cover a wide range of services and institutions in American society. They range from schools (private and public) to hospitals to foundations and trusts to, finally, museums. They all have three things in common, however: (1) they are specifically designated as "nonprofit" when organized; (2) profits or assets may not be divided among corporate members, officers, or directors in the manner of corporate share dividends; and (3) they may lawfully pursue only such purposes as are permitted for such organizations by statutes.<sup>10</sup> Nonprofits, charities, are divided into three categories: (1) public benefit (such as museums, schools, and hospitals); (2) mutual benefit (such as cooperatives, trade or professional associations, and clubs); and (3) private benefit (such as tax-exemption-benefit-seeking organizations like low-cost housing developments, etc.). The regulations defining how and what type of an organization is able to achieve the status of tax-exempt, or charitable, are set out in Internal Revenue Code Section 501; a summary of which is found in Appendix A.

These regulations also define how a tax-exempt institution or organization is able to go about the process of fund raising. Regulation of the process of raising funds for charitable purposes at the Federal level is immense and constantly growing. A charity faces different regulations for each state in the union; however, as stated in Appendix A, these state regulations generally acknowledge that a charity accepted by the Federal government is in compliance with the state's own regulations. Nearly all of the Federal regulations are administered by the IRS, and as Hopkins points out:

There are significant limitations on the extent to which fund raising for charitable, educational, scientific, religious, and like organizations can be regulated by government. Despite these constitutional law precepts, not-for-profit organizations in the United States face considerable regulatory requirements at the federal and state levels when they solicit contributions for charitable purposes.<sup>11</sup>

A charitable organization must generally secure tax-exempt status recognition from the IRS. The application process requires that the organization, for purposes of this discussion a museum, reveal information about its fund raising program. The museum must describe its actual and planned fund raising program. This means that the museum must summarize its actual use of, or plans to use, such things as selective mailings, fund raising committees, professional fund raisers, etc. The museum in question must identify, in accordance with its size, its sources for support. A completed application amounts to a detailed look at the programs, fund raising plans, and other aspects of the museum. The application is a public document and thus, during the course of the museum's existence, should it be requested by a member of the public the museum must supply a copy of the document. Many museums offer summaries of this type of documentation as part of information packets available to the general public, one such summary is illustrated by

fig. 1.1a—b. Knowing this it is curious to note the many museums which did not respond to the questionnaire at all.

Once a museum is registered as tax-exempt the federal regulations do not end. Almost all tax-exempt organizations are required to file an annual information return with the IRS. These returns are also open to the public (for an excerpt see fig. 1.2). A museum is required to detail all fund raising and financial activity for the preceding year.

The annual return reports all amounts received as contributions or grants. The museum must attach a schedule listing contributors during the year that gave the organization, directly or indirectly, money or property worth at least \$5,000. Separate reporting is required for program service revenue, membership dues and assessments, investment income, asset sales, revenue from special fund raising events, and any other revenue.

Special fund raising activities are, as noted, generally reported separately. However, when the payment is partly a purchase for the event or activity and partly a contribution (such as when a donor purchases a set of wine glasses for a museum opening and subsequently donates them to the museum along with a cash donation), the gift portion is reported separately from the purchase portion. Another separate schedule must be attached to the main return listing the three largest (in terms of gross receipts) special events conducted by the organization. In general, expenses by a museum must be totaled, as well as allocated to three categories: program, management, and fund raising. Compliance with the requirements, if done properly, obligates the museum to maintain detailed records as to their fund raising and other expenses, because the fund raising component of each line-item expenditure must be separately identified and reported.

Such detailed reporting is designed to ensure that a charitable institution, a museum, is acting as a 'charity'. The process of raising money for charity, fund raising, is weighted down by a plethora of federal regulatory procedures. Unfortunately, these regulations are not always strictly adhered to by a given charity. While the detail of the annual return is meant to help keep illegal and unscrupulous practices in check, this does not always happen. The IRS in an attempt to curb abuse of the system is currently conducting a study of the existing regulations and the implementation of said regulations, the Charitable Solicitations Compliance Improvement Study (CSCI).

The first phase of this study, which focused on educating America's charities about the law regulating charities, was completed in 1990. The second phase is an examination phase. Agents of the IRS examine fund raising practices of public charities with the intent of ferreting out what it terms "abusive" fund raising. The IRS maintains that "charities have an obligation to both know the rules and to properly inform donors about the deductibility of their donations"<sup>12</sup>. The IRS through their Form 9215, entitled "Exempt Organizations Charitable Solicitations Compliance Improvement Program Checksheet", defines the term "abusive fund raising". This form is a series of questions designed to be asked by IRS agents to all of the nation's charities and is a check sheet of information about all aspects of an organization's fund raising. It is meant to be a thorough examination of the particular organization: "the examiner is importuned to 'pursue the examination to the point where he or she can conclude that all areas and data concerning fund-raising activities have been considered.'"<sup>13</sup> The IRS has stated that it cannot impose any sanctions on abuses found of the regulations during the course of the study. The results of the study are to be given to the Department of the Treasury and to

Congress. There has apparently been no update on the progress of the study, nor a concrete mention of when it is due to be completed. Attempts to contact the IRS to find learn the status of this study (information which should be available to the general public as it is funded by the tax payers) were completely unsuccessful.

Regardless of this, it is hoped by many, both in the government and in the profession of fund raising, that not only will the study help to curb abuses of the system, but also to clarify many of the more murky points of the regulations. Abuse of the system is considered a serious matter by most, if not all, fund raising professionals and organizations classed as charities. It is considered to show a lack of integrity that undermines the spirit of the tax-deduction system, while reflecting adversely on the profession of fund raising and the large body of charitable institutions in America.

## 1.2 Is fund raising necessary?

The IRS regulations that allow tax-deductions of donations and classification of an organization as a charity are essential to the current make up of American nonprofit sector. This sector includes, as has been stated, museums. Indeed, museums and the entire nonprofit sector would not exist in its current incarnation were it not, in part, for these laws. They are a reflection of American society's belief that fund raising is essential to the existence of the nonprofit sector, to the provision of certain key services. The 'purchase' of a service from a nonprofit organization, via a donation, is part of the makeup of society, many would believe, but does this mean that it is strictly necessary; in other words, is fund raising really necessary?

The answer to this question is an unequivocal “Yes”; fund raising is not only necessary it is also essential—essential in terms of the structure of modern society. Oleck and Stewart state that nonprofits (or NPOs) are

second to no other kind of organizations [in 1994] in their importance in American society . . . NPOs can (and do) provide the socio-economic legal vehicles for both capitalist-oriented and socialist-oriented management of human states or nations, in addition to being the main quality-of-life vehicles for most people . . . just try to imagine modern society *without*.<sup>14</sup>

Nonprofit organizations, museums, benefit society through educating their members, setting professional standards, developing and disseminating information, informing the public, and enriching the lives of their members among other things. Museums and other nonprofit organizations cannot do these things without money. Museums need money and fund raising provides that money.

The tradition of American museums is unique. As intimated earlier they were largely founded during the nineteenth century through a combination of philanthropy and government support. These early museums were primarily supported by wealthy philanthropists, and most were founded by individual collections, and “even museums with municipal funding received that assistance as a result of pressure from the city’s wealthy”<sup>15</sup>. The founders of museums usually took a great deal of interest in the daily operation of their organizations, resulting in museums that not only reflected the interests of their patrons, but of the upper/middle class in general. In discussing this concept Victoria Alexander quotes Mark Lille: “created, not inherited, the American museum was animated by an unabashedly bourgeois spirit, and was brought to fruition as a local, civic institution rather than as a nest for the national spirit.”<sup>16</sup> Such a unique evolution has meant that museums, excluding one such as the Smithsonian Institute and National

Gallery as government established museums, while having access to government funds, have traditionally relied on the public for funding. In the current political environment fund raising is more essential than ever.

In the mid-1980s the funding of museums was turbulent and complex. The museum world was continuing serious debates about the nature of corporate funding (which is not dealt with in this paper) and was joined by national debates on the support of controversial art produced by such artists as Serrano, Mapplethorp, and others who continually challenged mainstream values and traditional definitions of art. Facing a recession in the late 1980s corporations, and many leading individuals, began to cut back on funding of art organizations. When the recession ended many did not step up arts funding leaving museums to fight over the few who continued to fund. When the 1994 elections were complete not only was there a new Congress and a new President (Bill Clinton), but also a feeling which many called a "new era". Victoria Alexander described the situation at the time with the following words: "with Newt Gingrich leading the ax-wielding House, our country could lose the National Endowment for the Arts, the National Endowment for the Humanities, and the Corporation for Public Broadcasting . . . art museums have benefited enormously from the availability of federal funds- and the public has benefited as well."<sup>17</sup> Six years have passed since Alexander wrote those words and none of the Federal institutions that she mentioned have been terminated, nor has Federal funding ended. What her pronouncement indicates is the nature of fund raising at the time. There was a sense of fear that if Federal funding, which many museums rely on in some fashion, ended then they would be forced to fund raise completely from the

public. Fund raise from a public that, seemingly, was not in the giving mood. Oleck and Stewart contradict this based on numbers:

In 1985 . . . national statistics on *charitable* contributions showed that 54.5 million of the 96.3 million couples and individuals who filed tax returns the year before claimed a deduction for charitable giving; the total deductions being \$38 billion . . . *Giving USA* [a leading industry magazine], 1991 edition, . . . reported that total giving in 1990 was about \$122.6 billion. . . arts got [of the total] \$7.9 billion.<sup>18</sup>

Ladd supports these statistics in his book The Ladd Report<sup>19</sup> when he quotes, in seemingly endless fashion, statistics from various government and private sector agencies about the steady, rising, nature of giving in America.

However, as important as it is that giving is a strong instinct among Americans it is equally important to realize that inflation has meant that the cost of running a museum has increased. And while the Congress and Gingrich did not eradicate Federal funding, they, and to a greater extent their predecessors' have, over time, limited the amount of money available to the branches of the government which provide arts funding. President Clinton has balanced the budget, but arts or culture funding has not been a focus for either him or his cabinet. All of this leaves museums scrambling for donations. Fund raising is more necessary and essential than ever.

### 1.3 The charitable instinct

As museums seek donations and the field of professional fund raisers gains ever more prominence and prestige it is important to look at why Americans give to charities,

to museums. In 1835 Alexis de Tocqueville's book Democracy in America was first published. In it Tocqueville made the case for American exceptionalism in a systematic fashion. The United States was different from Europe, he argued, because of the way in which it had experienced the egalitarian/individualist revolutions that were transforming Western societies. Individualist norms, and the institutions which were built upon them, had achieved in the new nation a triumph unmatched in scope and pace elsewhere. America was a nation of improvers and inventors. Tocqueville believed that America's far-reaching individualism accounted for the country's unusually vigorous associational life:

The Americans make associations to give entertainments, to found seminaries, to build inns, to construct churches, to diffuse books, to send missionaries to the antipodes; in this manner they found hospitals, prisons, and schools. If it is proposed to inculcate some truth or to foster some feeling by the encouragement of a great example, they form a society. Wherever at the head of some new undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association.<sup>20</sup>

Individuals who want and believe that they can make a difference in society are likely to band together. In this way early America formed associations to establish institutions, such as schools and hospitals, which the government did not provide for. America in Tocqueville's time, 1831, was distinct from other countries.

This sense of individualism makes the United States of today just as ideologically distinctive. The American idea of equality is emphatic on the subject of individual rights; for Americans in all social groups the goal is to extend opportunity, not equalize results. When things go wrong, under this system, Americans are more likely to affix responsibility on the individuals involved, and not on forces beyond the individuals'

control. It naturally follows then that Americans are less likely to hold government responsible for seeing that everyone is provided for—hence the associations that Tocqueville describes; the concept of American exceptionalism.

Indeed the current Internal Revenue Service Code supports just such a belief. Codified and refined after Tocqueville wrote his book the IRS rules, as described previously, in delineating just which institutions are able to be defined as charitable (churches, hospitals, educational institutions, and institutions for the public benefit—a statement which covers a large number of things ranging from certain rehabilitation centers to centers for public housing) build upon the ingrained notions of individuality and equality. They also provide for a society which appears to want to be responsible for those institutions.

Again, it comes back to the nature of the founding of American museums. Sociologists and those who track philanthropy rightly make much of this history of museums and American society when looking at the question of why people give. American philanthropy, or exceptionalism as Tocqueville described it, has evolved to become something of a socio-cultural institution. An institution supported not only in the social conscious, but also in the very form in which society is governed—again, the IRS Code serves as an example. However, ultimately philanthropy, or giving, is more than a mere institution or concept; it is more, even, than a mere habit. Giving, or donating, is most often viewed as the privilege, and indeed both the moral obligation and social right of the giver. If these two ideas are taken to their ultimate conclusion then Americans are in a sense born to give.

Robert L. Payton of the Indiana University Center of Philanthropy states, "Philanthropy is voluntary action for public good."<sup>21</sup> Stewardship, Henry Rosso argues, "nourishes the belief that people draw a creative energy, a sense of self-worth, a capacity to function productively from sources beyond themselves."<sup>22</sup> Douglas White argues that the reasons for giving to charity, for being a donor/philanthropist, are more complex than simply a feeling of having done something morally correct. It is certainly true that Americans seem more willing to give based on the evolution of certain institutions within the country, but in the latter half of the twentieth century (and now in a new millennium) these concepts could have changed. The three men quoted point to the pure reasons for giving, and while there is no denying that there are many who give in the spirit of pure philanthropy, there are many others who give for other reasons.

Often the tax benefits of giving are spouted as the sole reason for philanthropy. Literature to donors, such as that seen in fig. 1.3b, reads along the lines of: "give, and ye shall receive." Charity is helped through government intervention. Through the government's federal income tax deduction system charity is helped by a greater amount than the donor spends, the "result of a tax code at once sympathetic to the needs of charities, yet realistic about its own ability to help them directly."<sup>23</sup>

However, as White makes a point of saying, in almost all of the studies conducted on the motives of philanthropy the tax savings have ranked near the bottom of a priority list of reasons given by those questioned. Studies and surveys have occasionally been conducted to find the reasons of why people, and in particular Americans, give, but the results these vary. What is important is that near the top of these lists is the relationship of the donor with the particular organization and its mission. In addition, more important is

the organization's needs; the value of the charity to its constituency; and a sense of history and continuity, "a measure for many to gauge the charities ability to provide services in the future."<sup>24</sup> Statistically then a charity that is able to effectively communicate its stated mission, and thus create a rapport with the philanthropist, will do well in fund raising.

However, these studies show only the statistical side of fund raising. They do not adequately show the heart and soul that many people give with their money, or the sense of moral obligation and social right that prompts many individuals to give. Ultimately, to convey the truth of donating reasons must be given by the donors themselves.

Questioning donors was not intended to be a part of this paper however, while enquiring about questionnaire sent to the South Carolina State Museum, I was approached by Mrs. Mary Schlaefer, an octogenarian and lifetime resident of Columbia, S.C. Mrs. Schlaefer was eager explain the reasons why she gives to the South Carolina State Museum, located in Columbia. Mrs. Schlaefer no longer gives only cash donations, but also donations of her memories; about not only the history of Columbia, but also of the state of South Carolina: "giving to the museums is important to both me and those who visit them. I am able to give back some of the history that has made my life rich. It is important that young and old have the opportunity to experience, through the museums, what type of place they live in and where that place has evolved from."<sup>25</sup> While these memories are not tax deductible Mrs. Schlaefer's sharing of them and her description of why she donates does illustrate, admittedly on a small scale, the depths in which the idea of philanthropy (of donating something) has become both a moral obligation and social right to many individuals.

No look at the reasons why people donate would be complete without looking at what Douglas White calls "The Dark Side of Giving."<sup>26</sup> While it is true that the majority of donors do not give for tax reasons, there are other, darker, reasons fund raising analysts have noted for giving these include guilt, peer pressure and ego<sup>27</sup>. There are board members who respond to peer pressure to contribute to capital campaigns; and there are people who give gifts of ill-gotten gains—drug money or insider trading profits, for example—gifts of guilt. There are also those individuals who establish charitable foundations for posthumous glory, for self-aggrandizement, or for other reasons of self-interest. And finally, there are those who donate because it will increase their public image—such as businesses, whose support is actively sought on these very grounds (see fig.1.4). Peer-pressure, self-interest, guilt, marketing- all are to a degree non-philanthropic, yet all ultimately benefits a charity or charitable organization.

Despite this lack of altruistic purity, this dark side of giving, good work is done in the area of charitable giving. Most acts of philanthropy, large and small, are the result of many casual feelings and experiences, not all of which are known to be related to the action of giving. The history of associations and charities in America is long and distinguished. It cannot be denied that Americans who give are acting, in some way, upon this socio-cultural foundation. It is important for fund raisers to know about the technical aspects of giving, but it is important to remember that much of the motivation for giving will be found in the process of connecting the donor's desires to a worthy cause. This very personal altruism is behind many of the fund raisers' techniques for raising the money that museums need.

## 1.4 Show me the money!

How exactly do museum fund raisers go about getting donations, getting the money? When asked they will say through such things as annual dinners, members groups, capital campaigns, board members or trustees, or grants from local or federal sources. They will also say that there is never enough money; that a museum always needs more. This last is certainly true, the costs of such things as heating, temperature and light control units, restoration and conservation projects, and exhibitions—especially large scale exhibitions—continue to raise the price of modern museums. The development officer, or fund raiser, is certainly a major part of every museum.

There are countless books, seminars, and even graduate courses on the technicalities of being both a fund raiser and the process of establishing a system to achieve the ultimate goal—financial enrichment for the charitable organization. Strategic planning for fund raising is important to the implementation of any strategy. It is driven by the same impetus that drives other institutional strategic planning: the need to define a preferred future and figure out how to achieve it. Strategic planning for fund raising uses many of the same types of analyses and projections as does institutional planning, but focuses on a single function—resource development.

The process of strategic planning for fund raising looks at an organization's, a museum's, "current mix of income sources and the methods that it uses to generate philanthropic support."<sup>28</sup> An examination is made of all of an organization's assets that support fund raising: case for support; potential giving constituencies; volunteer and staff resources; fund raising programs; and budget. Once this is completed judgments must be made about: strategies most likely to be productive; priorities for new or enhanced

activities; additional investment that may be needed; incremental income projections; and realistic implementation of plans and budgets (see figs. 1.5a—b). Strategic planning is important for a variety of reasons, but one of the most important is when a museum is in the process of developing a large scale strategic plan for which substantially greater resources will be required to implement the plan—such as in the case of a capital campaign.

The capital campaign is designed to achieve a long term goal of a great deal of money for a specific purpose, e.g. a new wing for a museum might cost several million dollars, which in turn will be raised over a set amount of time, usually a few years. The Gibbs Museum of Art, in Charleston, South Carolina, recently completed a capital campaign to find funds for a large exhibition. While this type of campaign is slightly different to the type of campaign needed to raise money to add on something as large as a new wing, due to the size of the museum the exhibition was a large-scale production that called for large-scale funds. The exhibition was entitled *Charlestonians Abroad* and was a look at images of native Charlestonians who had portraits done of themselves while traveling; mostly while on Grand Tour in Europe. Not only did the works of art need to come from a wide variety of outside sources, but also funding was necessary to restore some of those works<sup>29</sup>. This type of exhibition is not necessarily such a major production for a museum the size of, for example, the Metropolitan in New York, however, as stated earlier, the Gibbs Museum is not as large as the Metropolitan. It is a medium-size museum that serves a medium-size American city; a city steeped in early American history, certainly, but not by any means a metropolis. Much of the museum's funding support comes from the city and from member groups. When the exhibition was in the

planning stages the museum turned to the board members and membership groups for support. As the exhibition slowly became a reality the museum turned to other outside sources to seek help. The result of the search was a relatively successful exhibition.

Capital campaigns are, according to Henry Rosso, "one of the most important fund raising activities of the not-for-profit organization."<sup>30</sup> They are an intensive campaigns designed to raise a specified sum of money within a well defined period of time to meet the needs of museum. These needs can range from construction of a new wing, to acquisitions for the collections, and finally to the costs for a specific exhibition, as was the case in Charleston. A capital campaign involves a number of strategies that differ from those of other types of fund raising. It requires the solicitation of major gifts, ones much larger than those sought for an annual fund. These gifts are usually made in cash, as a pledged donation is generally payable over a number of years. A capital campaign also involves strategically important volunteers; people who are willing to commit their gifts and provide access to, or solicit from, other potential donors. As volunteerism begins at home, these volunteers for a capital campaign are generally first sought from the trustees or board members of a museum. This 'human capital' is an important resource for museums- its availability, or lack thereof, can affect the outcome of a campaign.<sup>31</sup> Rosso explains the nature of a capital campaign when he states that "... discipline is the nature of this intensive campaign. It requires unremitting attention to campaign details starting with responsible preplanning analysis, continuing through goal setting and leadership enlistment, to program execution and conclusion."<sup>32</sup> The setting of goals is important to any fund raising venture, but in a capital campaign it is significantly more important. Just as the presence of human capital is needed to kick-start a campaign,

and often keeps momentum, the presence of a clearly defined goal is equally important—it is what can draw potential donors to a campaign. Donors, the giving public, as stated before prefer to give to an institution or cause (a capital campaign) for which they can see a result.

There are other ways in which donations are made to museums that are not as clearly defined as a capital campaign. One of the most significant of these is through a planned, or deferred, giving program. These types of endowment funds provide increased annual income from investment earnings. Such funds are not acquired as easily or quickly as those from an annual campaign or a capital campaign. Acquisition of these types of funds is an ongoing exercise as the needs of a museum, indeed any not-for-profit organization, are continually evolving and growing. This method of fund raising is orientated toward a larger gift, primarily in the form of a bequest, transfer of insurance, trust, or contract. It is generally established during the lifetime of the donor.

The term *planned giving* is used generally to describe a donation of assets or cash in the “form of stock certificates or other real or personal property . . . relinquished by the contributor to make a gift as a trust, contract, or gift annuity.”<sup>33</sup> The benefit of the gift is not available to the museum until a later date, when the gift matures. This type of gift is generally made from a donor’s accumulated assets. In contrast, a donation to an annual fund or a capital campaign is made from current income. Just as museums will send pamphlets soliciting donations for an annual fund, capital campaign, or friend’s organization, so too will they offer guidance on planned giving. The National Gallery of Art Development Office publishes *A Guide to Giving at the National Gallery of Art* (see

fig. 1.3a—b) in which most of the space is devoted to expounding on the ease and benefits of planned giving:

Deferred gifts may allow the donor to make a larger contribution  
Than would be possible with an outright gift, and enable the donor  
To maximize the tax benefits—and thereby the cost-effectiveness—  
Of a gift. Some of the assets used when making outright gifts can be  
Combined with trust vehicles to create future gifts.<sup>34</sup>

Direct mailings and telephone campaigns are other proven techniques for fund raisers to employ. These techniques are valid ways of raising money, but are used primarily by other types of charitable institutions; museums do not necessarily consider these effective. The development director of the Michael C. Carlos Museum in Atlanta, Ga., who has not always worked in museums, considers these two techniques ineffective where museums are concerned. He believes that they can undermine the popular image of museums—charities such as the American Kidney Foundation are associated with such things as telephone campaigns, while museums are thought to be above such measures.<sup>35</sup> Direct mailings are done by some museums. However, these generally pertain to individuals who have visited a museum and signed a form of a guest book. They are then asked to join the museum as a 'friend'. Such is the case with the exhibition center in Santa Fe, New Mexico SiteSanta Fe (see fig. 1.6).

The double-edged sword of direct mailing can appear to be detrimental to museums due to its associations with other charities, but it must be remembered that the people who generally support museums are those who can strongly identify with the mission of the museum and also appreciate the objects on display. It is these types of supporters, often long-term supporters, which a museum fund raiser or development officer seeks out for support. These supporters are generally asked to become members of

a museum or museum association. It should be noted that museums rarely, if ever, send mass mailings to the general public as some charities do. Generally, museums send mailings to individuals who have expressed an overt interest in a membership group, who have signed a guest book, or made themselves known in some other manner.

The membership groups are highly successful ways of generating long-term support and creating lists from which to draw names for larger campaigns for exhibitions or other projects. Membership groups have been cleverly divided into categories, often with snappy names such as 'platinum' or 'gold', into which a prospective donor automatically gets slotted based on the amount of money that is given. Most, but by no means all, of the museums offer benefits to each group. Those at the highest level obviously receive the most sought after and prized benefits—such as meeting artists, invitations to openings, and opportunities to meet artists. These high level, platinum, supporters are those members of society with a substantial income who use the museum membership to give to the community, to charity.

The Metropolitan Museum of New York has one of the largest, and arguably most successful, membership groups in America. The members of the Met, as it is nicknamed, come from all over the United States, and many from abroad. Its annual fund raising dinner is one of the major social events of the New York social calendar. This is also the case with the National Gallery of Art in Washington, D.C. Both of these museums publish annual reports on the activities of the museum to be sent to donors. Photographs of the annual dinners, exhibitions openings, and other fundraising events feature prominently amongst lists of major donations given by individuals and corporations

during the year. Indeed many smaller museums also publish similar reports for their donors (see fig. 1.7).

Annual fundraising dinners are not held only by the Metropolitan Museum. Most museums, in fact, hold some sort of annual event as a fund raising source. The National Gallery in Washington, D.C. also holds an annual dinner, as does the Michael C. Carlos Museum in Atlanta, Ga. In fact these museums often hold more than one fund raising dinner a year. Dinners where the places are 'sold'; dinners at which there are auctions; dinners where there are lectures given by curators, historians, or archaeologists. These dinners cater for all types of potential donors. Openings are another possible source of raising funds. Not only must the fund raiser show appreciation to the existing supporters, but he or she must also use the opportunity to interest prospective donors in the museum.

However, equally important as the annual events are funds given by foundations, trusts, and legacies. Legacy gifts to museums are one of the more important ways for museums to gain funding. The new Smithsonian Native American Museum, construction of which began in 2000, raised most of its money from a legacy donation. The collection, incidentally, comes also from a legacy donation, though from a different donor. Legacy donations are donations given by people in their wills. Ranging in size from billions of dollars, enough to start or help start a new museum—as in the case with the new Native American Indian Museum in Washington, D.C., to simply hundreds of dollars, they are increasingly becoming major quotas in any fund raising or development program. As Judith Nichols points out in her book Global Demographics the current 'baby boom' generation is one of the wealthiest segments of society, and they are getting older. Though it may seem to be callous to think of what will happen to the money when this

generation dies, it is important for the fund raiser. Legacy donations involve a great deal of legal forethought, and solicitation of such donations is often a delicate matter.

However, in this area of giving, more so than in any other, the importance of a museum's mission cannot be overestimated. As discussed earlier, one of the key reasons Americans give is because they believe in the mission of the charitable organization. To give a legacy is not to simply believe, but to believe wholeheartedly in a museum; in the idea of a museum.

## 1.5 Federal Giving: an oxymoron?

Legacies, annual events, member's groups, simple donations given at the doors-- all of these are important ways for museums to gain funding. Another important source of museum funding are governmental agencies: the National Endowment for the Arts, the National Humanities, and state and city governments. The tax deduction scheme is another form of federal giving. By allowing individuals to deduct from their income taxes what they have given to charities the federal and state governments are giving, seemingly inadvertently, to museums. This subtle type of giving scheme is only one of the ways in which the government makes its mark on museums. W. McNeil Lowery argues that public policy "in the arts is national, though neither federal or official, but a pluralism of private and governmental."<sup>36</sup> Lowery is referring to a combination of the interests of private patrons; philanthropic foundations; business corporations; federal, state and local governments; and the influence of the marketplace to create this public policy. Optimal circumstances would also have to include artists, museum curators, and high profile critics and art historians. It is without doubt that the public perception on any issue can

and does influence governmental decisions in terms of policy formation. This is especially true regarding funding of the arts and museums.<sup>37</sup> However, as important as these other influences are on public policy a great deal of the arts and museums policy is based on the views/policies of the government itself.

Federal intervention in the arts and museums was virtually nonexistent till the 1960s. There were federal projects dealing with the arts previous to that date, the most notable being the Federal Art Project of the WPA under President Franklin Roosevelt. It did not survive the Depression and federal intervention in the arts languished till the 60s. In 1965 the House of Representatives passed a bill creating the National Foundation on the Arts and the Humanities. This Foundation included both the National Endowment for the Arts (NEA) and the National Endowment for the Humanities (NEH). There was, as there still is, a great deal of argument at the time over the necessity of creating government intervention in the arts, and in museums<sup>38</sup>. Many saw it as the culmination of the ambitions of the White House (during the Kennedy and Johnson administrations both families used an interest in the arts, museums included, to further their own political ambitions), and other groups with self-interest at heart. Detractors were afraid that a National Foundation would mean that art, and the institutions which housed it, became politically controlled. Others believed that the nature of what art was would be changed. And still others argued that such intervention by the federal government was simply not necessary. There are many who still feel the same concerns and ambiguities about the current National Endowment for the Arts, and each time that the NEA and NEH bills are brought before Congress for reauthorization these same concerns and ambiguities are brought forward as both arguments for and against the NEA and NEH. Indeed, the

arguments/issues are rehashed each time the NEA or NEH makes even a remotely controversial funding decision. However, as important as the issues of validity and quality are to both organizations they are too involved to be discussed in the context of this paper.

Though it has been pressed in the past to create one the NEA has no official national policy on supporting the arts. It continues to operate according to the working of the 1965 legislation, which states that NEA is to only provide “for the support of the arts.”<sup>39</sup> The government maintains that it is paramount that the private sector remains the primary means of support for the arts.<sup>40</sup>

What then does this policy mean in terms of actual financial support for museums? The government money from either the NEA or NEH must be spent on special projects or exhibitions that a museum may have, and even then a museum must undergo a rigorous application process. Each grant given by either the NEA or NEH must be matched with money from the private sector. In forming both the NEA and the NEH the government went to great measures to make sure that the government itself could not exert undue control over funding choices. The original bill stated:

no department, agency, officer, or employee of the United States shall exercise any direction, supervision, or control over the policy determination, personnel, or curriculum or the administration or operation of any school or other non-Federal agency, institution, organization or association.<sup>41</sup>

Both the NEA and the NEH operate by using peer review panels to evaluate grant proposals. The NEA is largely for the support of individual artistic projects or individual artists. Neither are meant to be major supporters of large institutions, but merely supporters of special aspects within these institutions—such as exhibitions.

With regards to museums the NEH generally supports exhibits that emphasize the historical aspect of art, while the NEA tends to support exhibits that support the aesthetic aspect of art. The government saw, and continues to see, the main financial support for museums coming from the private sector. Museums can obtain funding from the Institute of Museum Services (IMS). This is another government controlled source of funding. In general it provides funding for operational costs, but also devotes considerable attention to conservation efforts. The IMA spends slightly more than either the NEA or the NEH, but for arts museums alone the NEH is by far the more important of the government bodies.

Despite the attempts by the government to maintain both the NEA and the NEH as a non-political source for funding, it is clear that this has not happened. Clotfelter, in his essay *Government Policy Toward Art Museums in the United States*, quotes Michael Straight, deputy chairman of the NEA under Nancy Hanks, as saying: " Jimmy Carter's concept of the endowments is political."<sup>42</sup> Indeed, the public perception of the politicization of the NEA and NEH led to the formation of the American Arts Alliance, which brought together several national arts organizations, including the Association of Art Museum Directors. Populist policies, which is what both the NEA and NEH are largely seen to be supporting (politicians need to be elected and the peer review board is appointed by politicians), have long been pointed to as a threat to established arts institutions. Various directors of the two bodies have both created fire for the detractors, and supported the detractors themselves. During the Reagan administration many wanted to do away with the NEA and NEH altogether, but the commission that analyzed the two

organizations, and the proposal to abolish them, came to the conclusion that both the NEA and NEH should stay.

Since their establishment the NEA and NEH have been bellwethers for judging the government's disposition towards funding of the arts. Their budgets grew rapidly over the first decade and a half of existence. But this growth was "reversed in the wake of increased inflation and the Reagan retrenchments."<sup>43</sup> Even at its peak direct federal funding of the arts and museums has remained significantly less on a per capita basis than government support in Western Europe. This is not as surprising a conclusion as it appears to be. As stated the Federal government believes that government funding should be matched with donations from the private sector. In fact, to gain a grant from either the NEA or the NEH an organization must prove that it can obtain, or has, matching funds from a private source, or sources.<sup>44</sup> An argument could be put forth that as one of the wealthiest nations the United States government could afford to provide more funding for the arts. However, the character of American government is for less intervention rather than more. Many of the controversies surrounding governmental funding have erupted due to too much perceived involvement by a governmental body. Thus, while the federal government continues to limit the amount spent on arts funding agencies, too much funding, and the political implications that such funding carries with it, are unlikely to be accepted wholeheartedly by the American public.

As described earlier, government experience of museums in the United States has been marked by its indirect nature. Most museums are private, nonprofit organizations. A few museums are operated under the direct or indirect authority of government. These museums include the National Gallery and Smithsonian Institutions in Washington, D.C.,

which constitute the bulk of federal spending on museums. These museums, like government supported museums in other countries, receive their annual budgets from the government. These budgets are supplemented by their fund raising efforts and special grants from agencies like the NEH. To measure governmental support of the arts it is necessary to look beyond simple governing authority of institutions. The main reason for this is that virtually all museums receive some direct government support. Another reason is that museums vary greatly in size. Beyond doubt the largest source of income for museums is earned income, which includes income from investments and net income from museums shops and restaurants.

However, government funding can be a significant part of a museum's budget. The Metropolitan Museum of Art budget shows this. The museum has a healthy fund raising program, yet still receives government support.<sup>45</sup> It is important to note that the government support comes largely from the city of New York. Federal support for non-federal museums is limited. State and local governmental support of museums is often greater than federal funding. However, even in this arena the federal government is not forgotten. As with the IRS regulations state and local governments tend to adapt policies towards museums that mirror federal policies.<sup>46</sup>

The United States government also provides two other important sources of funding for museums. These are both indirect subsidies, but are not insignificant. One is postal subsidy given to all nonprofit organizations. This means that all mail sent by nonprofit organizations within the United States is not liable to pay postage costs. This is important when the amount of mail sent out by museums is considered. Though museums do not send direct mail as many other charitable organizations do, they do send a great

deal of mail in relation to things such as the membership groups. Every member of a museum is liable to receive monthly, or bi-monthly, updates on exhibitions, dinners, and other museum activities. Members can also, as described earlier, receive annual magazines/reports on fund raising activities. This amounts to a considerable amount of mail.

The other form of indirect subsidy is a federal indemnity program, designed specifically for art museums. Under this program the federal government agrees to act as an insurer for works of art that are loaned by other governments or foreign museums, for such things as special exhibitions. Though this program has virtually no budgetary costs it is of considerable value to museums. It can significantly lower their insurance costs. A museum can apply for indemnification, specifying how the art will be packaged, transported, and displayed. A museum accepted to the program will be typically relieved of about half of the exhibition's insurance cost.

So what effect have all of these policies had on museums; has the government helped or hindered the running of museums? Some critics believe that any intervention by the government is detrimental to both art and artists. Many, such as Banfield, argue that public funding by its very nature encourages museums, and other arts institutions, to engage in activities that have little to do with art. Others specifically target federal programs such as the NEA saying that it, the NEA, encourages avant-garde work at the expense of more traditional forms of art. It has also been criticized for pandering to the popular taste in art; of fostering a popular culture of the past. However, the quality of the art supported by federal money is not what is at question.

It is clear that the Federal government actually does provide a means of support for museums, and some of these means, as with the indemnification program, are both beneficial and necessary. Things such as the distribution of these funds will always be called into question (where in the country is the money going; are they giving money according to museum size; are they giving money to more politically appropriate museums—such as Asian arts), as will the necessity of having the federal government, or any government, involved in museums at all. Governmental help, from whatever the source, is always fraught with controversy. As described earlier the idea of giving in the United States is unique in its conception and its relationship to museums. While it is clear the federal programs such as the tax deduction program are a vital part of any museum fund raising or development effort, it is difficult to determine whether a museum in the late twentieth century/twenty first century would be able to function without them.

## 1.6 Out with the old . . . and in with the new

Federal giving is not an oxymoron, but does come with many connotations and baggage. The NEA and NEH grants, as well as money obtained from other federal or governmental bodies, clearly bring the policies and politics of the politicians with it. This is nowhere more apparent than the recent scandal created by the Brooklyn Museum in New York. An exhibition that created a funding nightmare and has continued to create waves<sup>47</sup>.

In September 1999 the Brooklyn Museum opened the *Sensation* exhibition, which was shown to such success in London a few years earlier. A museum with a high quality collection, but with limited public attendance and support, the Brooklyn, as many

museums now do, was looking to the exhibition to bring it headlines in local papers, and thus greater public interest in the museum. However, what it got was not simple headlines about the show, but about, eventually, the very nature of its funding practices. Members of the general public felt that certain pieces displayed in the show were unacceptable to have on display. The museum refused to remove the objects, but did put up a warning to viewers of the nature of what they could see. The public found this unacceptable, but the Mayor of New York found it particularly unacceptable; especially as he was then trying to be elected to the U.S. Senate. The situation quickly became political, with even the First Lady Hilary Clinton (also trying to get elected to the Senate from the state of New York) voicing her views (she supported the exhibition, the mayor did not). Issues came to a head when the Mayor threatened to withdraw city funding from the museum if the exhibition was not changed. This did not happen in the end and the exhibition continued to great success, no doubt partly due to the high level of public exposure that the controversy brought (see fig. 1.8). The fact that the issue became so closely intertwined with both local and national politics is an example of how sensitive an issue fund raising can be.

However, what the Brooklyn controversy did was to raise issues about the nature and ethics of fund raising as a whole in America. When the Mayor threatened to withdraw City funding from the museum, which relies heavily on this as a funding source, museums across the United States were shocked. Did the government, any government, have the right to withdraw funds from a museum once they had been given? Did giving funds mean that the government could then dictate the type of art that was displayed in a museum? These questions were not pleasant to ask or to have answered.

The Mayor did not, in the end, carry out his threat, but he did succeed in doing two things; one of which directly led to the other. The first thing that occurred as a result of his pronouncement was a close look at the funding for the *Sensation* exhibition. How much of the city's money had been used by the museum for the exhibition? The answer was not what had been expected. The funding for the exhibition was done in a rather unusual and controversial manner. The money for the exhibition came not from the museum trustees or any other traditional source of funding, but from the galleries which sell the works of the artists involved in the exhibition. And the way in which the museum got this type of funding, i.e. how the galleries were approached, was also brought into question in a public manner: the *New York Times* (which thoroughly covered the entire controversy) published articles directly calling into question the fund raising at the Brooklyn Museum.<sup>48</sup> In fact, information in this text on the controversy comes completely from third parties—the Brooklyn Museum has refused, and continues to refuse, to comment on either the controversy or its funding practices. They initially responded favorably to the questionnaire, however based upon advice from their lawyers in the summer of 1999 decided not to participate. Professional fund raisers often tread a fine line between ethical and unethical behavior when soliciting donations, but the methods of the Brooklyn were generally regarded by the fund raising establishment as being somewhat unethical.

The other result of this controversy and scandal was the creation in August 2000 of a list of funding ethics, rules for funding, to be adhered to by museums across the country; a list that was created by museum directors and fund raisers/development officers from museums across America. It is hoped that these rules will help to avoid

future incidents like the one at the Brooklyn Museum. This is not the first attempt to establish a national standard of ethical behavior for fund raising practices. In fact, the National Society of Fund Raising Executives (a membership only group) has long had established guidelines on ethical behavior for its members. While these guidelines are applied to members only, they are generally adhered to by the larger fund raising community.<sup>49</sup>

The Brooklyn controversy is unique for any museum, but does highlight a certain aspect of fund raising. By its very nature, relying on the public to give, fund raising is an activity that necessitates constant change and revision. The public will not always respond to the same techniques that fund raisers use. There are certainly fund raising techniques which the public expects, such as annual dinners, but many of the traditional methods of fund raising have become tired. The Brooklyn Museum, faced by a board of trustees which would not support the *Sensation* exhibition, turned to another method of raising the necessary funds. The method was on the borderline of ethical practices, but shows the need for a fund raiser to constantly be seeking a different approach to both the potential and established donor.

Many in the professional fund raising community argue that the current fund raising techniques employed need to be radically changed. Judith Nichols is one of the most vocal commentators on this issue. She argues that the change in the demographic makeup of society, as well as the change in the way that segments of society think, necessitates a dumping of the older methods of fund raising and the creation of new avenues for the field.<sup>50</sup>

What would have to go? In terms of museums it is difficult to determine. The methods which museums use to fund raise are slightly different from those used by other charitable organizations. Nichols is correct in her argument that the changes that have occurred in society require a response by museums, however the segment of the population that gives to museums would not be thought of as responsive to the suggestions which she, and many others, propose. The section of the population which gives to museums is generally older, what is termed the 'Baby Boom' generation, or older than that—people who have earned their money and are able to give large amounts away. Museums rely increasingly on the large donations or the legacy donations. The younger members of society are generally just beginning to earn their money and do not want to spend it, or have no money at all. The methods then which museums use are appropriate to the target audience. The new methods which Nichols and other propose generally involve greater use of the Internet, the popular media, and other such 'new' technologies—aspects of modern culture to which mature and older elements of society are perceived as not being familiar with. But are they?

Museums do need to be innovative and resourceful in their fund raising, asking for money in the same manner often tires the donating public. The Michael C. Carlos Museum in Atlanta recently raised a great deal of money very quickly through a newspaper campaign. This was an unusual approach to take, and one that could easily have backfired, but proved to be more than successful.<sup>51</sup> Museums are turning to increasingly creative sources for the necessary funding. What they are not doing as they pursue these courses is abandoning traditional methods of fund raising. It is a fine line to balance, and one upon which success is still largely undetermined. For the creative fund

raiser there is much that can be explored. The Internet has yet to be tapped as a source for fund raising, if indeed it can be done. Museums do have web sites offering a variety of services and information for and about the museum, but the fund raising capabilities of such sites have yet to be explored. Many fund raising professionals are reluctant to comment on this potential for fund raising. They largely seem willing to wait until a system is established, but do see the Internet as part of the future of fund raising. As stated before, change is a vital part of fund raising, and one that cannot be ignored. Museums, as keepers of the past, must rely on the future to stay in the present.

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<sup>1</sup> Charles Seymour, Jr., Michelangelo's David: A Search for Identity (Pittsburgh: University of Pittsburgh Press, 1967) 35-41.

<sup>2</sup> T.A. Marder, Bernini And The Art of Architecture (London: Abbeville Press Publishers, 1998) 12.

<sup>3</sup> Jonathan Flatley, "Warhol Gives Good Face: Publicity and the Politics of Prosopopoea," in Pop Out: Queer Warhol, ed. Jennifer Doyle, Jonathan Flatley, and Jose Estaban Munoz (London: Duke University Press, 1996) 117-119.

<sup>4</sup> David Carr. "The need for the Museum." Museum News. 78, 2, March/April (1999): 31-35, 56-57.

<sup>5</sup> Victoria Alexander, Museums and Money (Indianapolis: Indiana University Press, 1996) xi.

<sup>6</sup> Reader should see Appendix B for a summary of this Section.

<sup>7</sup> Victoria Alexander, Museums and Money (Indianapolis: Indiana University Press, 1996) 19.

<sup>8</sup> The end of the nineteenth century in America, as in Europe, was marked by various waves of reform. Many of these dealt with education of the poor, and immigrants; others with social conditions dealing specifically with the poor and immigrant populations. Things such as famine in Europe, the rise of the steel industry, the settling of the American West, the gold rushes, and heavy immigration from Asia created an atmosphere within the country which was ripe for reform; reform emanating from the upper classes of society. The men who made their money using the labor of the poor and the immigrants began to feel the need to 'give back' to the community; hence the foundations established by such people as Rockefeller. There are numerous books on and analyzing the history of America during this period.

<sup>9</sup> Bruce Hopkins, "Federal Regulation of Fund Raising," in The Nonprofit Handbook: Fund Raising, ed. James M. Greenfield (New York: John Wiley & Sons, Inc., 1997) 664.

<sup>10</sup> Howard L. Oleck, and Martha E. Stewart, Nonprofit Corporations, Organizations & Associations 6<sup>th</sup> ed. (New Jersey: Prentice Hall, 1994) 10.

<sup>11</sup> Hopkins, 1997, 660.

<sup>12</sup> Hopkins, 1997, 662.

<sup>13</sup> Hopkins, 1997, 663.

<sup>14</sup> Oleck and Stewart, 1994, 1.

<sup>15</sup> Alexander, 1996, 20.

<sup>16</sup> Alexander, 1996, 20.

<sup>17</sup> Alexander, 1996, xii.

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- <sup>18</sup> Oleck and Stewart, 1994, 5.
- <sup>19</sup> Everett Carl Ladd, The Ladd Report (New York: The Free Press, 1999) 61-90.
- <sup>20</sup> Alexis de Toqueville, Democracy in America, in Ladd 158.
- <sup>21</sup> John J. Schwartz, "Fund-Raising Overview," in Greenfield 2.
- <sup>22</sup> Henry A. Rosso, ed., Achieving Excellence In Fund Raising (San Francisco: Jossey-Bass Publishers, 1991) 6.
- <sup>23</sup> Douglas E. White, "Why do People Donate to Charity?," in Greenfield 163.
- <sup>24</sup> Ibid. 165.
- <sup>25</sup> Interview with Mrs. Mary Schlaefer of Columbia, S.C., 15 June 2000.
- <sup>26</sup> Douglas White, The Art of Planned Giving: Understanding Donors and the Culture of Giving (New York: John Wiley & Sons, Inc., 1995) 175.
- <sup>27</sup> Paul Gardner, "What Price Glory?," in Art News, 87, October 1988, 122-5.
- <sup>28</sup> Kimberly Hawkins et al., "Strategic Planning for Fund Raising," in Greenfield 12.
- <sup>29</sup> Interview with Paul Figueroa, Director, Gibbs Museum of Art, Charleston, S.C, 4 August 1999.
- <sup>30</sup> Rosso, 1991, 80.
- <sup>31</sup> Telephone interviews with Patricia Donovan of the National Gallery of Art, 20 July 2000 and Susan Wider of the Georgia O'Keefe Museum, 10 September 2000.
- <sup>32</sup> Rosso, 1991, 81.
- <sup>33</sup> Rosso, 1991, 97.
- <sup>34</sup> National Gallery of Art, A Guide to Giving at the National Gallery of Art (Washington: National Gallery of Art, 1999) II.
- <sup>35</sup> Interview with David Curry of the Michael C. Carlos Museum, 17 June 2000.
- <sup>36</sup> The Arts and Public Policy In The United States, McNeil Lowery, 2.
- <sup>37</sup> The reader should note that use of the term 'arts' refers to symphony orchestras, ballet, opera, and any other variety of artistic endeavors.
- <sup>38</sup> Geoffrey Platt, Jr. "Here's What Congress's Art Debate Is Really About." Museum News. 68, 5, Spetember/October (1989): 32.
- <sup>39</sup> Lowery, 15.
- <sup>40</sup> Federal government in Charles T. Clotfelter, "Government Policy Toward Art Museums in the United States," in Martin Feldstein, The Economics of Art Museums (London: The University of Chicago Press, 1991) 240.
- <sup>41</sup> Clotfelter, in Feldstein, 1991, 240.
- <sup>42</sup> Feldstein, 1991, 245.
- <sup>43</sup> Clotfelter, in Feldstein, 1991, 245.
- <sup>44</sup> National Endowment for the Arts, Grants To Organizations 2000 (Washington: National Endowment for the Arts, 1999) 13.
- <sup>45</sup> The Metropolitan Museum of Art, Annual Reports, 1996-1999.
- <sup>46</sup> Atlanta City Council, City of Atlanta, Georgia, 1999 City Budget, (Atlanta: City of Atlanta, 1999).
- <sup>47</sup> Controversy has been a subject of concern at many different times. See Geoffrey Platt, Jr. "Controversy: No Longer a Question of *If*, but *When*." Museum News. 69, 2, March/April (1990): 40.
- <sup>48</sup> David Barstow, "Brooklyn Museum Recruited Donors Who Stood to Gain," New York Times 31 October 1999: front page.
- <sup>49</sup> National Society of Fund Raising Executives. NSFRE Code of Ethical Principles and Standards of Professional Practice, (Washington: National Society of Fund Raising Executives, 1991-1992).
- <sup>50</sup> Judith E. Nichols, Global Demographics (Chicago: Bonus Books, 1995) 7-14.
- <sup>51</sup> Catherine Fox, "Emory vies for mummies, but the curse is the cost," The Atlanta Journal Constitution 5 February 1999: front page.

## Chapter 2: Great Britain

Museums, both British and American, perform the same functions. The introduction to Chapter 1 established that as the institutions which legitimate art, are keepers of cultural identity, and upholders of the artistic cannon museums perform necessary functions; they promote a set of spiritual and intellectual values based upon the framework of a society. It also established that in order to perform these functions, to uphold these values, it is necessary for museums to have money. Museum finance is difficult in that not only do museums require substantial budgets; also a budget which is constantly growing: "compared with defense, education, social security and health, the arts budget is very small. But it has a constant tendency to expand . . . however much money you put in to public subvention, they always come back for more."<sup>1</sup> The constant, and growing, need for funds on the part of museums makes the act of finding funding difficult. As with American museums British museums must gather this money from either the government or from the general public.<sup>2</sup>

However, the manner in which British museums go about the necessary fund raising, and their reasons for doing so are different from those of American museums. Much of this is due to the structure of British museums, and their relationship with the government, whether it be local or central. Again, just as with American museums, the manner in which the museum was established and the way in which it is defined according to the government plays a large role in the way in which it is able to carry out its fund raising practices. The manner in which museums in Britain have been established

also has a bearing on the way in which the general public perceives fund raising and philanthropy.

As important as the structural nature of a museum is, so too is the actual definition of what a museum is. As in America the Museums Association offers up a definition of what a museum is. The Museums Association generally defines what a museum is in Great Britain. However, there are different museum association bodies for Scotland, called the Scottish Museums Council, and for England and Wales, the Museums Association, each of which has slightly differing definitions of what a museum is and does. In content these do not amount to anything, it is essentially the wording that is different. Both bodies recognize that museums are institutions that collect, safeguard, and make accessible items of significance for the general public. They can be a variety of sizes and vary widely in the nature of their collection. They can be national, local, or run and staffed entirely by volunteers. And museums in Scotland differ from those in England and Wales.

To make matters more complicated there is also an Independent Museums Association, for privately run museums. While it is recognized that there are numerous museums which are privately run, or independent, their basic structure, in terms of law and tax, is significantly different than that of many museums affiliated with one or another of the Museums Associations. Being a private, or independent, museum simply means that there is no support, or funding, from central government sources. Support, or funding, for these types of museums come often from the general public. In terms of fund raising from the general public the techniques used by independent museums are no different than those used by museums affiliated with the various Museums Associations.

However, they do differ in that they charge for admission (something museums belonging to either Association do not generally do) and are involved more deeply in such things as gift trading- fund raising from the general public is their only source of funding.

It has been argued that these independent museums are closest in nature to American 501(c) (3) registered museums however, this is not actually the case. As has been demonstrated a museum registered as a 501(c) (3) in America is not only able to draw funding from the general public, but also from federal, state and local governmental bodies, and other government affiliated funding bodies. An independent museum in Great Britain does not always, as has been stated, receive funding from central or local governing bodies. A museum registered with one of the Museum Associations however, not only receives funding from central and local governing bodies, but also, as shall be demonstrated later in the text, from government affiliated funding bodies and the general public. It is because independent museums are limited to only one source for funding that they are not included in this text. It was felt that they did not provide an adequate source for comparison.

It is important to be aware of the different Associations, and also that the differences between the countries making up Great Britain do not stop there. There are differences in the manner in which a charity is defined between the two countries; there are even regional differences within the nation as a whole in terms of tax law. On the surface there seems to be only a confused mass of regulations and law. There is no one codifying body of regulations or law as the case within the United States. This is due to the evolution of law and government within Great Britain. All of these differences affect

not only affect the status of a museum, but also can affect the manner in which fund raising is done.

The differences in definitions and the differences in government within Great Britain have an effect on availability of information about museum funding practices (as alluded to in the Introduction): information can be questionable, if indeed it is available at all, or can seem to be contradictory. This is not to imply that the information is consistently unreliable, but merely that there are problems in obtaining data. Museums in Britain, as stated in the Introduction to this text, are not classed as pure charities, and thus carry none of the same freedom-of-information stipulations that museums in America have. In fact, charities as a rule in Britain do not have these same legal stipulations. Though there are central government initiatives on 'openness' these do not seem to have had much sway when a member of the general public requests information. When presented with the questionnaire many museums refused to reply on the basis that the request for information on fund raising was "presumptuous and unavailable", or unavailable in the detail requested. Letters written to the Museums Association for comment and information were met with: "I am unable to provide you with information."<sup>3</sup>

The sum of this means that much of the information gathered for the chapter on museums in America is unmatched in this chapter on British museums. As the laws of America are unique in terms of freedom-of-information acts it is doubtful if museums, governments, or other institutions in any country could ever match the level of information available from American sources. However, though this issue may seem to be a problem, it is, in fact, a subtle, but clear, indicator of the different views held by the

two nations with regards to fund raising. Before a comparison is made between the British and American fund raising systems as a whole the British system must be looked at in as much detail as possible.

## 2.1 The Government and the Museum

Patronage of the arts in Britain has traditionally come from wealthy individuals, aristocrats, kings, and the church (no matter what the denomination). In the eighteenth and nineteenth centuries, as individuals grew wealthier through commerce and the Industrial revolution, art patronage and art collections grew. Just as in America these collections became the foundation for museums in Britain. Many works of art were given to the state in lieu of such things as death taxes, or as acts of philanthropy. In order to maintain the art as part of the British Nation museums were established to house the collections. Such was the case with the infamous Elgin marbles and the British Museum. Though they were not part of a death tax payment, they do represent the idea of art patronage and museums establishment in Great Britain—Lord Elgin, in an effort to end the controversy surrounding his acquisition of the marbles, sold them to the British Museum. The Museum had been established in 1753 from money raised from a public lottery, and a Treasury grant in 1762 added to this money. After the purchase of the Elgin marbles in 1816 (following a long period of enquiry into their acquisition) the government began providing regular funding for the museum.

The National Gallery was finally established, proposals for the museum had been tabled previous to this date, in 1824 when the collection, that of George Beaumont, was

offered to the nation, and another was to be sold to a foreign buyer. Thereafter funds for purchase and acquisition were provided for by donations, or acquisitions that came from private donors. However, by the end of the nineteenth century the government was again providing steady funding. The Parliament later, in 1852, established the Victoria & Albert Museum, originally called The Museum of Ornamental Art. Here again, as with the National Gallery and the British Museum, government funds for the Victoria & Albert were not steady till the beginning of the twentieth century.<sup>4</sup>

These are only a few of the museums established during the eighteenth and nineteenth centuries, and do not represent the manner in which all museums were established. Other museums began life in a different manner, such as the many University museums throughout the country, or those begun by Municipal Councils, or private individuals. However, all are, more or less, based on the same concept—collections begun through patronage and donation on the part of wealthy, or prominent individuals (or groups of individuals) for the benefit of society at large.

The nineteenth century in particular saw the establishment of numerous museums based on ideals of reform; reform which was spawned in part as a result of the Industrial Revolution. Social reforms in particular became important during the century and were expressed in a variety of ways.<sup>5</sup> One such way was in the foundation of museums, many by private individuals, for the education of members of the general public. Educating the public, many felt, was a way to affect larger reforms—educated people act and respond in a better way than the uneducated. An attitude that has not changed in the intervening century.

Though the British museums began life in a similar manner to American museums, by the twentieth century things in general had radically changed—government support, as described above, had become pervasive within the museum community as a whole. Whether providing direct government funding, as for the British Museum or the National Galleries, or indirectly giving support, via local Councils or through other similar bodies there were fingers of the central government almost everywhere. The British government can thus be seen as having become, to a certain extent, the caretakers of the nations cultural history. While the government did not have a direct say in the daily running of the museums, or in the choices of acquisitions, or exhibitions, they, and their various agencies did provide a source for funding within the larger museum community.

However, the extent to which the government has, or does, fund museums, and the arts in general, has not always been the same. In the years before the advent of World War II patronage of the arts in Britain was not commonly discussed either in Parliament or by the general public. The dominant philosophy was that arts institutions, such as the ballet, opera, and theater, could not exist if they sustained operations with continuing deficits and thus were seen to be in constant need of government money. Museums and galleries were perceived as being different: the philosophy being that they could, and often did, operate with a deficit, therefore not requiring a steady flow of central government funding. They did not receive government funds for general acquisitions. There was also no specific Parliamentary act providing for funding of museums on a national level. This philosophy of funding was standard within England, Wales and Northern Ireland. Though the letter of the law, and thus the execution there of, was

different in Scotland, the general philosophy with regards to museum funding in the years immediately prior to WWII was similar.

John S. Harris, in his book Government Patronage of the Arts in Great Britain, describes the atmosphere of funding during and after WW II when he says:

Although the war stretched the nation's physical resources and manpower almost to the breaking point, public provision was, miraculously, undertaken on a modest scale: Exchequer funds were expended to underwrite the programs sponsored by the Council for the Encouragement of Music and Arts. This wartime program, with its bipartisan political support, was continued after the return to peace.<sup>6</sup>

Though there were oppositions to state subsidy voiced occasionally, by the 1950s patronage of the arts had become an accepted function of the government. However, it should be remembered that the precise nature of arts subsidy was not stipulated by parliamentary enactment. This is a significant factor in the make-up of museums, and indeed for Britain in general. Though the government annually allocated funding in the budget for arts, and continues to do so (see fig. 2.1a—b), it is not obligated to do so by law, *only by tradition*. The establishment during WW II of government bodies to provide funding was, at the time, seen to be a necessary measure to continue quality of life activities during the war. It was not simply museums that the government provided funding for it was all types of arts organizations—ballet, theater, symphony, and opera.

The evolutionary nature of government budgets on the arts is an important factor in an analysis of British museum fund raising. The history of government in Great Britain is generally evolutionary, in the sense that there is not a specific constitution establishing government. The Magna Carta, signed by King John in 1215 and England's closest equivalent to the U.S. Constitution, did establish a number of freedoms for barons at the

time, but is not a blanket constitution, nor was it the basis for one. In a most basic sense, it was the basis for a continually evolutionary body of law. British government is over all statutory in nature, meaning that law has been added or amended as needed. Therefore, the government response to and for museums within the country is evolutionary.

Thus, it is somewhat easier to understand how the funding of the arts had, by the 1980s, evolved to become not only an established part of national and local budgets, but also a larger source of political debate and controversy. Museums such as the British Museum, by this stage, relied on either direct subsidy from the government, or indirect subsidy in the form of grants from government-affiliated bodies such as the Arts Council. For those museums more reliant on the philanthropy of the general public, donations had begun to be affected by the nature of the general economic situation within the nation. The boom nature of the early 80s meant that philanthropy on a larger scale than would normally be expected could occur. However, the government, led by Margaret Thatcher, stated that its policy toward museum funding "and other arts activities has to be seen as part of its policy for the regeneration of the British economy."<sup>7</sup> In keeping funding policy within the framework of government expenditure the Conservative government began to limit the amount of money given to museums and government bodies that offered funding to museums. What then were museums to do? The government's aim was not only to limit governmental spending on both a central and local level, but also to encourage museums to look for other sources of funding; to look for additional and supplemental sources for funding. As will be looked at later the nature of philanthropy by members of the general public in Great Britain is somewhat unique, therefore if the government makes a decision to limit its support of arts organizations, it does not

necessarily follow that the general public will pick up the slack. Nor does a boom in the economy necessarily mean that independent museums will benefit from greater philanthropy.

The answers to these issues can be found partly in the structure of the institution of a museum. However, before that is looked at one last issue in terms of evolution of central government support should be mentioned. In 1973 the United Kingdom joined the European Union. The membership brought benefits in many ways, but also brought significant changes. The passing of European Parliament legislation coordinating budgetary positions for member nations intensified the issue of government cutbacks. The legislation was begun in 1996 and the final act, L209 02-AUG-97 001, was passed in 1997.<sup>8</sup> Essentially, this legislation is an attempt at a convergence of economic policies, public deficit, and interest rates, aiming to avoid risk of excessive deficit by a single member nation; thus potentially throwing the entire European Union into chaos (theoretically this effect would be intensified should all member states be using the euro as currency). By accepting such action member states, Great Britain among them, were forced to effect changes within their own governmental spending policies to ensure the desired member unity on budgetary issues. Thus, Britain was forced to reassess spending in a number of areas. At the time healthcare was one such area, and the budget required reshuffling accordingly. Ironically, such action did not mean significant reductions in art spending budgets. What is interesting to note, however, is that the legislation passed in 1997 is somewhat counteracted by the European Council Charter of Fundamental Rights, begun in 1998 and completed in 2000. The charter refers specifically to EU Treaty Article 151 in which the Community is required to encourage the cultural cooperation of

Member States and supplement their action in “the conservation and safeguarding of cultural heritage,”<sup>9</sup> of which museums are understood to be a significant part. Nowhere does this state that any sort of funding will be available for member nation museums from the European Union, but it does, in a unique fashion, provide to governments a way in which they could possibly avoid significant restructuring of aspects of their budgets; perhaps ultimately avoiding the cutting of art and culture budgets.

However, such legal maneuvering has not happened just yet, and museums have been left with a slow, multi-year reduction in government spending on arts and art funding organizations. Leaving museums to find alternative sources of funding. This is not an easy task for any public institution to undertake, but is especially difficult in terms of museums. Institutions such as opera companies, symphony orchestras, and theater companies have an easier task in seeking alternative sources for funding—people, as established in Chapter 1, seem to be more willing to give to an institution from which they can draw immediate satisfaction. Money donated to an opera company will show a direct result in the quality of performances given by that company (even if the money donated went for maintenance costs this is ultimately reflected in the performances given). However, as established, money donated to a museum can often seem to be swallowed up into the museum organization—there were works of art on display before the donation, and there are still after the donation. In addition to the competition from other arts organizations museums must compete with charities for funding.

British charities are made up of what is commonly termed ‘pure charities’, i.e. organizations such as the British Red Cross, the Imperial Cancer Fund, and the Royal Society for the Protection of Birds. These organizations are all registered with the Charity

Commission of England and Wales. There is no equivalent commission for Scotland or Northern Ireland, though the Scottish Parliament has begun the process, since September 2000, to establish a Registrar of Scottish Charities. This is being done with the support and advice of the Scottish Council of Voluntary Organizations.

The Charity Commission is a directly funded commission reporting to the Secretary of State. Among its many functions the Charity Commission serves to regulate the charities of England and Wales. However, it does not define, nor regulate how a charity can be run. Nor can it legally establish a charity or revoke charitable status. It has requirements to which a charity must adhere to be on the register (the list of officially recognized charities), but these are not as specific as those to which an American charity must adhere to acquire and maintain the 501(c)(3) status.

The definition of a British charity was set by the Parliament and revised in 1987. Essentially it follows the definition of a charity in the United States: an organization that is established for the benefit of the public—to relieve suffering and poverty, for the advancement of humanity, and the protection of the environment. In accordance with this registered charities are exempt from direct taxation and exempt from a certain amount of indirect taxation, Appendix B outlines the legal nature of charities in Britain.<sup>10</sup> In addition to this as of April 2000 donations given to registered charities can be deducted from the donors annual income tax. These changes follow broadly along the same lines as the American tax deduction scheme: a pound given is a pound off. They represent a significant change in not only the physical law pertaining to charities, but also in the way charities are perceived within Great Britain.

The official literature from central government describes the changes, with particular attention to arts organizations, as complementing “the substantial public money [provided] for the arts, museums, and heritage. The new tax regime for giving to charities . . . gives . . . encouragement in a practical form.”<sup>11</sup> Just as in the American scheme for tax deductions it is the responsibility of the donor to gain documentation from a charity for proof of a donation.

The changes effected by the April 2000 law fall into four main categories. Gift aid (i.e. cash given by individuals) is the first of these. The change states that any donation given from the 6 April 2000 to a charity from a taxpayer will be eligible for income tax relief. No minimum or maximum amount is specified, however no donation can be claimed which is greater than the total tax that the donor is liable to pay, thus placing an inadvertent maximum amount on the potential donation. To claim relief all that is required is information showing who has given, how much was given, and a declaration that the donor wants the tax reclaimed. This can be in the form of a written document, or registration of a gift made by phone or Internet. The donor does not have to agree to continue paying a fixed amount for a fixed period of time.

Gifts of shares, the second change, relates to donations by an individual make of quoted shares to a charity they are not liable to pay capital gains tax on the value of the shares that are given (a law which is already in place) and from the 6 April 2000 they, the donor, will also receive full income tax relief on the value of the donation as well.

The Payroll Giving (the third change) scheme allows companies to set up a simple way for employees to give money regularly to a chosen charity, while obtaining tax relief before Pay As You Earn is deducted. From 6 April 2000 the existing maximum limit of

£1200 for payroll giving is abolished. In addition, the Government will provide a 10% supplement to whatever is donated through this scheme over the next three (3) years.

Gifts of cash by companies, the fourth major change, who give to charities will pay the whole donation to the charity and claim a deduction from the amount in its own accounts. Thus the charity does not have to reclaim tax from the Inland Revenue Service.

There is a related change, separate from the rules on donations, about the tax treatment of fund raising events. From the there will be an exemption of charity's fund raising events from VAT on the supply of goods or services, and from paying income or corporation tax on their profits. This exemption applies to up to fifteen (15) events of the same kind, at the same location in any financial year, or to any number of the same events of the same type, where the gross weekly takings do not exceed £1000.

In addition the money through such things as membership or supporters' schemes, mailing list membership, or *friends of* organizations can be eligible for tax relief. This is only if these organizations meet the rules on the proportion of benefits purchased, and money given is not payment for services. The regulations on gift aid now require that a donor only make a "declaration" of who they are, how much they are giving, and that they want tax to be reclaimed. Donors do not need to fill in deeds of covenant or and of the previously used forms. Declarations can be in writing, or given orally or electronically. If a declaration is oral, made on-line, or via the telephone on the part of the donor then the charity must confirm this declaration with a written note. Charities must also keep records showing the individual who has given and what the donation has been for each donor. Any records kept in electronic form must meet the requirements of the Data Protection Act.

As beneficial as these changes are for charities it should be noted that museums seemingly cannot be registered in entirety as a charity. Though they are mentioned, as stated, specifically in the government's official literature on the changes. Museums do fall under the official, legal, definition of a charity in that they perform a function beneficial to the education of the general public, but there do not seem to be many museums listed, as a whole body, as charities. Determining which museums are listed as charities, and which are not, is difficult. On the questionnaire sent out almost all museums refused to answer questions relating to their status on this issue. Of those that did respond, it was to report that their *friends of* bodies are organized specifically to accept charitable donations.

These, while carrying a museum's name, are separate from a museum, or development/fund raising department. There are a number of these listed on the register of charities held by the Charity Commission. They carry the same legal benefits that pure charities enjoy. Friends organizations are also often listed as non-profit associations if they are not listed as charities. Again, these associations are independent from the museum itself. To date the Charity Commission has only 4 museums listed, out of over one hundred entries containing the word museum. Most of the entries are *friends of* organizations. The rest of the registered organizations are umbrella organizations for, generally, a particular area, such as the East Midlands Museums Service (see fig. 2.2). In terms of fund raising this means that donations given to a museum, unless given to a charitably recognized *friends of* organization, will not be tax deductible, nor will a museum be exempt from either direct or indirect taxation.

There are other bodies which a museum can establish that, like *friends of bodies*, allow the general public to donate in a charitable fashion. These are *trusts*, such as a Development Trust, and behave in a manner similar to that of *friends of bodies*. These *trusts* are generally established to relate to a particular campaign of fund raising. The British Museum Development Trust was established specifically for the process of the recently completed development work on the museum. A *trust* will be listed with the Charities Commission. However, the transitory nature of many of these *trusts*, again, makes defining quantity and prevalence difficult.

It should also be noted that many museums have foreign branches of *friends of organizations*. These must, in general, adhere to the same laws as those based within the borders of Great Britain. The one significant deviation being that for a donation given in a foreign country to a British museum the donor is able to receive any benefits from that donation which might be available within the particular country in which the donation was made. For example a donation given on American soil to the American Friends of the British Museum has the ability be deducted from an American tax return. However, the donation, just as the organization, is subject to any British regulations and laws that might affect it. This is also the case with regards to museum, or charity, subsidiaries. A charity may have subsidiary arms, or organizations, which may do some fund raising for the charity. As with the foreign branches of a museum these subsidiaries are subject to the same laws as the main charity. In the case of a subsidiary being registered as a charity and the main organization not being wholly a charity, for example if a museum not registered as a charity had a charitable subsidiary, then the subsidiary is subject to the law regarding charities just as if it were a charitable entity of its own.<sup>12</sup>

Having defined how various parts of a museum can be registered as charitable, it is also important to note that a museum as a whole body is also able to register as a charity (those four lone names on the Charity Register). It is only able to do so if governed by a charitable trust or a company limited by guarantee.<sup>13</sup> However, it is not clear how prevalent this practice is either from published literature or from the questionnaire. Vincent and Francis allude to the fact that the British Museum is a registered charity<sup>14</sup>, but the Museum is not listed on the Register of Charities held by the Charity Commission, and refused to respond to those questions on the questionnaire. It is assumed that there are more than four in the entire country, but if so, why would they not be on the Charity Register?

In Scotland there is no Charity Commission with which a museums could register. There is the Scottish Council for Voluntary Organizations, but museums, though they do utilize volunteers, are not strictly voluntary organizations. Ian Robertson, in an article in Museums Journal, states that “independent museums . . . are both registered charities and limited liability companies.”<sup>15</sup> This apparent lack of clarity about the manner in which a museum is structured (as a charity, as a partial charity, or not at all) seems makes an analysis of museum fund raising practices difficult. Robertson’s description of museums is even more elusive when it refers to museums as charities and limited liability companies—as a limited liability company, according to British law and precedent, a museum can be, due to its structure, registered as a charity (Appendix B outlines this concept). As a limited liability company the museum is allowed to trade. This refers more specifically to a museums shop-it can be a limited liability company. However, as museums, both independently run and governmentally based, generally have their *friends*

*of*, and *trust*, branches registered as charities it is easier to begin to establish a broad analysis of a fund raising system based on the practices of these bodies.

Once registered as a charity an organization, or a museum branch, must adhere to a number of guidelines to maintain its status. Though exempt from certain taxations a charity must submit an annual return detailing its financial activities for the year. Unlike American charities, British charities do not have to provide a specific constitution to the government or to the Charity Commission provided that there is clear evidence of their objectives and internal regulations.<sup>16</sup> However, most charities do have formal constitutions drawn up with the help of a lawyer (solicitor), but these, along with the annual tax reports, are not available to members of the general public. Nor are these documents, should a potential donor ask for them, required to be shown. When I requested information similar in nature to that given to me by American museums my requests were all denied.

There are numerous regional differences with regards to the tax situation within Great Britain. Like in the individual states in the United States in Britain each county, and each town can set the rate of certain taxes, if it chooses to. However, unlike the United States these taxes are strictly controlled by the Treasury, by the central government. As with the United States these more local orientated laws do not significantly affect the overall tax structure with regards to charities; and would be too numerous to mention in the context of this text. In general, the smaller taxing bodies accede to central government policy in terms of tax for and about charities.

This results in a unique situation—while regulated by the government British charities, and by extension museums, are in a sense able to operate free from the public

scrutiny that often surrounds charities and museums in America. Theoretically then a museum can benefit from public donations, without answering to the public. This is clearly not the case in reality, the government does have an initiative called "Open Government" which aims to give the public extended access to official information "by responding to reasonable requests for information relating to administrative decisions and the formulation of public policy."<sup>17</sup> This can work to both the advantage and disadvantage of a charity. The Charity Commission web site offers access to the list of registered charities to the public. However, the availability of information can also cause controversy for a charity, or indeed for a museum—as was the case with the construction of the new forecourt of the British Museum. The new forecourt is due to be opened on the 7<sup>th</sup> December 2000, but its construction has been peppered with questions about the way it which the forecourt has been built. The questions over the type of stone used led to questions about how the funding for the stone, considering that the wrong stone was used, had been spent. However, as the The Sunday Times Magazine pointed out in its article about the new structure, all will be forgotten in the excitement over the opening.<sup>18</sup> The overall structure then of museums in Britain is complex: they can be charities, or not; they must fund raise from both government sources and the general public; and they are not required to divulge information to the general public about their funding practices, but they must respond to the demands and questions of the general public, though, from appearances, they do not always do so.

## 2.2 Is fund raising necessary?

The controversy that has surrounded the construction of the new forecourt of the British Museum is an indicator of not only how sensitive an issue fund raising is (as demonstrated earlier in the case of the Brooklyn Museum in New York and briefly with the British Museum), but also how unique the nature of British fund raising is. The British Museum would have been unable to build the structure that they have had they not had a combination of government and public funding. This combination of funding sources is not unique to the British Museum. Richard Wilding, in 1985, stated that museums are “inescapably in the business of looking for additional and supplementary sources of funding . . . [that the government] supports the principle of plural funding . . . of challenge funding or matching funding.”<sup>19</sup> Museums across Great Britain utilize this combination of sources to fund their operations, but is this combination strictly necessary? In other words, is it necessary for museums to seek funds from the public?

The answer to this question is an unequivocal “yes”; fund raising is not only necessary it is essential. As stated before museums require money to operate, and the need for this money increases as museums increase in physical size and care for not only their collections, but also the way in which they present these collections to the viewing public, increases. The foundations of British museums, already briefly described, created an atmosphere in which government support, from both local and central sources, became essential to the functioning of museums.

In the 1980s the government under Margaret Thatcher began, as described, to limit money available to the funding bodies for museums. This was in an attempt to, as Wilding described, regenerate the British economy:

the belief that the bodywork of the state has become too heavy for the engine that is driving it, that it has been getting heavier and heavier all the time, and that this trend has to be checked and then reversed. In other words, public expenditure is taking too large a proportion of the gross domestic product and must in future take less.<sup>20</sup>

The result of this policy was that museums, as well as other arts organizations, were forced to look elsewhere for funding. This is not to imply that museums had never, until this point in time, received donations from the public, but that these types of donations were not sought after with the same force of need with which American museums sought, and seek them. Donations had come to museums seemingly as and when a particular donor felt the need to support a particular museum. Of course, branches of a museum such as *friends of societies* provided a level of steady support, but again these were not considered essential to the survival of a museum in that they were not the main source of funding.

The turbulent and complex time of Thatcher's government sparked numerous debates. Could museums charge admission in an effort to replace some of the lost government funding? While some museums chose to, such as the Victoria & Albert, with varying degrees of success, others did not. The issue of admission charges is a complex and often heated controversy, which, due to its involved nature, will not be dealt with in this text. One of the other issues which the government cutbacks raised was could the public provide enough money to support the arts organizations, to support the museums? Ian Robertson argues, realistically, that "very few . . . museums can have raised sufficient

private capital to generate the revenue needed to pay the kind of salaries which would attract appropriately qualified staff.”<sup>21</sup> If museums cannot generate enough philanthropy, private capital, from the general public to pay staff, what is required? The answer may come in terms of a combination of funding from government bodies, but also from large-scale fund raising efforts aimed at the general public, at private capital.

The current government is doing a great deal to encourage fund raising from the general public. Though the government says that it is “providing the highest ever level of public [governmental] support for the arts,”<sup>22</sup> it is, in fact, doing what it can to encourage an increase in donations from the general public to arts organizations. The new tax deductions scheme introduced in April 2000 is designed to improve donations to arts organizations: “because the new rules make it much more worthwhile to claim tax relief on relatively small donations, many more members of the public will become aware of the tax issue. They will be used to the idea of making a declaration that tax can be reclaimed on anything they give.”<sup>23</sup> Though the government says that it is giving more money than ever before to support the arts the new tax laws seem to belie this statement. If it was truly giving more than ever before why has it felt a need to change the law regarding charitable donations? If the government, still giving more than ever before, is changing charitable donation law, does this mean that they may change the law regarding museums and charitable registration; is this why museums were mentioned as in the Inland Revenue publication about the 2000 changes? However, regardless of the government’s future intentions regarding funding for arts organizations the fact remains that they are doing all that they can to encourage fund raising from the general public within the arts, and particularly the museum, sector.

Another challenge facing museums is the explosive growth of the leisure and entertainment industries. Museums, in addition to competing with pure charities for donors, must now also compete with such things as Tomb Raider, Final Fantasy and Alton Towers. This might seem a farfetched competition, but the lure of digital technology, and immediate sensory gratification from such things as Alton Towers and interactive video games, is serious competition for museums. If people do not go to museums they will not necessarily be aware of the function of museums within the structure of society. It follows then that they may not support museums through donations. In order to maintain successful fund raising the general public must be aware of a museum, as Chapter 1 established, and within Britain this is an important issue as the government has slowly eroded its funding to arts organizations. Museums may not, in fact, be loosing attendance numbers, but the threat that they may due to the explosive growth of aspects of the entertainment industries is constantly there. They must continually reinvent themselves and the perception of the collections on display in order to appeal to the general public—an act which requires funding to perform, and is necessary to gain the funding. In light of this, and other aspects of change within British government and society fund raising by museums seems to be a necessary element of a museums activities.

## 2.3 Philanthropy and the public

As museums seek more and more support from the general public, and the field of the fund raising professional gains ever more prominence within the museum community as a result of this, it is important to look at why members of the British public donate. George Smith states that “giving as an act of social responsibility is an ancient tradition.”<sup>24</sup> This is certainly true with regards to Great Britain. The British peoples have a long history of philanthropy and endowment dating back beyond the Middle Ages.

As described earlier the institution of philanthropy is deeply rooted, developed from, the practice of patronage on the part of wealthy individuals, aristocrats, kings, and the Church. The Church in Europe, as mentioned briefly in the Introduction, has been one of the major factors in the creation of a tradition of giving. Christianity—as well as almost all other religions—has the act of ‘charity’ as one of its main directives. Charity as a concept is different from that of philanthropy or patronage; it has traditionally implied a more pure gift, often a gift of time and effort rather than a gift of money, and a gift or act which is essential and enriching to the quality of life for an individual or group of individuals. The link between charity and religion has been a long one—many schools, universities, and hospitals have been established on these principals.

The more traditional definitions with which philanthropy and patronage are generally associated are the act of giving money to an organization, or the funding of an artistic endeavor—acts which, while enriching the structure and form of society are not regarded as essential. However, these definitions have been blurred in the twentieth century, as has the need to associate charitable acts with religion; museums can be registered as charities, charities can receive philanthropic gestures, and not all charities

are religious in nature. While museums, as has been demonstrated can be established as a charitable body, they have in general continued to be established on pure philanthropic principles rather than charitable ideals. The reasons for donating to them then differ as well.

The reasons why individuals donate to a museum in Britain are not all that different to the reasons why individuals donate in the United States. Individuals donate because they want to and because they believe that their donation, or act of philanthropy, can make a difference to a museum, and thus to society in general. In this way individuals in Britain donated money and art works to establish first the British Museum and later the National Gallery, the National Portrait Gallery, and countless other independent and government based museums. The sense of responsibility to society that these gestures evolve from is a result of centuries of conditioning on the part of religion and the make-up of society—it is an evolution that is uniquely suited to the British museums: “each society has developed over the centuries its own ways to cope with the needs of its citizenry.”<sup>25</sup> Is it important to note here that giving to a charity, as stated above, most often involved the donating of personal time and effort. As the line between charity and philanthropy converged philanthropy in Britain came also to define an act, such as volunteering at a local hospital. The philanthropic gesture can also be just that, an actual gesture, and not simply a gift of money.<sup>26</sup> In Britain then the traditional approach to philanthropy could, more often than not, involve a physical act by the individual.

The tradition of giving in Britain, and some argue within Western Europe, was interrupted for about 150 years, roughly between the 1840s and the 1980s. It was dislodged by the new role of the State in democracy.<sup>27</sup> While private philanthropy

seemed to flourish, there was an increasing belief that the ills of society could be cured by "society at large, through the agency of the Welfare State."<sup>28</sup> The State, through spending of tax revenues, was given the responsibility to cure such things as bad health, lack of education, unemployment, and general poverty. Due to this generations of British individuals have grown up with the belief that it is the responsibility of the State to maintain the equilibrium of society; to be responsible for its citizenry in terms of financing elements of society. Under this theory then, philanthropy by members of the general public need not involve money, only donation of time and effort.

Smith argues that this belief seems to be an interruption of a historical process—prior to this time period it was the responsibility of the individual to help maintain these things; to maintain a sense of responsibility for ones self and the world around one.<sup>29</sup> The decay of this attitude in general, helped specifically by the decay in direct funding from government bodies and the encouragement to find alternative sources of funding, has once again meant that society needs to be responsible for itself, that the State can not be wholly responsible for its citizenry. Then the citizenry must become philanthropic by donating more than time and effort, they must donate money. Seemingly then many individuals within Britain, and Western Europe, have developed without this sense of individualism within and toward society, and society as a whole has developed a sense of philanthropy in which money is not involved. It then becomes the responsibility of the modern professional fund raiser, and the field of fund raising, to foster the growth of a sense of individualism and effect a fundamental change in the concept of philanthropy. Is this truly possible?

Regardless of whether there has indeed been an interruption within the historical process of philanthropy (was it truly an interruption or merely part of the evolutionary process of government and governing, which has inadvertently led to a unique concept of philanthropy?) the issue of why donations are given to a museum should be addressed. A museum, as described earlier, teeters on the brink of being essential to society. As an instrument to help educate the general public it is viewed as being important, but it is not, strictly speaking, essential to the make-up of society. It has, however, evolved to become so within the modern conscious. Giving to a pure charity produces instantly visible results, this is not quite so with museums—hence the importance of fostering a sense of societal worth. Generally it is not necessary for museums to do this. By virtue of the fact that the institution is a “museum”, and thus seen to be the arbiter and keeper of culture, it is regarded as being worthwhile to the make up of society. A philanthropic gesture toward a museum is thus an act of safeguarding the culture and the cultural resources for an area or country. It is on these grounds that most donations are given.

Queen Elizabeth I signed the Statute of Charitable Uses in 1601<sup>30</sup> an act that defined a “charity” and proscribed many of its activities. Largely a political mechanism of the time, the Statute details how political donations can be made, and it shows how philanthropy developed in the country—from the top down, as alluded to earlier. In this way also philanthropy can be seen to have a darker side; giving to an institution, to a museum, could be done for reasons other than those of pure philanthropy. Giving, as described in Chapter 1, is not always done for pure reasons. Though there are many individuals who have given, and will continue to give to museums out of a sense of pure philanthropy, there are others who have not, and will not. Just as in America there are in

Britain those who give in order that they may receive. Smith describes British donors who give out of a sense of guilt, social-pressure, and convention.<sup>31</sup> There are still others who will give to promote a public image or perception. The new tax savings introduced in April 200 will no-doubt soon add another dimension to this darker side of giving. Though these reasons are toward the bottom of a list, should one ask a donor for the reasons they give, they cannot be discounted.

Another aspect of the darker side of British giving is the royal connection. Many charities and museums enjoy some aspect of royal patronage. To have a member of the British royal family connected with a museum as a trustee, key donor, or any number of other titles will automatically influence the general public in a favorable fashion. Royal patronage has always been a symbol in Britain of the worthiness of an institution, and thus a symbol to the public of what they should support (again the idea of philanthropy beginning from above). Though there are many detractors to the royal family in modern Britain, the House of Windsor remains a powerful symbol and necessary tool within the field of fund raising.

The British donor has traditionally given because of a strong belief in the mission of a museum, but as economics and the structure of society change some of the reasons for giving, and the manner of the philanthropic gesture, are likely to change as well. These socio-cultural aspects to giving are important for the museum fund raiser to both recognize and utilize. Though donations solicited and given from a pure philanthropic standpoint have, and are likely to, remain the norm, knowledge of the darker reasons for giving is equally important. The ability to utilize these reasons can border on the unethical, but with the ever-increasing need for funding, must be used with care.

## 2.4 Blood from a stone?

How then do museums actually go about getting donations from the general public? When asked many British fund raising professionals will give the same answers as American professionals. They will say that money is raised through such things as capital campaigns, members groups, the National Lottery or Heritage Lottery Fund (though not in the case of American professionals), board members or trustees, or grants from local and central government offices or branches. They will also say that there is never enough money, that fund raising is never able to answer the needs of a museum. This is certainly true; if it were not then there would be no need for the profession of fund raisers. However, as it is true the fund raising professional is becoming an increasingly more vital element to the structure of British museums.

As in America there are countless books, seminars, courses, and organizations within Britain devoted to the understanding and development of fund raising practices and professionals. However, unlike America these are almost all generated with pure charities in mind. The Directory of Social Change, an institute that works with the Institute of Charity Fundraising Managers, publishes a series of books devoted to the fund raising practice within Great Britain, and even some on how to fund raise abroad, but in none of them is the issue of museum fund raising addressed directly. Other organizations publish material about fund raising, and how it might be accomplished, but most often referring to those arts organization that are entirely charitable, and mentioning museums only briefly. In general within the British body of literature about fund raising

arts fund raising is discussed, but only in relatively general terms; specifics most often referring to organizations or groups which promote the creation of or teaching of any of the applied art. Again it seems that, just as with the discrepancy over whether a museum is a registered charity or not, there is confusion over whether a museum may or may not be in need of fund raising literature.

Fund raising practices are always based on societal patterns. In a seemingly classless society, like that of America, a fund raising strategy can be based almost entirely on economic factors. Great Britain has traditionally been, and continues to be a class-ordered society. This structure, combined with the economic disparities that naturally follow such an ordering of society, make strategies for fund raising different from those utilized in a society such as that of America. It can also make for strategies that are not readily apparent to an outsider.

Royal patronage, as described above, has always been important for any type of fund raising, especially for fund raising on a national level. Simply having a Royal name attached to an organization can mean greater attention from the public; thus the individual name is soliciting donations in an indirect manner. Direct solicitation for donations by a Royal is unusual, but not unheard of. Involvement of the "great and good", the two are naturally synonymous, in general is also considered highly desirable. Committees of patronage are followed by those "who would give and ask; it was uncommon for such patrons to do one without the other."<sup>32</sup> Fund raising in this sense means asking one's peers to participate, expecting that the favor would have to be returned. For this reason it is necessary to spread the fund raising burden as far as

possible, so that retribution, when it comes, would be bearable. This type of fund raising is unlikely to involve a single donor who supports a large need.

However, there are donors who give large amounts to support a single, usually large, need. Harris, in his article "International Fund Raising," discusses the British donor as slightly different than an American donor.<sup>33</sup> In general, a wealthy Briton will view a request for a very large gift as being in bad taste: most, it seems, would prefer to be part of a group of acceptable donors, and would be uncomfortable in a prominent position. British individuals will also, it seems, regard a "Royal ask" as next to a command for giving. Again, to have a Royal patron for a museum, or any other type of organization, is of great benefit.

Finding funds by having a Royal solicit donations, either directly or indirectly, or by having a member of the great and good involved is essentially the same strategic plan used by American museums in the planning of a capital campaign. The positioning of important volunteers, human capital, is necessary for museums on both sides of the Atlantic. In fact, the plan and process of a capital campaign is the same within British museums as in American museums. The capital campaign run by the British museum to find funding for the new forecourt was planned and run along the same lines as an American campaign might have been done: a strategic plan was evolved; the museum trustees were consulted (as in this case was the government); then the stages of the plan were enacted. Similar to the average American museum, was the fact that any government support given had to be matched by support from the general public. As expected the campaign for funding for the forecourt was found and the structure built.<sup>34</sup> The Queen officially opened it on 7 December 2000.

Capital campaigns are not the only method employed by museum fund raisers to raise money. One of the most significant aspects to museum fund raising is a membership group. Just as described in Chapter 1 these groups provide a variety of levels to which members of the public can join, thus offering their support of the museum. The commitment, monetarily, of an individual is a way for a museum to build a single group from which, hopefully, fund raising for such things as capital campaigns can begin. For the members there is the knowledge of supporting a museum but also, no matter what level the member joins at, the benefits provided within a membership scheme are also significant. In fact, subscriptions can be higher to membership groups in which the members receive substantial benefits from membership.<sup>35</sup>

The lack of overt tax benefit to donors meant that a number of schemes of donations have been developed within Britain that not only benefit the receiver, but also the donor. The changes in the tax system of April 2000 have meant that the donor no longer needs a Deed of Covenant. However, as this has been a significant part of fund raising practice up to this point it is important that it be briefly explained. A certain amount of tax can be reclaimed on a Deed of Covenant donation. In a Deed of Covenant a donor agrees to give a certain amount over, generally, a fixed period of time—four years. However, covenants can be open-ended, allowing the donor to give until he/she wishes the covenant to end. No link to membership is needed in this case, though membership subscriptions can be paid by covenant (in this case there are specifications on how such donations can be reciprocated). The minimum commitment of four years creates an assured income for a museum.<sup>36</sup> The covenants tax break, however, is mainly

beneficial to the higher rate taxpayers; of course, this is also of benefit to a museum—a higher taxpayer can afford to donate a greater amount.

A legacy donation is an enormously important source of income for any charitable or artistic organization, but especially for museums. Clark and Norton state that legacies generate around £700 million a year within the fund raising sector.<sup>37</sup> Many organizations have planned strategies for legacy fund raising. The Directory of Social Change publishes a book specifically devoted to the subject.<sup>38</sup> Like other forms of fund raising the results of legacy fund raising depend on what is put into achieving the legacy. There are numerous different types of legacies that can be established, but in general a legacy is a gift of money, often with a specific stipulated purpose, to a museum after the death of the donor. Often, however, a legacy within Britain can be a gift of works of art. In fact donations of this type are often how the national museum have gained their collections. Sometimes, even, a legacy whether it is of cash or works of art can be established and donated to help alleviate the burden of death taxes. Regardless of the circumstances the successful cultivation of legacies is important for many museum fund raising endeavors.

The process of promoting and solicitation of legacies can be a delicate one. The target group of individuals, largely the older members of society, often are unwilling to discuss death and its results. In addition, the process of making a legacy is complicated as compared with sending a straight donation. It requires a great deal of long term planning on the part of a museum, and on the part of the potential donor; as well as the involvement of solicitors. However, as a larger and larger percentage of the population of Britain ages the cultivation of legacies is gaining prominence within the fund raising

field. Though, as stated, the benefits to a museum can be long in coming, a legacy is assurance that they will come.

However, the solicitation of donations by a museum does not always have to come in the form of deeds of covenant or legacies. Museums in Britain, just as in America, also hold events such as annual fund raising dinners. While these do not hold the same position within society as those in America maintain, they are none-the-less important sources of donations for a museum. So too can direct debit donations and telephone solicitations be. However, while these are popular, and successful, methods of achieving donations from the general public, they are not as popular within the structure of museum fund raising as they are with pure charities.<sup>39</sup>

## 2.5 The Government as a supporter

For museums one of the most successful methods of achieving funds, and of raising funds remains the central government and its various other associated funding bodies. National museums, such as the National Gallery and the British Museum, are funded in their entirety by the government, but for independent museums there are a number of sources available to provide funding; all of which provide different types of funding. In general in Britain government authorities have been working overtime to try and maintain existing commitments to arts organizations. Arts organizations can find funding from national Arts Councils, the National Lottery, regional arts boards, and local authorities. Museums in particular can be given funding from the Heritage Lottery Fund, the National Fund for Acquisitions (Scotland only) and the various Museums Councils.

In 1999 Chris Smith, the Culture Secretary, called for a change in the culture of culture; he called for a close look at the manner in which the government supports the arts, particularly in the way in which arts can be a tool for social change.<sup>40</sup> This is with the view of increased promotion of the arts, by the government, within Britain. This seems strange within the light of the new tax incentives to donors, but the government, it seems, is trying to include arts funding within the realm of social inclusion—to create a cross-sector support base for the arts. By this the government is attempting, perhaps, to boost the financial support for the arts by fostering a sense of their necessity within portions of society that would not necessarily view arts, museums for example, as necessary. To this end the government gave just less than £½ million to the Scottish Arts Council to develop these cross-sectoral partnerships.<sup>41</sup> Similar initiatives are being developed in Northern Ireland.

However, while these initiatives are important for the future of museums they do not necessarily provide immediate funding. For this museums can look to a variety of sources. The Arts Councils of England, Wales, Scotland, and Northern Ireland, are responsible for fostering the arts across a particular nation. For museums in England, Wales, and Northern Ireland the distribution of annual grant-in-aid from central government through the Department of Culture, Media, and Sport is available. For all four nations there is revenue generated by the National Lottery. In general these bodies, with the exception of DCMS which is a branch of central government, operate at arm's length from the central government with regards to decision making, although they are expected to account for their decisions to the government, and, of course, to the arts community and the general public.

Just as with the NEA and NEH the Arts Councils decisions have often been fraught with controversy from both sides of the table—the government and the general public. Like both the NEA and the NEH the Arts Councils provide funding for a specific project, venture, or exhibition. The funds given to an organization, institution, or individual by one of the Arts Councils must be matched by funds from other sources. Established under a Royal Charter the Arts Councils each (there is one each for the four nations) have a specific constitution, and specifics for membership. In general the Councils have three objectives: to develop and improve the knowledge, understanding, and practice of the arts; to make the arts more accessible to the public; to advise and cooperate with the Departments of the government, the other Arts Councils, and “other bodies on matters concerned, whether directly or indirectly, with the foregoing objects.”<sup>42</sup> In June 1999 the Arts Council of England, the leading body of the national Councils, announced a new financial strategy to use Lottery and Grant-In-Aid funding together to support the arts. There is to be a strong focus on the work of individual artists; new art forms and cross-art form activities (particularly those involving technology); on diversity and social inclusion; on children and lifelong learning; and on touring and distribution of the arts through broadcasting, recording and electronic publishing.

This strategy has been adapted and tweaked to fit each particular nation. Other than the Arts Council of England, the Scottish Arts Council is arguably the largest and most active. In the year 2000/01 it received £29.9 million from the Scottish Executive, representing 30% of Scottish Executive spending for culture and sport (this figure does not include monies spend on heritage).<sup>43</sup>

The Arts Councils also act as funnels for funding from the National Lottery. As a whole the National Lottery has been a boon in the sector of museum funding. Established by the government as a funding body for the arts sector, the actual running of the Lottery is contracted out to an independent body, currently Camelot Group plc—a private sector company owned by a consortium of other companies. As a whole the introduction of the Lottery under the National Lottery etc Act of 1993 has proven to be highly successful. The United Kingdom government, through the DMCS, decides the central policies regarding the way National Lottery proceeds are distributed, and issues policy directions which are subject to public consultation and UK Parliamentary scrutiny. The National Debt Office handles distribution of the funds across the four nations. The funds are distributed to the four Arts Councils; the New Opportunities Fund (a fund established specifically for education, environment, and health); the Millennium Commission (to help small communities celebrate the year 2000—it is still accepting applications); the Community Fund (for charities and voluntary and community groups within the UK and for UK agencies working abroad). The National Lottery Commission is a non-departmental public body established in 1999 to regulate the National Lottery.

A museum can theoretically apply to any of the Lottery divisions based upon the differing needs it might have. However, in general funds for museums are gained through the Arts Councils, generally for applications over and under £100,000. Within the Arts Councils are differing bodies to which a museum could apply. These are all relatively the same. If applying to the Scottish Arts Council a museum can look at the following schemes: Capital Projects; Access and Participation; Children and Young People; Skills Development; Audience and Sales Department; Advancement; Creative Scotland

Awards; Creative Industry Company Scheme; Awards for All; Arts and Social Inclusion Partnerships; Local Authority Partnership Scheme; Strategic Development Fund; and Diversity 2001.

The Capital Projects scheme has been not only the most successful of these funding branches, across the four nations, but also the most controversial. Questions have been asked, since the establishment of the National Lottery, about the criteria under which grants are given. As with all government funding agencies these questions have provoked inquiries into the Lottery body itself, and involved much public controversy. However, the Lottery remains one of the most significant and successful sources for funding for museums. In recent years the money given to the Lottery to grant to arts bodies has been reduced, but interestingly, the amount given in grants has not been significantly reduced.<sup>44</sup>

The National Heritage Memorial Fund provides a source of funding for buildings, works of art, museum collections, manuscripts, and items of transport and industrial history. It provides grant and loans to maintain and preserve those items. NMF moves with great rapidity when it accepts an application. The NHMF is an organization designed to support at the last minute. Applications to the NHMF can only be made if all other possible avenues of funding have been eliminated, and the Fund will only pay for the total cost of a project in exceptional cases. It will provide grants and loans for the purchase of items that are at risk of being damaged or destroyed, or have a clear memorial link.<sup>45</sup>

The Heritage Lottery Fund is a counterpart to the NHMF. It is not meant as a last minute stopgap provider of funding. It aims to safeguard and improve the quality of life

of buildings, objects and the environment, whether manmade or natural. It does not, as a general rule, give grants to individual sites or buildings in private or commercial ownership. In the year 1998/1999 the Victoria & Albert Museum received a grant from Heritage Lottery for the re-display of the British Galleries, while the National Museums of Merseyside received a grant to expand the museums collections.<sup>46</sup> Though the Heritage Lottery Fund has stated what it will and will not fund, these objectives are clearly flexible.

The avenues open for museums to find funding from government bodies are many. Local authorities will grant funding to museums for specific projects and for general maintenance costs. Some local authorities will give annual grants to smaller, independent museums. The strategies of local authorities generally relate to a specific locale, as one might expect, and thus the relationship between a museum and its local authority is extremely important. As local government organization has changed in recent years, so too has the manner in which local authorities carry out funding of the arts.

Scotland and Wales now have unitary authorities, which carry out a full range of local government responsibilities (the local authorities in Scotland award National Lottery funds<sup>47</sup>), while Northern Ireland and England still maintain a two-tier system—the local authority is responsible to the national authority, and on up. These differences can seem significant, but in fact change is only effected in the manner in which a museum can apply. The actual decisions regarding funding of the arts, of museums, are subject, just as they previously were, to the whims and vagaries of local politics and desires of the decision makers.

Other avenues open to museums searching for funding from a government body are the regional arts boards and the Museums Councils. These bodies act in much the same fashion as the national Arts Councils. Their funding is granted for a specific project or need that a museum may have. The regional boards work in conjunction with the national Arts Councils and generally fund professional organizations, though at times they have been known to give grants to amateur activities. In general though, the promotion of arts within the sphere of amateur organizations is regarded as the responsibility of the local authorities.

The Museums Councils throughout Britain are each different, but in general funded by branches of the national government. The Scottish Museums Council is funded by the Scottish Executive-the devolved government of Scotland. The Council of Museums in Wales is an Area Museums Council<sup>48</sup>. However, unlike the SMC the Council of Museums in Wales is a charitable limited company, and is funded by the Welsh Office. Re: source (formerly the Museums & Galleries Commission) provides funds, coming from DCMS, to all English Area Museums Councils. The Northern Ireland Museums Council is a non-departmental government body which channels central government support to local, non-centrally funded museums. Most of its funding comes from the Department of Education Northern Ireland.

All of the different councils represent the interests of local museums within each nation; offering advisory, training, and information services. Members can receive grant-in-aid, but not revenue funding (funds for general maintenance and upkeep). There are numerous and stringent criteria that a museum must fulfill before being granted funding by any of the Museums Councils. These could be seen to hamper the process of a

museum receiving funding, but in fact are designed to ensure that the funding which is given goes to an appropriate source.

## 2.6 The need for change

The sources for funding from central government and associated or affiliated bodies are numerous. It is seemingly possible for a museum to maintain itself only on the government. However, this is not the reality. As the government changes the course of its funding, limiting it and making it available only for specific projects, it is necessary, as stated earlier, for museums to step up their fund raising practices.

In recent years there has been growing concern within the field of fund raising that the techniques employed by fund raising professionals have become tired, and that they increasingly do not respond to the public from which donations are being sought.<sup>49</sup> The demographics of the British population are changing. The wealthiest segment, the “Baby Boom” generation, is getting older, and the younger age groups are getting wealthier faster due to things such as the Internet. A museum must respond to these changes. The new tax incentives introduced by the government can help to foster a sense of giving, but only if they are marketed in an appropriate fashion. However, in order to do this a museum must know its audience. The older generation, unused though it is to support for museums coming mainly from the general public (it is the generation which Smith argues believes only in the Welfare State), is a phenomenal source of revenue waiting to be tapped. It is, many argue, one of the wealthiest generations that may ever be seen. As Smith states “they will be the first (and arguably the last) generation to profit by

a serene career path, regular employment from school to retirement, private pension plans and the inflation in property prices . . .”<sup>50</sup> In this context such things as a strategic legacy program can become vitally important for a museum to foster.

The younger generations, in contrast to these older generations, are getting rich fast through things such as slick Internet web sites, computer game creation, venture capitalism and combinations of the various aspects of technology. The Internet is, as popular papers and magazines report, a seemingly endless source of information on all subjects and offers products from all over the world. Its audience is tremendous. It offers vast scope for making money, ventures of which can be highly risky. It also offers vast scope for museums. To target the e-entrepreneurs as potential donors requires that fund raisers be in-touch with what a younger generation are likely to respond to in terms of fund raising literature, making sure that the literature is available in a form they will understand and respond to. The answer may be the Internet. The new tax incentive, as stated, will certainly help museums in the long run, but the traditional methods of fund raising may not work in fostering use of the incentives. Already, Deeds of Covenant have become out dated. Creativity and ingenuity are required on the part of the museum fund raiser.

Indeed, these two characteristics are becoming increasingly important for the British fund raiser in general. As the Internet becomes more and more sophisticated, as well as popular, it is not only a method of getting information to a potential donor, but also a potential tool for the act of donating. However, to have such things as member groups actually on the Internet, as opposed to information about them, is a difficult proposition: how would they be regulated; how would they fall under charity law; would

they be affordable? British museums will put information about collections on the World Wide Web, but seem unwilling to venture further into the possibilities of Internet fund raising with out concrete evidence of its success.

Indeed, change without solid evidence rarely seems to happen in the fund raising community. However, as society, politics, and law continue to change it is important that museums and their funding efforts remain on the vanguard, and not caught in an evolutionary process of developing.

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<sup>1</sup> Richard Wilding, "Financing museums: current and future trends," *Museums Journal* 3 Dec 1985: 119.

<sup>2</sup> It should be noted that the words used to describe these two sources of funding in Great Britain are different than those used in America: 'public' generally refers to government sources, while 'private' generally refers to the individual donor. However, as the definitions of the words have previously been used in an American sense, they will remain so for the remainder of the text. In order to refer to the government the word 'government' will be used; and 'private/public' will refer to the individual donor.

<sup>3</sup> Katie Dawson, Information Assistant, Museums Association, letter dated 25 January 2000, and e-mail dated 17 August 2001.

<sup>4</sup> John S. Harris, *Government Patronage of the Arts in Great Britain* (London: The University of Chicago Press, 1970) 14-19.

<sup>5</sup> Joel Colton, and R.R. Palmer, *A History of the Modern World Since 1815* (New York: Alfred A. Knopf, 1984).

<sup>6</sup> Harris, 1970, 3.

<sup>7</sup> Wilding, 1985, 120.

<sup>8</sup> European Parliament, *L209 02-Aug-97 001* (Brussels: European Union, 1997).

<sup>9</sup> European Union, *Charter of Fundamental Rights* (Brussels: European Union, 2000) 26-27.

<sup>10</sup> Robert Vincent and Amanda Francis, *Charity accounting and taxation* (London: Butterworths, 1997) 3.

<sup>11</sup> Department for Culture, Media, and Sport. *Getting Britain Giving to Culture* (London: Department for Culture, Media and Sport, 2000) 2.

<sup>12</sup> David Wise, *Accounting and Finance for Charities: For Love and Money* (London: Prentice Hall Europe: 1998) 149-156.

<sup>13</sup> Vincent and Francis, 1997, 4-5.

<sup>14</sup> Vincent and Francis, 1997, 131.

<sup>15</sup> Ian G. Robertson, "Financing museums: the view of a professional," *Museums Journal* 3 Dec 1985: 125.

<sup>16</sup> Vincent and Francis, 1997, 4.

<sup>17</sup> Great Britain, Charity Commission, *Open Government and the Charity Commission* (London: Charities Commission, 1996) 1.

<sup>18</sup> Hugh Pearman, "The Court of Appeal," *The Sunday Times Magazine* 26 November 2000: 40-50.

<sup>19</sup> Wilding, 1985, 121.

<sup>20</sup> Wilding, 1985, 120.

<sup>21</sup> Robertson, 1997, 125.

<sup>22</sup> Department for Culture, Media, and Sport 2.

<sup>23</sup> *Ibid.* 8.

<sup>24</sup> George Smith, *Asking Properly* (London: The White Lion Press Limited, 1996) 25.

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- <sup>25</sup> Thomas L. Harris, "International Fund Raising," in James M. Greenfield, The Nonprofit Handbook: Fund Raising (New York: John Wiley & Sons, Inc., 1997) 582.
- <sup>26</sup> Carl Everett Ladd, The Ladd Report (New York: Free Press, 1999) 140-144.
- <sup>27</sup> Smith, 1996, 25.
- <sup>28</sup> Ibid.
- <sup>29</sup> Smith, 1996, 26-27.
- <sup>30</sup> Harris, 1970, 593.
- <sup>31</sup> Smith, 1996, 24.
- <sup>32</sup> Harris, 1970, 594.
- <sup>33</sup> Harris, 1970, 596.
- <sup>34</sup> British museum staff, Telephone interview 23 February 2000. Note: this interview was given on the condition that the interviewee remain anonymous.
- <sup>35</sup> Sam Clark and Michael Norton, The Complete Fundraising Handbook (London: Directory of Social Change and Institute of Charity Fundraising Managers, 1999) 211-213.
- <sup>36</sup> Ibid, 210.
- <sup>37</sup> Ibid, 220.
- <sup>38</sup> The book is Legacy Fundraising, ed. Sebastian Wilberforce.
- <sup>39</sup> Clark and Norton, 1999, 202.
- <sup>40</sup> Susan Forrester and Graeme Manuel, The Arts Funding Guide (London: Directory of Social Change, 2000) 8.
- <sup>41</sup> Ibid, 8.
- <sup>42</sup> Ibid, 19.
- <sup>43</sup> The Scottish Parliament, Public Funding of Culture in Scotland (Edinburgh: The Scottish Parliament, 31 October 2000) 7.
- <sup>44</sup> Forrester and Manuel, 2000, 27.
- <sup>45</sup> Forrester and Manuel, 2000, 136.
- <sup>46</sup> Forrester and Manuel, 2000, 44.
- <sup>47</sup> The Scottish Parliament, The National Lottery (Edinburgh: The Scottish Parliament, 17 July 2001) 14.
- <sup>48</sup> Forrester and Manuel 143.
- <sup>49</sup> Smith, 1996, 208-210.
- <sup>50</sup> Smith, 1996, 209.

## Chapter 3: Conclusions

A broad array of data—including some bearing on civic engagement—shows the United States continuing to differ in a patterned way ideologically from countries most like it economically. Can we see trends in civic life around the world? If so, what is driving them?<sup>1</sup>

This is how Ladd begins the conclusion of his report on civic engagement in America. As the chapter continues he delineates not only how the United States is different in terms of the concept of civic engagement, but also how it differs when compared to other countries of comparatively similar economic and social make up—i.e. largely European countries. He bases much of the content of the chapter on studies done by Lester Salamon and Helmut Anheier and by the Johns Hopkins Comparative Nonprofit Sector Project—a project that has been conducting surveys of giving and volunteering in Western Europe for the last decade or so. The countries used in the surveys and polls are primarily France and Germany (first East and West, and then the United Germany). Civic engagement in Great Britain is looked at in only one study, done between 1990-1993 by the World Values Survey. However, the comments and conclusions made of Western Europe in general can apply to Great Britain.

Salamon and Anheier, and thus Ladd, conclude that the popular theory that the apparent all encompassing state control of activities in Europe which can seem to limit volunteerism and philanthropy (or civic engagement) is wrong. They argue that the state has “emerged in the modern era not as a displacer of nonprofit activity, but as perhaps the major ‘philanthropist’, underwriting nonprofit activity and significantly extending its reach.”<sup>2</sup> They also state that there is no need to see opposition between governmental

roles in providing services and ministry to the community and civic engagement by independent volunteer orientated individuals. Ladd agrees that encouragement and vitalization for non-profits from the government is a good thing, but finishes by saying that he believes that the steady growth in civic activity in Western Europe is due in large part to the “spread of individualism around the world, along with increased doubts about reliance on state action.”<sup>3</sup>

Inevitably the research also points out that “the United States continues to stand out in the reach of its nonprofit sector. We not only have more voluntary, not-for-pay civic activity than other countries, but also more private, not-for-profit organizations.”<sup>4</sup> However, as foregone as this conclusion might seem (it would have been surprising had there been another conclusion) what is interesting are the divergent philosophical issues which Ladd describes in order to establish the difference between Western Europe and America. He uses these differing philosophies to examine the reasons why people give; and in particular, why Americans give.

As discussed earlier in the text the average American’s response to philanthropy, and in a more general sense civic involvement, is a by-product of their ideology; an expression of the country’s strong sense of individualism. Tocqueville, writing in the nineteenth century, described an America with an unusual amount of associational life; an America where the individual believed that he (at the time of Tocqueville’s writing society was largely believed to consist only of a ‘he’) could make a positive difference, and indeed was morally obligated to do so. This inevitably led, as we have seen, to a banning together of like-minded individuals to create a culture of philanthropy. Clearly the notions of individual responsibility to society and its necessary institutions have

created a society that is more prone to giving. A society which feels it has a responsibility to give philanthropically, albeit in an celebratory, sometimes ostentatious manner.

By contrast Ladd states that Western Europe is only now developing this sense of individualism; this sense of moral and societal responsibility with philanthropy.

However, this argument is not necessarily sound. As Ladd himself admits in the Report, the data on Western Europe, and especially Great Britain, is somewhat incomplete. It is true that there is a different mentality, one based on long standing traditions, of letting the state, or feudal lord or king, dictate many of the functions of societies, and civic involvement. However, what may seem to American eyes as a lack of involvement by the individual is not necessarily the case.

The British, to narrow Western Europe down, do have a long history of civic involvement on an individual level, as Chapter 2 demonstrated. A less overtly ostentatious nation than America, Britain, and the British peoples, prefer to keep civic involvement less formal; it tends to be highly personal and often introspective as opposed to overt and showy—parents volunteer at school; people work with local charity shops; or volunteer for the village fete which raises money for the local community. These types of activities are often not organized, formal charities, thus making it more difficult to obtain data on a British, and by extension the Western European, sense of civic involvement. Activities as described above are, again, deeply ingrained within the British mentality; they have become long-standing traditions, and are not necessarily viewed as being activities of “civic involvement”. In this sense then the British are as civically involved as Ladd promotes the Americans as being, simply in a different manner.

Establishing that both countries enjoy a climate of civic involvement is a relatively easy process; peering at a particular countries style and method of fund raising, as this text has so far done, is something else. However, now that both of these things have been done a number of questions arise: are there any similarities between the British and American styles, or cultures, of fund raising, or only differences; can the two approaches even be compared; is one style necessarily better than the other; and what, if anything, can be learned from the comparison? Answering these questions would be easier had the response to the questionnaires from both countries been both more widespread and systematic. However, as discussed in the Introduction this was not the case, thus information for an analysis of the two described cultures of fund raising, Chapters 1 and 2, must come from the literary material, supplemented by the questionnaires and interviews, as well as the descriptions of the cultures themselves.

Are there any similarities or only differences between the British and American cultures of fund raising? Yes, there are similarities. On a purely cursory examination it can be seen that fund raisers in both countries employ similar techniques to reach the general public and solicit donations-capital campaigns, payroll donations, annual campaigns, membership groups, grants, trusts, legacy donations are merely a few of these. A closer look reveals that the two countries in question share more than simple techniques for raising money. At the core both share a spirit of giving, manifested in different ways, but a shared spirit nonetheless.

The traditional ideas of civic involvement, as addressed above, with in Britain represent a culture, a societal mores for philanthropy and fund raising which evolved as the structure of the society itself evolved. The evolution of America as a country, and

thus as a society, created its own mores' involving philanthropy and its necessary counterpart fund raising. In both countries the concept of fund raising arose out of a societies need to supplement and/or enhance itself beyond the purview of the central or federal government. In Britain this can be said to have initially come from a strong religious structure, while in America this can, as Chapter 1 describes, be said to come from the essential lack of any coherent structure at all. However, the end result of both evolutionary processes is the same: a spirit of giving, that while unique to each culture, is at its core a common link.

Similar as this essentially internal sprit of giving is between both Britain and America it is matched by a similar external force of change: the slow erosion of funding from central governmental sources; the change in the way in which museums are viewed by the political bodies of each respective country. As delineated in Chapter 2 the Thatcher government of the 1980's began to limit funding for the museums; a process which continued to greater or less extent under both the Major and Blair governments. The current Blair government has made many efforts to help with charity and arts funding issues—the new tax laws being one such example. Funding projects such as the National Lottery have also been created to help fill in the gap that has been left. However, this is not enough. Indeed, while the new tax laws are helpful for some they are not, as has been discussed, of apparent use for museums at all. What they do represent for museums is change—if central government is willing to change its attitude toward funding the arts, then it must be assumed that it will change its attitude toward funding of museums. Indeed, as Chapter 2 shows the government of Britain has slowly been changing the way in which it funds museums; forcing them to effect change in their

attitudes toward fund raising. In the United States a similar process has been occurring in the cases of the NEA and NEH, as well as with state and local government budgets. The response has been to seek greater support from the general public.

There is still, many argue, a long way to go before Britain reaches the level of support that American museums receive from the public.<sup>5</sup> But should Britain even attempt such a feat, to do so implies that the two styles of fund raising are necessarily similar—are they indeed?

America, as mentioned earlier in the text, is unparalleled in the amount of financial resources available for museums to fund raise from—it is a larger country, with more diversity available within the population. Even if only a quarter of the population ever gave, it would be a quarter of approximately 278 million people—about 69 million people. There is a strong culture of philanthropy; even a postgraduate school devoted to the subject. However, the size of the country and the prevalent nature of fund raising and philanthropy can work against itself. A public inundated with requests and information may not be as inclined to give.

Compared to America Britain does not have this same sea of individuals to draw from (the total population is about 60 million<sup>6</sup>), nor does it have the same culture of fund raising. As has been demonstrated earlier in the text methods borrowed from America would not necessarily work in Britain. And based on sheer population numbers it would seem that the two countries have incomparable styles of fund raising.

There are also core differences between the two styles of fund raising. These differences derive almost solely from the different needs for funding that museums in the United States and Great Britain have. Museums in America seek grants from the federal

and local governments to cover running costs; they seek money from government agencies such as the NEH to cover specific projects; donations from the general public are generally used across the board, unless specified for a certain project. In other words, as noted in Chapter 1, American museums seek annual amounts of money for running costs, with money for special projects on top of the other funding.

In contrast to this a British museum receives money direct from the governmental purse and has operating costs as well. The concept of fund raising is to fill this gap between the existing money and the need for it. On top of this structure is the need for funding for specific projects. Seen in such stark simplicity the differences between the two needs for fund raising leave the appearance that not only is the British system failing somewhere, but that it has a long way to go before it actually achieves the level of success which American fund raisers have.

These core differences would appear to leave little room for an actual comparison. However, in looking at the results of Ladd's work and some of the changes already noted as being underway within Britain it becomes clear that there is indeed a basis for comparison.

The growth of individualism that Ladd and other scholars believe Western Europe is experiencing is important in relationship to museums. Europe has traditionally been viewed, by non-Europeans, as a group of governments who control all most all aspects of life—funding for museums, goods prices, etc—thus seemingly leaving the individual with little to no personal choice. In discussing the growth of individualism which Western Europe is experiencing Ladd, Salamon, and Anheier are referring to the

increased response by the individual to society, a society whose make-up is no longer determined largely by governmental activity.

The overall issue of whether Western Europeans are becoming more publicly vocal and active within their governmental and social structure is an involved one; it is also an issue that does not need to be discussed in detail within the context of this text. What should be noted is that a growth in individualism, with the understood "loosing" of governmental control, means that the individual feels a greater responsibility toward society. The British tax law changes, already described in detail, are direct evidence of both the loosing of the apparent governmental control and an increased response by the individual to society.

These changes ultimately make it the responsibility of the general public, of the individual, to fund, and be approached to fund in return. Here the Ladd concept of 'growth of individualism' does indeed have a place. However, it is not necessarily the strict responsibility of the individual to be made aware of his or her 'individualism'. A museum itself needs to approach the person under the assumption that he or she is a giving individual. Museums are aware of the need for just such an approach-the Natural History Museum, in London, has created a development department, and the Victoria and Albert Museum has been overt, in the last few years, in its fund raising campaigns.

These changes in within Britain, within the British fund raising community, make a comparison between British and American fund raising more realistic. The changes do not mean that Britain is becoming another America, they simply mean a more level approach to the issue is possible.

Having established that a comparison is possible between the two countries the next question becomes: so what-is one style better than the other? The answer is clear. No one style is better than the other. It has been demonstrated that the culture of fund raising and philanthropy which exists within each country is a direct result of the particular socio-political evolution of that country. Thus the question of one being better than the other becomes moot. While the two styles are comparable on some levels to compare one as better than the other automatically negates the secondary culture. While it is true that American fundraising can seem more efficient and effective than its British counterpart this is due not only to the demonstrably larger size of America itself, but also to the ingrained culture of philanthropy, Ladd's individualism and Tocqueville's exceptionalism, which America enjoys. As a gauge of effectiveness America can only be truly compared to America.

While true effectiveness can only be judged from an internal analysis it is clear that both Britain and America could benefit from a greater understanding of the others particular culture of fund raising, thus answering the question of what, if anything, can be learned from a comparison of the two cultures of fund raising. The overt and aggressive nature of American fund raising can alienate potential donors; it can also carry with it the values and desires of the donor and/or give the donor a sense of ownership over the museum—as the case with the Brooklyn Museum demonstrated. British fund raising, in contrast, has the glow of pure philanthropy about it: the less aggressive nature of fund raising in Britain often produces donations without much of this seemingly self-serving baggage. While Britain might benefit from a more open approach to fund raising, and thus hopefully increase the overall donations to museums, America might benefit from a

more subtle approach—attracting different donors and donations that don't necessarily carry any baggage. The employment of such things as restructuring annual events to make them seem part of the social calendar; publishing pamphlets telling the public how, in detail, they can donate to a museum; or publishing lists of major donors to foster a sense of competition could also benefit the British system of fund raising. The Americans could, in turn, benefit from increased funding from the various government bodies, again to eliminate some of the baggage donations can carry and also too free some of the development/fund raising budget of museums to be used in different areas.

The British fund raising sector did receive fresh breath in April 2000 when the new charities tax law was enacted. Not a widely publicized change, it will take time to take effect, but will, undoubtedly, change the way in which charities approach potential donors. However, for British museums this is not, as discussed, truly relevant. The status of museums within the British tax system seems somewhat confused. This can be, as described in Chapter 2, a significant drawback, especially in light of the new tax amendment. Having museums clearly classed as charities would make the practice of British fund raising easier. Also making fund raising easier would be to have charity law clearly defined and updated. Charity law has not been significantly codified or changed since before the 1832 Reform Act. Some, Smith included, argue that this will change in the near future. However, regardless of whether the government changes the current state of the law, it seems unlikely to include museums. As harbingers of culture they are unlikely to be viewed as charities by the general British public. The growing change, as Ladd argues, in civic involvement and the accompanying mental shift could change this perception, but, after essentially centuries of the current system, will this change happen

either soon enough or at all? And herein lies the rub—museums will need to be clearly labeled charities to survive the future. A museum whose government is slowly eroding its funding needs to find money from alternative sources, and the public need to be willing to donate on a steady basis. Solutions such as the National Lottery, as demonstrated, are not going to be endless wells of money.

In America the seemingly nominal governmental support is also being eroded; with the constant threat that agencies such as the NEA will be terminated in the next Congress. While the culture of giving remains strong within America museums increasingly face competition from other charities. They also face competition for attendance from things such as theme parks, Disneyland for example. This results in a lack of awareness on the part of the public about museums—how then are they to get support from a public that is not aware of what they do and stand for? American museums must become creative not only in the fund raising techniques they employ, but in how they attract the attention of the public, so that then they are able to use these creative techniques.

So, knowing that each particular culture of fund raising can learn from the other what if any assumptions, predictions, or suppositions can be made about the future of fund raising within each country? Does fund raising have a next step, an evolution, and what is this next step? Can a concrete prediction even be made? In order to address these questions the problems within the shared culture (having already established that there is indeed a basis for a shared culture) of fund raising in Great Britain and America must be addressed.

Many professionals within the field of fund raising argue, in text, speeches and at professional conferences, that fund raising in general has reached saturation point; that the individuals who are willing to do the giving are being reached, but are not giving. That while there is an ever increasing need to raise money the public is tired of hearing the same reasons for giving, the same tired spiels from fund raisers. While these spiels come mainly from the pure charities, the sense of dissatisfaction felt by the public as a whole does filter toward museum fund raising. The techniques which museums employ to get support from the public are, as we have seen, many of the same ones that the pure charities use. George Smith, in interviews and speeches, is one of the loudest of the voices within Britain proclaiming not only the stagnation of fund raising, but also the tiredness of fund raiser's techniques:

And here's the central fact about British fund raising. It is not doing very well. We have all become quite enormously clever. . . . But we have not grown the size of the business over which we are asked to preside. . . we have done little to increase the number of donors. That the proportional cost of fund raising continues to rise. . . if we worked in an analogous business. . . performance like this would have blood on the management floor.<sup>7</sup>

Smith's words sound harsh, but they are meant to startle the complacent. It is true that fund raising costs a great deal—mailings, inserts, annual reports to donors—and that these do not always have a high rate of return for investment. Smith argues that the British have become reliant on a few tried techniques and have forgotten to be innovative and creative in the drive to look at overall performance, “we are living in a dream world . . . we have become blinded by the spread sheet.”<sup>8</sup> What he says needs to change is not

only the techniques which charities employ, but also the way in which the fund raiser approaches the potential giver.

Smith argues that instead of approaching the donor as a customer, a donor should be approached with respect and the realization that the market has changed; that customers are now the kings and queens. He states that integration between commercial marketing techniques and fund raising needs to occur. Charities need to strip down, in terms of efficiency and size of operation, and by changing the attitude to the customer, the donor, change the way in which the donor is approached. Changing the attitude will also result in a change in techniques, and ultimately a change in the level of communication with the public, and thus in the level of money received from the public. These arguments for change are essentially the same arguments put forth by Judith Nichols, the most vocal of the American fund raisers who argue for change, in her book Global Demographics.<sup>9</sup> Nichols's viewpoints have been discussed at greater length in Chapter 1.

However, the strident arguments presented by Smith and Nichols are tempered by other voices within the sector. Heffron and Saxon-Harrold, writing for the Independent Sector (a nonprofit information and research center in America), argue that the changes being faced by nonprofits in their financial and operating environments are due partly to increasing competition between nonprofits and business to deliver services.<sup>10</sup> This competition is felt in a multitude of ways by the nonprofit sector, by museums. The collaboration with business, integrating marketing and fund raising, is not necessarily the way forward. They call for more research on the subject, but imply that overall such integration may not be fully necessary, "new research has found that some commercial

partnerships and contracts have the effect of pushing nonprofits into new areas of work that may not be relevant to their mission to obtain regular income.”<sup>11</sup> While Heffron and Saxon-Harrold are addressing more the issue of nonprofits entering into actual contracts with businesses, the idea that such a combination of methods may not fully work due to differences in mission is a valid one.

In a symposium held by the Smithsonian Institution and the American Association of Museums in September 1996, called *Museums for the New Millennium, I*. Michael Heyman, the then Smithsonian Institution Secretary stated, “there must be an understanding that the Smithsonian has simply got to raise more non-federal money. We can’t continue with 70 percent of our budget from appropriated funds. We simply have to enhance our private, non-governmental funds”<sup>12</sup>. This strong statement came after his stating that museums, and the Smithsonian in particular, needed to begin to deal with a strong competition. Competition from attractions in the private sector that draw people away from museums, that draw money away from museums—the Disneyland’s which the public increasingly flock toward; museums competing with the commercial sector, with institutions with different missions.

At the same symposium Jennifer Jarratt, vice-president of Coates & Jarratt an independent fund raising firm, discussed the problems facing museums of the future. The future, as she described it (and as many analysts agree), will be based on globalization, moves towards urbanization, the increasing domination of the middle-class, and the development of image as the primary means of communication. These are all trends that have, to some extent, begun to happen. To compete globally Jarratt states that museums need to practice differentiation—making your museum different from the one down the

street. One way of doing this is to offer museum services to countries or areas that require a new stability and new knowledge.

As we have seen museums provide a sense of continuance and stability as keepers of heritage and culture. They create opportunities for education, and are a reflection of the sophistication of a society. However, in a recent New York Times article Michael Kimmelman faces this assumption and says that it isn't working within the current socio-cultural and political climate to which museums have to respond in order to stay financially viable.<sup>13</sup> He claims that they are catering to the popular audience to gain funding and financial support. The museums, by catering to the audiences, by democratizing their practices, essentially devalue their mission: "when people talk today about democratized museums, they don't just mean more popular shows and more access to the collections. They mean that museums are expected to practice collective bargaining over civic priorities—or else they must face the consequences."<sup>14</sup> In responding to Conservative elements in society arguing that museums should support themselves, and not beg from taxpayers, Kimmelman points out that such action "resulted in the equivalent of Grandma Moses exhibitions to cater to so-called popular taste and American values. If it didn't mean more of those shows, it meant market-driven initiatives: more anodyne Impressionism extravaganzas..."<sup>15</sup> Kimmelman concludes the article by implying that in a society in which museums have increasingly become havens to a diffuse and urban culture reassessing the nature of where funding comes from is vital to the continuance of these institutions. In particular, he notes that an assessment of who to target for solicitation of donations is significant.

If, ultimately, a combining of commercial and nonprofit methods is questionable, what are museums to do? Smith and Nichols both point out that committed giving and legacies, as the only truly profitable end of fund raising, should be given first priority by any fundraiser, thus answering Kimmelman's argument that the audience needs to be carefully reassessed. Charitable legacies in particular, they both state, should be pushed, "the people who will die in the country in the next twenty-five years will be the richest people who ever lived"<sup>16</sup>; these people being the 'Baby Boom' generation. Jarratt, in her speech, argues that museums need to begin to target a different audience—an audience that is older (as significant portions of the population will be in the Britain and America of the not too distant future—the Baby Boom Generation), and one that is more demanding. The demanding and increasing audience is largely the middle class in Jarratt's future; a group of people that is demanding of both "durability and quality"<sup>17</sup>, and increasing in the sense that it is getting larger and larger as portions of the current population age. She describes a middle class which trusts institutions, relying on them to both take care of problems and to preserve safety.

This argument is tempered by voices of caution from both sides of the Atlantic who see such a demanding target audience as perhaps being too demanding; as being an audience that will want, in return for large donations, to express their own personal views and values in the museum.<sup>18</sup> However, this is an issue which museum directors and professional fund raisers have always faced and, indeed, is considered to go hand-in-hand with the job. Thus, facing a potentially more demanding donor may prove not to be as significant a challenge as it could be.

There is another element to society that Jarrett, Nichols and Smith overlook in their arguments: the increasing numbers of entrepreneur millionaires. Fortunes made on the Internet, computer programs or games, or such things as venture capitalism are becoming increasingly common<sup>19</sup>. This type of fortune is not as common as the popular press would have society believe, and it is known to be high risk to achieve. However, to the type of individual who does fall into this group the tax incentives to donate are going to be an important element of their wealth management. This is, perhaps, a callous look at donating, but one that should be done. Perhaps especially so in Britain where the new tax changes have come into effect—the British public needs to be made aware of these changes in all their intricacy. They are common knowledge in America. In light of this it becomes most especially important to address the manner in which the potential giver is approached, and also the method employed for making the public aware that they should give. The new generation of donors will not, as both Smith and Nichols argue, be as aware of the need to give, nor will they necessarily respond to the traditional methods used by fund raisers.

Some of these new and creative techniques to which the new generations of donors, and the more traditional type of donors, may respond are already being experimented with. As looked at earlier the Michael C. Carlos Museum in Atlanta, Ga. used the local newspapers to address the need for immediate funding for the purchase of a mummy collection. This was, admittedly, something that could not be repeated on a regular basis. The public would quickly become tired of seeing articles in local papers from museums asking for money. The new Smithsonian National Museum of the American Indian took out a two-page advertisement in the New York Times to thank

individuals who had donated to the museum founding fund (it was also a subtle way of informing the public of the new museum and that donations were still needed).<sup>20</sup> What both of these incidents show is the unique way in which the public can be reached. The newspaper campaigns employed in America may not necessarily work in Britain, indeed they may not work again in America.

Another solution, as Smith and Nichols see it, to the to the problem of approaching the public, especially the average earner, is for the donor to give each month, quarter, or year by direct debit, Payroll giving. In contrast to the American approach of newspaper campaigns direct debit, as a method of payment for many different types of financial transactions, is a widely used and familiar technique to almost all members of the British public. Giving to a charity such as Cancer Research on a regular basis in this manner seems be something which many donors are happy with. The donor can connect more intimately with the mission of an organization such as Cancer Research, but can a donor connect as intimately, using this technique, with a museum? Would the average individual feel strongly enough about a museums to give each month?

Americans, by contrast, are not as keen to pay bills by direct debit. Though donations are sometimes done in the manner of the Payroll giving scheme it is not quite as prevalent in America as it is in Britain. Nichols and others have predicted that this will change in the near future. However, it is currently more common for Americans to write checks on the computer and send them via the Internet. Smith and Nichols also propose that giving via direct debit schemes, such as Payroll giving, should be increased not only in frequency of use, but also in terms of how much money is requested from donors: why ask for \$2/£2 when \$15/£15, can be given? In fact, many fund raisers from both sides of

the Atlantic argue this approach to all donations. If you ask for \$100/£100, and receive only \$60/£60, surely that is better than asking for \$60/£60 and receiving less still?

Smith goes on in his lists of proposed techniques to say that telephone marketing may be turned into a fund raising tool. While this may indeed be a viable possibility for the British arena of pure charities, in which Smith works, it may not be as popular or viable for museums. Telephone marketing is certainly not considered an option by most current development officers/professional fund raisers in American museums, having "an element of crassness."<sup>21</sup>

Nichols, among others, argues that e-commerce and the Internet will become the next tool of fund raisers, as well as an increase in an American version of Payroll giving. The arguments and predictions for change from both Nichols and Smith that have been touted as solutions for one, the other, and even fund raising on both sides of the Atlantic. Whether any of these will eventually be employed is uncertain. However, everyday use of such things as the Internet, the ATM, and mobile phones are changing the general make-up of society, giving Smith's and Nichol's arguments a great deal of merit. How can the techniques for fund raising of ten years ago work for the next ten years? Chapter 1 demonstrated how the manipulation of newspapers helped the Michael C. Carlos museum in America gain funding, and clearly it is time, Smith argues, for such things to happen within Britain and the field of fund raising as a whole.

Jarratt's middle classes of the future, which really is reflection of only a small segment of current society, want to be provided with enough fair, durable, quality information to help them to make informed decisions. In other areas of life things such as 24-hour television news stations, constant up dates via the Internet and cellular

telephones, and interactive television accommodate the desire for complete information. A society of images—this is fast becoming a reality. The Internet, DVD players, video games, networked televisions, satellite communications—the world of Britain and America is becoming one in which individuals have the ability to be connected at all times to almost all things. Many of these technologies are increasingly combining—producing multimedia video systems, video systems which involve the sense of touch, and virtual reality.

More than any other institution museums are a repository of images, and would thus seem to answer the need which society currently has. However, simply being a storehouse for images is not enough, the implication of these changes in society means that museums need to become arbiters of more than just a cultural past. They need to become almost like friends who provide a high quality of information on the past in a visual form to help make decisions in the present, thus Kimmelman's dilemma of museums becoming too democratized.

The Internet is increasingly motivating these societal decisions and changes. However, as stated earlier dealing with the Internet is somewhat of an unknown quantity. Museums have done, and continue to, put information about collections and exhibits, and images from permanent collections on web sites. In many ways this puts a museums in a glass house (as Jarratt points out). The availability of information about a museum could help a potential donor to give to a museum, and many people enjoy spending money on the Internet. Can fund raising be done successfully via computer: "the amazing growth of information technology has implications for every aspect of civil society and raises questions about how technology is being used to serve public purposes."<sup>22</sup>

In terms of large donations, legacies and in kind donations it is an impossibility, but for joining of membership groups there is an argument. The audience of the Internet is huge and the potential givers vast. In an Independent Sector publication David Eisner, senior vice-president of AOL Time Warner Foundations, is quoted as saying:

More people will find it easier to form more affiliations as a result of the Internet. Asking individuals to give will get easier, because information and action can now be integrated. For example, donors could read about the earthquake in India and then give and volunteer at the same time using the Internet.<sup>23</sup>

For a museum the cash potential of the Internet is more than tempting. However, as with current membership groups, there would need to be a constant monitoring and updating of the system. To establish a system for membership or fund raising via the Internet would take both vision and money to establish. It is something which museums in both Britain and America (as discussed in Chapters 1 and 2) seem unwilling to branch out on without seeing a proven track record of success in terms of receiving money via the web-site. Museum web-sites have places to sign up for a museum membership, but only for information about the group, not to actually donate.

The increase in urbanization, growth of the middle class, and globalization are problems which fund raising professionals must face. Foreign members to *friends of* groups are common, as are foreign branches of *friends of* groups. If there is increased globalization via the Internet it is assumed that these will expand in membership. How then does a museum go about expanding, or creating, a desire among individuals of a different country to support a museum in a different country? It is assumed that this is what a web site will accomplish, but what if a museum can not afford an expensive, impressive web site address? Is this market then lost to them completely? Current

museums fund raisers in both countries are unwilling to speculate heavily on the future of fund raising. Many seem to feel that though the statistics depict one future there may actually be an entirely different one.

The truth is, as has been demonstrated, that Britain and America have two vastly different systems for fund raising. These systems have some similarities: it is clear that in both countries large donations are still purely philanthropic in their nature. Fund raising professionals also rely on museum trustees and boards of directors to begin fund raising campaigns. Once these campaigns have begun they are generally handled in a similar manner. And museums need money for the same purposes.

The debate over whether the Internet is a viable source for fund raising and philanthropy is an intense one<sup>24</sup>. Some analysts and researchers predict the answer will come within the next ten years, others sooner counting on the speed at which the Internet evolves. Other changes within the practices of fund raising will undoubtedly occur, because, as has been stated, they are needed. However, when and where these changes occur can only be guessed at. While necessary to the survival of museums the success of fund raising is at the whim of the people from whom donations are being sought. Thus changes, while needed, can only occur if the general public is willing to respond to the change.

The differences between the two countries seem to be largely in the way in which museums were established, how fund raising is currently regulated by the governments, and how the concept of donating is perceived by the general public. The Americans receive a tax benefit from giving and have grown to perceive the act of donating as a responsibility of society. The manner in which museums are funded in America is a result

of this evolution. Until recently the British did not receive tax benefits with donations to charities, and museums are not regarded as charities. Philanthropy in Britain is first an act of volunteerism and next an act of financial support. However, significant changes have occurred recently leaving much hope and many questions: Does the change in charity law mean that there will be a future change in museums status?

So where do these things leave the museum communities of Britain and America? Clearly there is an increasing need for fund raising in both countries, and getting that money is becoming more difficult. Creativity and ingenuity are being called for on the part of the fund raiser to gain the needed money. People seem to want to give to charities, only many lack both the knowledge about the charity, or museum, and the opportunity to donate. An increase in the opportunity to donate does not necessarily mean that there will be more philanthropy, but it does leave the doors open. Fund raising is a vital part of the modern museum structure. It gives museums the ability to find the necessary financial support they require and it gives the public the chance to show their concern and care about the structures that serve as cultural warehouses. The fact that fund raising is becoming an increasingly important element within society is both a symbol of the changes that museums of the future must undergo, and also of the changes that they must make in the current social atmosphere. Museums in Britain and America could not survive without support from the public. It is the ability of future fund raisers that will, in many ways, determine the direction in which museums take.

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<sup>1</sup> Carl Everett Ladd, The Ladd Report (New York: Free Press, 1999) 121.

<sup>2</sup> Salamon and Anheier in Carl Everett Ladd, The Ladd Report (New York: Free Press, 1999) 144.

<sup>3</sup> Ladd, 1999, 144.

<sup>4</sup> Ladd, 1999, 140.

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<sup>5</sup> This argument is addressed in Chapter 1 in greater detail.

<sup>6</sup> Population numbers come from the U.S. Bureau of the Census, <http://www.census.gov>.

<sup>7</sup> George Smith, Institute of Charity Fundraising Managers speech, Birmingham, 14<sup>th</sup> July 1999.

<sup>8</sup> Ibid.

<sup>9</sup> Judith Nichols, Global Demographics (Chicago: Bonus Books, Inc., 1995).

<sup>10</sup> Aaron J. Heffron and Susan K.E. Saxon-Harrold, Crossing the Border: Competition and Collaboration Among Nonprofits, Business and Government (Washington: Independent Sector, 2001) 1.

<sup>11</sup> Ibid, 1.

<sup>12</sup> I. Michael Heyman, American Association of Museums and Center for Museum Studies, Smithsonian Institution, Museums for the New Millennium: A Symposium for the Museum Community (Washington: American Council for Museums, 1996) 19.

<sup>13</sup> Michael Kimmelman, "Museums in a Quandary: Where Are the Ideals?", (New York Times: 26 August 2001: Section 2) 1,26.

<sup>14</sup> Ibid, 26.

<sup>15</sup> Ibid, 26.

<sup>16</sup> Judith Nichols, Global Demographics (Chicago: Bonus Books, Inc., 1995).

<sup>17</sup> Jennifer Jarratt, American Association of Museums, and Center for Museum Studies, Smithsonian Institution, Museums for the New Millennium: A Symposium for the Museum Community (Washington: American Council for Museums, 1996) 25.

<sup>18</sup> Michael Kimmelman, "Museums in a Quandary: Where Are the Ideals?", (New York Times: 26 August 2001: Section 2) 26.

<sup>19</sup> Robert Ferguson and Michael Wolfe. "New Money, New Demands." Museum News. 80, 1, January/February (2001): 56-59.

<sup>20</sup> Smithsonian National Museum of the American Indian. "This is an American Indian Dream Catcher," (New York Times, 26 September 1999) 22-23.

<sup>21</sup> Paul Figueroa, Director, Gibbs Museum of Art, Charleston, S.C., 4 August 1999.

<sup>22</sup> Independent Sector, The Impact of Information Technology on Civil Society: How will online innovation, philanthropy, and volunteerism serve the common good? (Washington: Independent Sector, 2001) 1.

<sup>23</sup> Ibid, 3.

<sup>24</sup> Hugh K. Lee. "Dotcoms: The Trojan Horse of the Internet." Museum News. 79, 5, September/October (2000): 50-52.

## Appendix A

A summary of the U.S. tax code relating to charities and charitable gifts.  
It should be remembered that all museums in the United States are registered as charities.

In order for a non-profit organization (which is usually formed as a corporation, trust, or association) to be treated as exempt from federal income taxation, it must meet specific requirements of the Internal Revenue Code of 1986 and Regulations of the Internal Revenue Service. In addition to the federal income tax aspects, an organization must also consider potential taxation by a State government. Most states, however, have state income tax laws that are coordinated with the federal Internal Revenue Code, and the state taxing authorities accept formal recognition by the Internal Revenue Service of tax exempt status as confirming that the organization is exempt from state income tax as well. While income taxation may be the most significant potential tax burden on an organization, there is also a wide variety of other taxes that may be imposed, particularly by state and local governments. These other taxes include sales tax, gross receipts tax, various excise taxes, license fees, and taxes on real estate and other tangible property. The fifty states include a wide variety of tax exemptions that apply (or do not apply) to various of these taxes for charitable organizations. Due to the number and variety of the specific state laws and regulations, they will not be treated in this Appendix. This Appendix will focus on the standard for formal income tax exemption under the Internal Revenue Code.

The basic provision of the Internal Revenue Code that defines income tax exemption is Section 501, and the particular Sections 501 (c), (d), (e), and (f). Section 401(a) of the Internal Revenue Code also provides another tax exemption. Sections 501(d), (e), and (f) provide tax exemption for some very technical and special purpose

organizations; for example, Section 501 (e) provides tax exemption for certain joint service organizations owned and operated by tax exempt hospitals. Section 401(a) provides tax exemption for trusts that are used as the funding vehicle for employee benefits, such as retirement benefits. Most organizations that are granted tax-exempt status fall under Section 501(c), which itself contains 25 subsections addressing a variety of tax-exempt organizations. Most of these are of a very specific nature. For example, Section 501(c)(5) grants tax-exempt status to labour unions, and Section 501(c)(6) grants tax-exempt status to, among other things, Chambers of Commerce. Section 501(c)(19) provides tax-exempt status to veteran's organizations, and other sections provide exemptions to organizations providing health or insurance benefits and various agricultural cooperatives, and other special purpose organizations. The principle portions of Section 501 providing tax-exempt status is Section 501(c)(3), which describes a broad range of organizations, including entities "organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes . . ." Most charitable organizations in the United States fall under this section, and these organizations include the Red Cross, churches and various religious bodies, universities and colleges, museums, art organizations (symphony orchestras, operas, ballet companies, etc.), the American Cancer Society, the American Heart Association, and a huge variety of other organizations. The list includes both major, national organizations such as the American Cancer Society, and very special purpose, very localized organizations such as a community trust formed to develop a park for a city or town. The requirements for tax exemption for these organizations are included both in Section 501 (c)(3) and in Sections 503 and 508. These sections require that any organization that

desires to be treated as tax exempt must make a formal application to the IRS, must demonstrate that its organizations documents contain certain provisions, and must demonstrate that it is being organized for one of the approved purposes. In addition to the organizational requirements, Section 501 (c)(3) establishes certain operating guidelines. There are essentially three of these. One guideline is that the organization not be operated in a way that advances private interests, but instead that it be operated to advance the general, public interests stated in its organizational documents (and in its application to the Internal Revenue Service). Another operating standard is that a tax-exempt organization must not allow its assets to “inure to the benefit of any private individual.” Generally, this is interpreted as meaning that no dividend-like distribution of money or other assets may be made to individuals or other private parties, and in a broad sense the organization will be scrutinized to ensure that its financial assets are not allowed to excessively benefit individuals. A third requirement of Section 501 (c)(3) is that a tax-exempt organization must avoid lobbying and other political activity. Participation in lobbying-type activities or participation in partisan election activity will result in a loss of tax exemption (the political parties in the United States are not regarded as tax-exempt charities).

Other sections of the Internal Revenue Code establish some specific operating rules, pertaining to “unrelated business taxable income” (see Sections 511 through 513). Even though an organization may be deemed exempt from income taxation, the exemption applies only to the specific charitable purpose for which the organization was formed and which the Internal Revenue Service approved in granting tax-exempt status. If a tax-exempt organization conducts other activities and those activities generate profits,

those profits will be treated as “unrelated business taxable income” and will be subject to the federal corporate income tax. As an example, an art museum might receive a bequest from a wealthy individual of a commercial office building. The operation of the building and the receipt of commercial rents is not an integral component of operating the art museum. The museum may own and operate the office building, but the rents received from the office building will be deemed taxable income. There are extensive and very detailed Regulations and many rulings of the Internal Service dealing with this issue. Essentially, a tax-exempt organization may operate a commercial activity that is associated with its exempt purpose, but if it owns and operated other commercial activity, that produces taxable income. In the case of the art museum as mentioned above, it is permissible for the art museum to own a museum store which sells reproductions of art work, art related books, gifts, and similar goods. The income from that store is exempt from income taxation, where the income from the operation of commercial rental property would not be.

There are extensive regulations under Section 501 (c)(3) that define and expand on the word “charitable” and essentially apply the word charitable to an extensive range of activities. The Regulations reference relief of the poor, distressed, or underprivileged; advancement of religion, education, or science; erection or maintenance of public buildings, monuments or works; lessening the burdens of government; and the promotion of social welfare. The Internal Revenue Service applies those generalized phrases in a broad sense and does not limit their application to organizations supported by donations. For example, hospitals will be deemed to be exempt from income taxation under those sections, even though very few hospitals are supported by true charitable donations (their

financial support comes from various government payments and payments by health insurance companies). Museums or symphony orchestras, for example, will routinely be deemed tax exempt, even though significant portions of their support will come from entrance fees, sales of tickets, sales of goods from the museum store, grants, and similar sources.

Another key provision of the Internal Revenue Code that impacts charitable organizations is Section 170, which provides a deduction to individuals who make gifts to organizations that have been granted tax exemption under Section 501 (c)(3). The rules applicable to the tax deduction for gifts are quite complex and are expanded upon with substantial Regulations. Essentially, an individual who makes a gift of cash or investments assets (i.e., corporate stocks or bonds) to a tax-exempt organization will receive a deduction from taxable income for the full amount of the gift. While the deduction under Section 170 applies specifically to federal income tax treatments for that individual, the income laws of most states are coordinated with the federal income tax treatment laws, so a deduction taken for federal purposes under Section 170 will also generally be a deduction from taxable income for the state. An individual may also make gifts of real estate or tangible property to a tax-exempt organization, but the rules applicable to the amount of the deduction are somewhat complex. Gifts of property may be deducted at fair market value at the time of the gift if the gift is of a type of property usable by the charitable organization. For example, an individual may give a painting by Picasso to the Metropolitan Museum of Art in New York and will receive a deduction for the full, current market value of the painting. A gift of that same painting to the American Red Cross could receive quite different treatment; since the painting is not usable in the

Red Cross's basic activity, the amount of the deduction would be severely limited unless the Red Cross sells the painting and receives the cash (in which case the amount of the deduction is limited to the cash amount of the sale). Despite that limit, the system has considerable advantages for individual donors. An individual may make an investment in the stock of a corporation, buying the stock at a very low price. Many years later, the stock has greatly appreciated. When the donor makes a gift of that stock to a museum, university, or other charitable organization, the donor's amount of deduction is the stock's current market value, not the donor's original acquisition price (the donor is never taxed on the apparent "profit"). That same result applies to the donor of the Picasso to the Art Museum, or to the donor of valuable furniture or silver to a museum.

Although the provisions cited are from the Internal Revenue Code of 1986, those provisions are essentially unchanged from prior versions of the Internal Revenue Code. For example, the key provision granting tax exemption, Section 501 (c)(3), and the provision providing the deduction of charitable gifts, Section 170, are both essentially the same as they appeared in prior versions of the Internal Revenue Code (1939 and 1954).

## Appendix B

The following represents a summary of British law concerning charities.

In order for an organization or institution to be considered a charity it must meet a number of specific requirements, and will, in general, be in accordance with the standard definition of a charity and be registered under the Charities Act 1993 with the Charity Commission. The definition of a charity comes from a number of sources. British law is based on precedent and on Parliamentary acts, thus the definitions for a charity are based upon centuries of legal proceedings. The Statute of Charitable Uses, from 1601, established one definition of a charity; however, it was the classification of Lord McNaghton's judgment in *Income Tax Special Purposes Comrs v. Pemsel* (1891) that established the most common definition of a charity. This judgment states that a charity would be involved in one of the following activities: relief of poverty; advancement of education; advancement of religion; and other purposes beneficial to the community, not falling under any of the preceding headings. This definition remains the leading legal authority on what activities are considered charitable. In the intervening years since this judgment cases have been heard regarding the definition of a charity, and while the Charity Commission considers each applicant for registration individually none of these decisions have radically changed the law.

To register a charity need not have or present any special constitution provided that there is sufficient evidence of its objectives and internal regulations to satisfy the registering body. However, for most charities it is usual to have a lawyer/solicitor draw up a formal constitution. The most usual forms of a constitution are those of a trust and a company limited by guarantee. A declaration of trust states that the trustees' hold the

property so settled on charitable trusts, provided that the trustees cannot use the property for any other purpose. Some trusts are drawn up with wide charitable objects, while others are more specific to reflect the wishes of the settler. A charity formed as a company limited by guarantee has the advantage that the trustees, or directors, are afforded the protection of limited liability as regards the debts of the company, and their own responsibilities are defined in the Companies Acts. As legal responsibilities of trustees can be considerable it is more common to constitute large charities as limited companies.

There are, however, other methods of establishing and organizing the structure of a charity. The Charities Act 1993 ss16 or 17 makes allowances for those charities whose original trusts have become out of date or unworkable. Many local charities, such as Parent Teacher Associations, that are dependent on membership, and are governed by a management committee, can be an unincorporated association. Some charities are incorporated under the Industrial and Provident Societies Act 1965 and enjoy the same benefits as those incorporated under the Companies Acts. These include such things as housing associations.

Once registered as a charity an organization/institution is able to receive exemption from many forms of direct tax and indirect tax. However, there is no blanket tax exemption for charities. The relief's for charities are contained in Taxes Act (TA) 1988 s 505. These income tax relief's are extended to corporation tax by TA 1988 s 9(4) which states that, except as otherwise provided in tax legislation, any provision which grants an exemption from income tax shall apply equally for corporation tax purposes. TA 1988 does not give a general exemption from income tax on income received by

charities. Instead it gives specific exemptions which are granted on a claim being made using Form R68. The Finance Act 1996 s 146 updated and amended the terms of s 505. Significantly s 146 provided for profits accruing in respect of a lottery under s 3 or s 5 Lotteries and Amusements Act 1976 (or its Northern Ireland equivalent) to be applicable for tax exempt status. It is a condition of obtaining exemption that in every case the income or profits received by the charity must be applied solely for charitable purposes.

The most important types of income not exempted from income tax are found in Schedule D. Trading profits are not exempted unless the trade is carried out by beneficiaries of the charity or in the course of performing the primary purpose of the charity. The distinction between a trade that is exempt and one that is not is a fine one. The manner in which a charity can apply for trade exemption (whether in the UK or elsewhere), defined under TA 1988 s 505(1)(e), happens in the following two ways: (1) if trade is exercised in the course of the actual carrying out of a primary purpose of the charity; (2) or the work in connection with the trade is mainly carried out by beneficiaries of the charity. A museum, for example, if it charges for admission is able to apply for exemption of tax on the income from the yearly total of admission profits.

In addition to the exemption from certain yearly income taxes a charity can also receive exemption from tax on all interest earned, including interest and dividends payable gross by building societies and to other overseas income. An example of annual payment exemption may include royalties or copyright monies. In addition to the major exemptions granted by s 505 there are a number of miscellaneous exemptions granted elsewhere in legislation. Charities are exempt for example, under TA 1988 s 56(3)(c), for

special charges in connection with certificates of deposit. There are other exemptions provided for in Extra Statutory Concessions, published by the Inland Revenue.

There is no general relief for charities from VAT (value added tax). As a basic rule charities should regard any supply of goods or services for a consideration as being a supply for the purposes of VAT. However, there are some instances in which a charity is able to receive relief from VAT. A charity must be aware of the distinction between their business and non-business activities, and those activities which are taxable, exempt, or outside VAT to apply for these exemptions. They pertain mainly to fund raising events. The new law enacted in April 2000 updated the types and numbers of fund raising events that are exempt from VAT taxation. These events must not be part of a series or regular run of like or similar events. The 1991 tax additions extended this to include events run by a subsidiary of a charity. The definition of 'regular', as stated by Customs and Excise, does not include such things as an annual ball or concert, presumably because it does not occur often enough to pose a commercial threat to trading organizations whose trade or profession it is to promote such events. Also, the exemption does not apply to a program of events for which a season or composite ticket can be bought, nor does it apply to similar events at the same venue held as frequently as once a month.

Until the changes made in April 2000, which are outlined in Appendix C, reciprocal benefit to a donor from a charity was not considered necessary. While the Inland Revenue allowed for some reciprocity in the form of token recognition, Customs and Excise did not allow for this concession. There were a number of specific reliefs granted to a taxpayer who made a gift to charity over the years specifically in the nature

of deeds of covenant, gift aid and payroll giving, but again these have been updated and changed by the April 2000 tax regime.

## Appendix C

This is an example of the questionnaire sent to museums in both the United States and Great Britain regarding their fund raising/development practices. Museums in both countries received the same document. However, of the total number of questioners sent out only a small number of museums responded, and of those that did respond only a select few agreed to have their answers printed in this thesis. The Introduction to this thesis discusses this in detail.

The answers printed are taken from those given by Susan Wilder, former Development Director, Georgia O'Keefe Museum, Santa Fe, NM, in the summer of 1999.

- 1) How large is your museum? Please answer in terms of collection size, building size, staff size, etc.  
*The museum contains 120 art works by Georgia O'Keefe and is 13,000 sq. ft.*
- 2) In general terms what do the collections of the museum compromise?  
*The works, all by O'Keefe, are in: oil, pastel, watercolors, sculpture. Also, contained in the museum is O'Keefe's library, her personal effects, and extensive archival material.*
- 3) Is there a theme to the collections of the museum? If so, what is it and how was it arrived at?  
*It is a single artist museum.*
- 4) Does the museum actively seek to increase its collections? Why or why not?  
*Absolutely, we are currently the largest repository of her work, and are growing.*
- 5) Does the museum have a research department? If so, how active is it and how well supported is it?  
*There is currently no research center, however in Fall 2000 a research center for American Modernism will open as a part of the museum.*
- 6) Does the museum have a café or a gift/book shop? Are these viewed as important sources of income for the museum?  
*There is a café, which is viewed as a service to the visitors; and a shop, which is a tremendous revenue producer.*
- 7) What is the average total budget for the museum each year? What are the sources for this money?  
*The total budget for the museum is generally in the nature of \$4 million, and comes from individuals, corporations, foundations, and agencies (fed., state, and local).*
- 8) How often does the budget increase and what are the factors used to determine this increase?  
*The museum is new, and while the budget has gradually increased, it is too early to say for certain the nature of this increase, and the defining factors of the increase.*

- 9) If the budget has been significantly reduced in the last five (5) years please explain how and why.  
*There has been no reduction.*
- 10) If the budget has been significantly increased in the last five (5) years please explain how and why.  
*There has been no significant increase, only steady growth.*
- 11) How often, if ever, is the museum under budget? Why and in what ways?  
*We have, so far, stayed on budget.*
- 12) How often is the museum over budget? Why and in what ways?  
*See above answer.*
- 13) How flexible is the museum budget? If money is needed during the fiscal year can it be provided and if so where from?  
*Flexibility of the budget is at the discretion of the Director, and if funds are needed during the year we can solicit additional donors.*
- 14) What is the budget for the development department of the museum?  
*Our budget is generally 5-6% of the total budget.*
- 15) How is this budget determined?  
*The budget is determined by the Director of Finance and the Director of Development.*
- 16) How, and into what categories, is this budget divided?  
*Again the above parties divide the budget, and it is separated into employee expenses and direct expenses.*
- 17) Where did these categories come from?  
*These divisions conform to budgetary divisions throughout the various Museum departments.*
- 18) How flexible is the overall development budget? The internal divisions of this budget?  
*The budget is highly flexible, and divisions are determined by the Director of the Department.*
- 19) Does the museum receive financial support from the Federal government? The State government? The county or city governments? If so, what division, department, or agency does the museum receive this money from?  
*The museum receives money from a) state of New Mexico and b) the city of Santa Fe.*
- 20) How did the museum come to receive this money?  
*Through competitive proposal process.*

- 21) How much money is received and how often is it received?  
*We must reapply annually; in 1999 we received about \$50,000.*
- 22) What determines the amount money that is received from governmental sources?  
*They decide, it has little to nothing to do with us.*
- 23) Is the money designated for a particular source (i.e. an exhibition or security) or is it left to the museum to decide how the money is used?  
*This is project specific funding.*
- 24) Can the museum apply for more money at any point in the fiscal year from the governmental source? Why or why not?  
*Gov. funding runs on an annual cycle, and is usually unavailable at any other time.*
- 25) Does the museum receive any money from Trusts or Foundations? If so, which one/s?  
*Yes, money comes from numerous private and family and corporate foundations.*
- 26) Is the money given based on a set of conditions or for a more general purpose?  
*Both, it depends on the funder.*
- 27) How did the museum become involved with the Trusts or Foundations-i.e. were they applied for by the museum, or were they set up by individuals? Please explain for all Trusts and/or Foundations the museum benefits from.  
*In all cases applications were required.*
- 28) How long has the museum been involved with the Trusts and/or foundations?  
*Since opening in 1997.*
- 29) Does the museum ever actively encourage Trusts to be established for its benefit? Please give reasons why or why not.  
*No, we do not as it would require a change in tax status.*
- 30) Does the museum receive support from corporate sponsors? If so whom and for how long has the organization been supporting the museum?  
*Various corporate sponsors support the museum.*
- 31) How did/does the museum go about acquiring corporate sponsors?  
*Solicitations and applications.*
- 32) What are the criteria which a corporation must have before the museum seeks support from it? How were these established?  
*They must wish to associate company name and brand image with America's most prominent woman artist.*

- 33) What form do the donations from the corporate donors take? Is the donation an annual gift, or for a more specific purpose (i.e. sponsorship for a restoration or an exhibition)?  
*They are annual, in-kind, project specific, and endowment.*
- 34) If a corporation gives annually can it be approached during the year for a more specific donation (as if for an exhibition)?  
*Often yes, especially for benefit events.*
- 35) If a corporation does not give annually what form does their support take? Why is this done?  
*Endowment for gifts of \$10,000 and above.*
- 36) How does the museum handle corporate sponsorship situations? How do they evolve?  
*This is a program that we are just beginning to explore.*
- 37) Does corporate support always take the form of financial support? If not, why and in what other ways does/can a corporation support the museum?  
*No, it can be in-kind gifts of equipment, books, etc.*
- 38) Does the museum allow space, galleries, or other areas, to be hired out by corporation or individuals? If so how often does this happen?  
*Yes, we rent space several times a month for groups wishing to hold events here.*
- 39) Is the renting of museum space to corporations or individuals seen as a way to encourage future donations/gifts to the museum, or simply as another source of income for the museum?  
*Both.*
- 40) Most museums have a system of membership for individual members of the public to join. Does your museum have such a program? If so, please describe it in detail.  
*We are eligible to launch a membership program in July 2000.*
- 41) How were the categories of this membership established? Do they ever change?  
*Our categories were established based on assessment of programs at other museums.*
- 42) How does the museum go about acquiring individual members?  
*Mail solicitation.*
- 43) Are specific economic or social groups targeted? If so, why and how were they chosen?  
*We will surely use this approach.*

44) Does the museum have different approaches for different economic or social groups when seeking either donations or membership? If so, what are they and why are they used?

*Approach is always based on determining interest and commitment.*

45) Does the museum hold annual fund raisers?

*Yes.*

46) What form do these fund raisers take?

*One large (500 people) event per year + several other smaller events (50-200 people).*

47) How much does the museum spend on them? Does the amount spent on an event vary according to the event or is the amount of money available preset in the annual budget?

*50% is best rule of thumb regardless.*

If more than one (1) annual event is held please describe all of the events, their budgets, and the purpose of each one.

*(1) large event raises about \$40,000 for education program; (2) smaller events are primarily donor cultivation.*

48) Are the events targeted at a specific group of people? If so, why and does this in any way reflect in the type of event which the museum holds?

*(1) major event targets the affluent*

*(2) smaller events target the community*

49) Are these events held to raise funds for a specific purpose, such a building expansion or an exhibition, or are they held to gain general financial support?

*Both, but specifically the education program.*

50) Does the reason for which the fund raiser is held ever influence the type of event that is held, and if so, in what way?

*Always, demographics of donor base often dictate caliber of event.*

51) If special fund raising events are held, by this it is meant non-annual events, what are the possible reasons for their occurrence?

*Capitalizing on an opening, anniversary, campaign launch, etc.*

52) How often are these types of events held?

*As and when needed.*

53) On average how much money is raised at such an event (annual or not)?

*\$40,000-\$50,000.*

- 54) To what extent does the amount of money that is raised depend on the event? The audience?  
*Depends more on the planning and budget.*
- 55) Are events held by member groups to raise money for the museum? Does the development office have any input into these events? How much money do these type of events generate?  
*Not an issue as yet.*
- 56) Do you feel that certain times of the year are better than others for holding fund raising events? If so why, and what times of the year?  
*Fall, closer to the end of the tax year.*
- 57) Do you feel that certain types of events are better than others for raising money? If so why and what types? Are these differences due solely to the event itself or to the type of people that are attracted to it?  
*Any event can be successful if well managed, conceived, and publicized.*
- 58) How important are these types of events to the maintenance of the museum?  
*Insignificant. They are important good will for the constituencies.*
- 59) The U.S. tax laws state that a donation to an appropriately classed institution is tax deductible. How exactly is the museum classed for tax purposes?  
*501 (c)(3)*
- 60) In any of the literature that is sent to potential donors, or at any of the fund raising events, is the tax deductible status of donations mentioned, or is it left to the donor to know that such contributions are tax deductible? Why or why not is this done?  
*Yes it is mentioned, and must be done throughout by law. It is essential otherwise we couldn't receive the gift and provide donors with a tax benefit.*
- 61) If your museum is not a registered charity, is any portion of it a registered charity? If so, what portion? Why (please explain in detail)?
- 62) Has/does this have/had any bearing on the manner in which fund raising/development is done? How so?
- 63) If your museum is not a registered charity do you feel that it should be? Do you feel that such a change in status would be of benefit to the museum; to its fund raising/development practices? How so and why?
- 64) Do you consider the support of the museum staff important to have successful fund raising events? Why or why not?  
*Broad buy-in always increases ownership and overall pride and success.*

65) Do other departments within the museum have input into the types of fund raising events that are held? If so, in what way?

*Usually all is left to the Development office and its committees to determine.*

66) Do other departments ever hold development/ fund raising events of their own?

*NO.*

67) If so, why and what types of events are held, and are they run with or without the input of the development office?

*Not an issue.*

68) Many annual events held by museums, for whatever the purpose, are often considered important in the community social season. Do you feel that such is the case with your museum? If so, what, if anything, is done to foster this feeling within the community?

*It is hoped to become that way. Goals are accomplished through use of a committee of prominent community leaders.*

69) Do you feel that the support for such events is due to the nature of the event, the reason for its occurrence, or other factors (if for other factors please name them)?

What are the reasons for your answer?

*Nature of event: somewhat other factors, but primarily nature of the solicitor.*

70) Does the museum use the Internet to raise money? If so, in what way, why, and how successful is it?

*Not yet, but we will offer Internet membership eventually.*

71) How long has the museum used the Internet? Why did the museum choose to use the Internet?

*From the outset. The museum cannot remain competitive otherwise.*

72) Have you noticed any significant changes in the way that support for museums is given occurring in the last five (5) years? If so, what changes and why do you think that they have happened?

*Museums are popular forms of entertainment and this encourages giving.*

73) Do you feel that any significant changes will be made in fund raising, and funding in general, within the next five (5) years?

*More gifts will be received through deferred giving programs.*

74) To what do you attribute these possible changes and why do you think that they will occur?

*Intergenerational transfer of tremendous wealth.*

75) How do you think that they will affect your museum?

*We hope to compete effectively in order to benefit.*

76) How do you think that they will affect the museum community in general?

*We should all gain and grow as a result.*

77) Are there any other aspects of development/fund raising that have not been raised that you feel are important?

*Without an influential board that is affluent and has access to additional wealth a museum cannot reach full fund raising potential.*

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## STATEMENT OF PURPOSE/ MISSION STATEMENT

Name of document in which statement appears: Fowler Museum Mission Statement  
Date of approval: November, 1993  
Approved by: Chancellor Charles E. Young

### FOWLER MUSEUM OF CULTURAL HISTORY MISSION STATEMENT

The UCLA Fowler Museum of Cultural History is organized to collect, preserve, study, interpret, exhibit, and publish the art and material culture primarily from Africa, Asia, Oceania, Native and Latin America, past and present. It is committed to presenting highly contextualized interpretive exhibitions, publications, and public programming heavily informed by interdisciplinary approaches and by the perspectives of the cultures being represented. Through these offerings, it seeks to enhance the understanding and appreciation of the diverse peoples, cultures, and religions of the world. The Museum serves the teaching and research interests of the students, faculty, and staff of the University and provides an accessible educational resource for the multicultural communities of greater Los Angeles.

#### BACKGROUND OF THE FOWLER MUSEUM

The Fowler Museum of Cultural History was created at the University of California, Los Angeles (UCLA) in 1963 to consolidate the University's varied collections representing many of the world's cultures and to make them accessible to the University community and general public. With collections that span over 4,000 years of cultural expression, the Fowler is Los Angeles's only museum emphasizing both art and anthropology. On average, the Museum mounts nine interpretive exhibitions annually, two of which travel nationally. The publications program based on these exhibitions places the Fowler among the most active publishers of non-Western arts worldwide; four to five scholarly publications are produced annually. The education department is a principal strength of the Museum, providing extensive teacher training, curricula in global arts, and an in-gallery school visit program that welcomes over 25,400 K-12 students and their teachers each year. The Fowler is the most active university museum in circulating exhibitions nationally. In 1998-1999, seven different exhibitions will appear at 11 institutions across the United States.

#### *Facilities and Staff*

In 1992 the Museum entered a new era with the opening of a \$22 million, 100,000 square foot facility to house its collections and programs. The new complex includes research facilities, classrooms, four galleries—ensuring a constant variety of exhibitions, and a 325-seat auditorium. With ten times the former exhibition space, annual visitation has more than tripled since the Museum's re-opening, averaging 87,000—in the top one-third of university attendance.

The full-time staff at the Museum currently numbers 40. Curatorial positions include: director, curator of African collections, curator of Oceanic and Southeast Asian collections, curator of archaeology, and director of the Center for the Study of Regional Dress. Other professional staff include the assistant director, director of administration, accounting administrator, director of exhibitions, director of education and assistant, conservator and assistant, public programs coordinator, collections manager and assistant, registrar and assistant, traveling exhibitions coordinator, director of publications, editor, graphic designers (2), photographer, exhibition preparators (2), director of development and assistant, assistant director of the Center for the Study of Regional Dress, director of membership, director of public relations, director of information systems, and director of security and facilities and assistant.

Figure 1.1a, UCLA Fowler Museum of Cultural History, Statement of Mission

• Manus members (50 total), comprising the Museum's highest level membership group, represent a diverse cross section of major Los Angeles patrons of the arts and humanities, and provide important community ties. Two Manus members formerly served on the President of the United States' Commission for Arts and Humanities. Guided by a steering committee consisting of ex-officio staff and interested members and committed to assisting the Museum achieve its mission, the group accomplishes its mandate through both financial support and significant non-monetary services. Many Manus members have extensive private collections that they make available for student and Museum research projects. Others donate their services as gallery educators, outreach and education assistants, and researchers.

## 2. How does the Museum acquire non-Federal financial support?

The Fowler attributes its successful expansion into the new facility to a sustained effort to cultivate broad-based non-federal funding. Through personal appeal and grant proposals during the capital campaign that concluded in 1992, the Museum received \$2.25 million from the Ahmanson Foundation, \$2 million from the J. Paul Getty Trust, and \$2.7 million from the Francis E. Fowler, Jr. Foundation, as well as six figure donations from other sources. This belief in the Museum has manifested itself in continued support of exhibitions, programs, operating needs, and the endowment from many principal donors. Expansion of the Museum's endowment began concurrently with the capital campaign for the new building and remains a top priority.

Entrepreneurial activities are a second major focus of efforts to gain non-federal support for the Museum and include corporate sponsorships and measures to increase earned income. (The Museum recently secured its first two "official" corporate exhibition sponsors-- Ford Motor Company and Air Afrique.) Earned income development will include: expansion of the Museum's successful traveling exhibitions program; continued development of the broad-based Museum membership program; expansion of the distribution network for the Museum's publications; and increased marketing of Museum store merchandise and facility space rentals through membership and publicity materials. Projected fiscal year 1998-99 revenues are \$254,338 for publications and \$151,748 gross for the Store.

In addition to the regular parent organization support, a very substantial and significant in-kind contribution comes from the State of California and the University in the form of the Museum's overhead, including rent, maintenance, utilities, etc. By applying the UCLA basic indirect cost rate (29%) established through negotiations with the Department of Health and Human Services to the '98-'99 state allocation and parent organization support of \$1,562,418, we estimate the overhead at \$453,101.

The aforementioned support group, Manus, began in 1980. Now the highest level of the Museum's general membership program, the group continues to have a significantly multifaceted relationship with the Museum. As noted, the group represents a diverse cross section of major Los Angeles-area patrons of the arts and humanities and brings important connections to the community. Most members have been connected with the Museum for over a decade. During 1998, Manus contributed \$125,552 in cash and in-kind support, in addition to one member's recent pledge of \$1/2 million over five years to support visiting scholars, acquisitions, and conservation needs.

Generous support for programs has also been received from sources including the Ethnic Arts Council of Los Angeles (which has provided grants for nine consecutive years), the National Geographic Society, the J. Paul Getty Trust; The UCLA Art Council, Ahmanson, Rockefeller, Amoco, Alexander Family, Times Mirror, Kress, and Security Pacific Foundations; and the Chemical New York, Merrill Lynch, Neutrogena, and Teledyne Corporations.

## **X LONG RANGE PLAN**

### 1. How does the long-range plan support the mission of the museum?

For the past 15 years the Fowler has maintained a plan which supports the Museum's mission by serving as a concrete guide to objectives mutually agreed upon by senior staff and the University. In 1993 a more formal, 10-year long-range plan was created. This long-range plan continues to be a working document and is reviewed quarterly, and updated annually. Decisions and directions indicated in the plan are based upon advancing the Museum's mission in accordance with evolving relationships with audiences; support of the University; standards of the museum profession; and the overall cultural climate nationally and locally. The plan's highest priorities, to be met by 2002, are:

• **Audience and Community Relations:** Building a diverse museum audience representing the University and greater Los Angeles continues to be a key goal in this area. Plans include increased distribution of the Museum's newsletter and events calendar to stimulate attendance and membership; reaching a goal of 1,500 members by the year 2002; cultivating audience relations through enhanced community-based outreach and the creation of a formal volunteer organization; and maintaining current partnerships, as well as creating new ones, with other institutions.

Figure 1.1b, UCLA Fowler Museum of Cultural History, Statement of Mission

Form **990**

**"PUBLIC DISCLOSURE COPY"**  
**Return of Organization Exempt From Income Tax**

OMB No. 1545-0047

**1997**

**This Form is  
Open to Public  
Inspection**

Under section 501(c) of the Internal Revenue Code (except black lung benefit trust or private foundation) or section 4947(a)(1) nonexempt charitable trust

Department of the Treasury  
Internal Revenue Service

Note: The organization may have to use a copy of this return to satisfy state reporting requirements.

**A** For the 1997 calendar year, OR tax year period beginning October 1 1997, and ending September 30 19 98

**B** Check if:

<input type="checkbox"/> Change of address	<b>C</b> Name of organization <b>National Gallery of Art</b>	<b>D</b> Employer identification number <b>53-6001668</b>
<input type="checkbox"/> Initial return	Number and street (or P. O. box if mail is not delivered to street address) <b>6th Street &amp; Constitution Avenue, NW</b>	<b>E</b> State registration number <b>0074132</b>
<input type="checkbox"/> Final return	City, town, or post office <b>Washington, DC</b>	<b>F</b> Check <input type="checkbox"/> if exemption application is pending
<input type="checkbox"/> Amended return (required also for State reporting)	State <b>DC</b>	ZIP code <b>20565</b>

**G** Type of organization  Exempt under section 501(c)(3) (insert no.)  section 4947(a)(1) nonexempt charitable trust

Note: Section 501(c)(3) exempt organizations and 4947(a)(1) nonexempt charitable trusts MUST attach a completed Sch. A (Form 990).

**H(a)** Is this a group return filed for affiliates?  Yes  No  
**I** If either box in H is checked "Yes," enter four-digit group exemption number (GEN) \_\_\_\_\_

**(b)** If "Yes," enter the number of affiliates for which this return is filed: \_\_\_\_\_  
**J** Accounting method:  Cash  Accrual  Other (specify) \_\_\_\_\_

**(c)** Is this a separate return filed by an organization covered by a group ruling?  Yes  No

**K** Check here  if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS, but if it received a Form 990 Package in the mail, it should file a return without financial data. Some states require a complete return.

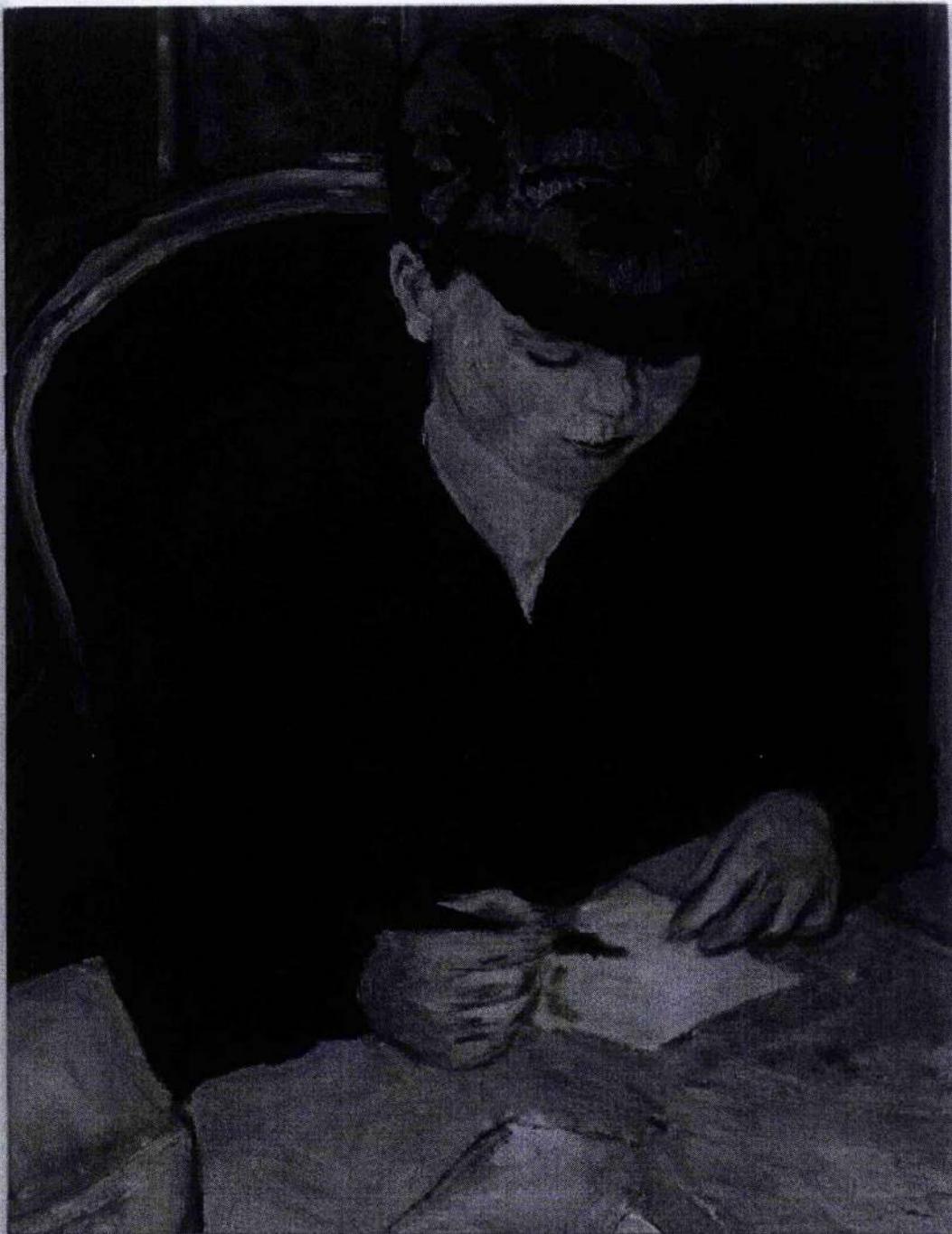
Note: Form 990-EZ may be used by organizations with gross receipts less than \$100,000 and total assets less than \$250,000 at end of year.

**Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances** (See Specific Instructions on page 11.)

R e v e n u e	<b>1</b> Contributions, gifts, grants, and similar amounts received:			
	<b>a</b> Direct public support Attachment 1	<b>1a</b>	18,625,120	
	<b>b</b> Indirect public support	<b>1b</b>		
	<b>c</b> Government contributions (grants)	<b>1c</b>	62,240,199	
	<b>d</b> Total (add lines 1a through 1c) (attach schedule of contributors) (cash <u>80,865,319</u> noncash <u>None</u> )	<b>1d</b>	80,865,319	
	<b>2</b> Program service revenue including government fees and contracts (from Part VII, line 93)	<b>2</b>	837,400	
	<b>3</b> Membership dues and assessments	<b>3</b>		
	<b>4</b> Interest on savings and temporary cash investments	<b>4</b>		
	<b>5</b> Dividends and interest from securities	<b>5</b>	11,145,759	
	<b>6a</b> Gross rents	<b>6a</b>		
	<b>b</b> Less: rental expenses	<b>6b</b>		
	<b>c</b> Net rental income or (loss) (subtract line 6b from line 6a)	<b>6c</b>		
	<b>7</b> Other investment income (describe _____)	<b>7</b>		
R e v e n u e	<b>8a</b> Gross amount from sale of assets other than inventory	(A) Securities	679,710,905	(B) Other
	<b>b</b> Less: cost or other basis and sales expenses	<b>8a</b>	3,000	
	<b>c</b> Gain or (loss) (attach schedule) Attachment 2	<b>8b</b>	650,827,668	
	<b>d</b> Net gain or (loss) (combine line 8c, columns (A) and (B))	<b>8c</b>	28,883,239	3,000
<b>8d</b>	<b>8d</b>	28,886,239		
R e v e n u e	<b>9</b> Special events and activities (attach schedule)			
	<b>a</b> Gross revenue (not including _____ of contributions reported on line 1a)	<b>9a</b>		
	<b>b</b> Less: direct expenses other than fundraising expenses	<b>9b</b>		
<b>c</b> Net income or (loss) from special events (subtract line 9b from line 9a)	<b>9c</b>			
R e v e n u e	<b>10a</b> Gross sales of inventory, less returns and allowances	<b>10a</b>	11,280,918	
	<b>b</b> Less: cost of goods sold - Museum shops - see attachment 13	<b>10b</b>	5,762,939	
	<b>c</b> Gross profit or (loss) from sales of inventory (attach schedule) (subtract line 10b from line 10a)	<b>10c</b>	5,497,979	
<b>11</b> Other revenue (from Part VII, line 103)	<b>11</b>	-312,667		
<b>12</b> Total revenue (add lines 1d, 2, 3, 4, 5, 6c, 7, 8d, 9c, 10c, and 11)	<b>12</b>	128,920,029		
E x p e n s e s	<b>13</b> Program services (from line 44, column (B))	<b>13</b>	72,776,049	
	<b>14</b> Management and general (from line 44, column (C))	<b>14</b>	11,670,636	
	<b>15</b> Fundraising (from line 44, column (D))	<b>15</b>	1,941,499	
	<b>16</b> Payments to affiliates (attach schedule)	<b>16</b>		
	<b>17</b> Total expenses (add lines 16 and 44, column (A))	<b>17</b>	86,388,184	
N e t A s s e t s	<b>18</b> Excess or (deficit) for the year (subtract line 17 from line 12)	<b>18</b>	40,531,845	
	<b>19</b> Net assets or fund balances at beginning of year (from line 73, column (A))	<b>19</b>	538,063,982	
	<b>20</b> Other changes in net assets or fund balances (attach explanation) Attachment 18	<b>20</b>	-33,471,744	
	<b>21</b> Net assets or fund balances at end of year (combine lines 18, 19, and 20)	<b>21</b>	545,124,083	

For Paperwork Reduction Act Notice, see page 1 of the separate instructions. (PTA) Form 990 (1997)

Figure 1.2, excerpt 990 Tax Return National Gallery of Art, Washington, DC



Gifts for the Future

*A Guide to Giving at the National Gallery of Art*

Figure 1.3a, National Gallery of Art Guide to Giving

## Outright Giving

*Outright Giving: Gifts that will Benefit the Museum Now and in the Future*

Generally speaking, support of the National Gallery can take two forms: *outright giving*, in which the donor makes an immediate gift of cash, a work of art, or other property; and *deferred giving*, in which the donor makes a commitment to benefit the National Gallery at a later date. Gifts are tax-deductible, subject to various limitations as provided by law.

The tax advantages of a gift made during the donor's lifetime can be greater than one made through a will, making it all the more attractive to include charitable giving not only in your estate plans but in your *current* financial plans as well.

## CASH AND SECURITIES

The simplest form of support to the National Gallery is an outright gift of cash or a pledge of cash payments to be made over a period of time. A present cash gift entitles the donor to an immediate income-tax deduction of the gift's full value, up to 50 percent of the donor's adjusted gross income. Excess tax benefits can be carried over for up to five years.

A gift of appreciated marketable securities is an excellent way to support the National Gallery and also garner tax savings. In many cases, a gift of appreciated property can have a greater tax benefit than an outright gift of cash. Donors of stocks, bonds, or other publicly traded securities may take a charitable income-tax deduction for the full market value of the securities at the time the gift is made, provided the securities have been held for more than one year. An income-tax deduction is available up to 30 percent of the donor's adjusted gross income, and amounts in excess of the limitation may be deducted in the following five years. No capital gains tax applies.

In addition, the capital gains on the gifts of appreciated securities made to a nonprofit organization, such as the National Gallery, are no longer treated as a preference item when calculating the alternative minimum tax.

Figure 1.3b, National Gallery of Art Guide to Giving

# THE GEORGIA O'KEEFFE MUSEUM

## Business Partners

### *The Goal*

To establish a close positive relationship with the local, regional, and national business community by providing the opportunity to associate their business with the Museum's international success through annual, renewable support of the Museum's operations, exhibitions, and education programs.

### *Partner Categories & Annual Benefits*

\$500 - \$999	Museum newsletter Advance notice of Museum events and lectures Newsletter recognition listing Museum web site recognition listing Unlimited passes upon request	\$5,000 - \$9,999	Museum newsletter Advance notice of Museum events and lectures Newsletter recognition listing Museum web site recognition listing Unlimited passes upon request Selected Museum publications Complimentary <i>Friends of O'Keeffe</i> membership (valid for two individuals) Discounted facility rentals One <i>Free Friday Evening</i> sponsorship
\$1,000 - \$2,499	Museum newsletter Advance notice of Museum events and lectures Newsletter recognition listing Museum web site recognition listing Unlimited passes upon request Selected Museum publications Complimentary <i>Friends of O'Keeffe</i> membership (valid for two individuals)	\$10,000 & above	Museum newsletter Advance notice of Museum events and lectures Newsletter recognition listing Museum web site recognition listing Unlimited passes upon request Selected Museum publications Complimentary <i>Friends of O'Keeffe</i> membership (valid for two individuals) Discounted facility rentals Two <i>Free Friday Evening</i> sponsorships Reception area wall plaque listing
\$2,500 - \$4,999	Museum newsletter Advance notice of Museum events and lectures Newsletter recognition listing Museum web site recognition listing Unlimited passes upon request Selected Museum publications Complimentary <i>Friends of O'Keeffe</i> membership (valid for two individuals) Discounted facility rentals		

To learn more about how the Museum's business and arts collaboration can benefit your customers and employees, please contact Susan Wider, Director of Development, Georgia O'Keeffe Museum, 505-995-0785, extension 29, or e-mail at [development@okeeffemuseum.org](mailto:development@okeeffemuseum.org)

217 JOHNSON STREET, SANTA FE, NEW MEXICO 87501

TELEPHONE: 505 995-0785 FACSIMILE: 505 995-0786

Figure 1.4, The Georgia O'Keeffe Museum, Promotion for Business Membership

# FOWLER MUSEUM OF CULTURAL HISTORY

## 1999-2000 DEVELOPMENT OPERATING PLAN

### I. INTRODUCTION

The Fowler Museum's development operating plan for 1999-2000 reflects a renewed focus on **individual prospects**— made possible by the addition of a new development staff person and the recent appointment of a chief curator (thereby freeing up time for Director Doran Ross.) As indicated in the Program Goals section, our emphasis will be to increase our donor prospecting, build new relationships while stewarding older ones, expand our solicitation of arts-related foundations, and tap into the expanding corporate sponsorship market.

#### Staff Organization:

Lynne Brodhead, Director of Development  
Leslie Denk, Asst. Director of Development

### II. GOALS

#### A. Amount to be raised in 1999-2000

Target Goal: (See III. B. Solicitation List Table)

\$ 1.5 million (including federal funds)  
\$ 1.1 million (not including federal funds)

#### B. Program Goals

- Focus energies on high-level individual donor prospects, creating new opportunities for interaction with the Museum through volunteer opportunities, collaborative events with other campus departments, and increased cultivation and stewardship
- Continue to build upon new relationships with major foundations: Mellon, Ford, Starr, Luce, Knight, and Times-Mirror, among others
- Build corporate sponsorship program to include underwriting for both large and small exhibitions



*A selection of instruments from The Heritage of African Music project. Gifts of Helen and Dr. Robert Kuhn.*

Figure 1.5a, UCLA Fowler Museum of Cultural History, Strategic Development Plan

- Tap into additional foundations with an arts education emphasis, including the Surdna Foundation and the California Arts Council, to create an endowment for a newly designed Arts Education Initiative

**Campaign Communication Strategies:**

- Individual appeals
- Brief appeal in Museum's quarterly newsletter
- Submit article/ideas to Development Communications
- Use of "The Personal Rewards of Giving to UCLA"

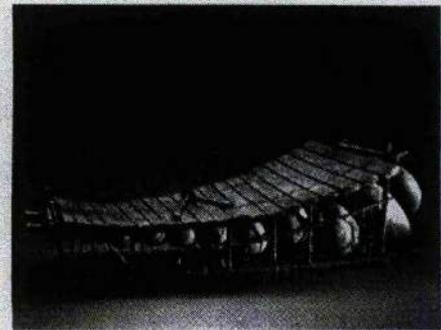
**C. Activities**

- **Strategy** *Please see detailed Development Plan attachment*
- **Events**

Fall: -Opening receptions (3)  
 -Manus/New Prospect reception and Concert at Royce Hall (Zap Mama)

Winter: -Joint event: Manus/Center for Performing Arts/Design for Sharing  
 -Opening reception

Summer: -Opening reception



*Balafon, made by Yayi Coulibaly Soumoukoro, Mali. Part of the upcoming Heritage of African Music project.*

**III. PROSPECT LIST**

**A. Prospecting**

*Current prospect pool*

The Museum's current prospect pool consists of longtime Manus members whose gifts are primarily in-kind and planned; "friends" of the Museum whom we are stewarding; federal and state agencies; private foundations; and various corporations.

*Specific steps to identify and cultivate new prospects for the Fowler*

- Create specific opportunities for Manus members to introduce new friends to the Museum (behind-the-scenes tours with Doran Ross, private receptions/exhibition viewings, group events, for example)
- Continue to work with on-campus resources (ISOP, Major Gifts, Corporate and Foundation Relations, Judith Ecklund etc.) to identify new prospects, especially individuals

Figure 1.5b, UCLA Fowler Museum of Cultural History, Strategic Development Plan



1606 PASEO DE PERALTA SANTA FE NM 87501 505-988-1199 FAX-988-1188 WWW.SITESANTAFE.ORG

a contemporary art space

September 20, 1999

Eliza Watt  
3561 Kingsboro Rd.  
Atlanta, GA 30319

Joann Phillips  
Honorary Chairman

SITE Santa Fe  
Board of Directors

Bobbie Foshay-Miller  
President

Robert Denison  
Treasurer

William Miller  
Secretary

Frieda Arth  
Richard Barrett  
James Fitzpatrick  
Emily Fisher Landau  
Nancy Magoon  
John Marion  
Balene McCormick  
Marlene Meyerson  
Ronald Pizzuti  
Dede Schuhmacher  
Louisa Stude Sarofim

Director & Curator  
Louis Grachos

International  
Advisory Council

Michael Auping  
Bruce Ferguson  
Michael Govan  
Agnes Gund  
John Lane  
Lars Nittve  
Griselda Pollock  
Ned Rifkin

Dear Eliza,

I hope you enjoyed your visit to SITE Santa Fe and found our Third International Biennial, *Looking for a Place* interesting and thought-provoking. Hopefully you have had the opportunity to view some of the off-site installations as well, which reflect artists' responses to the Santa Fe area. We are extremely proud of this exhibition and feel it has helped us achieve our mission to enrich the community of Santa Fe's experience with contemporary art.

We have an exciting calendar of special events for the fall and winter. Throughout the next few months we will continue to present our *Art & Culture* series, which will include a lecture by anthropologist **Arjun Appadurai** followed by a conversation with scholar **Tomas Ybarra-Frausto**, a lecture by cultural critic **M.G. Lord**, author of "Forever Barbie," and a reading by poet and author **Barry Lopez** from his new work "Galisteo Stories." We are also collaborating with Lannan Foundation on their *readings & conversations* series by hosting the monthly events here at SITE Santa Fe.

During the year 2000, we plan to exhibit work by **Allan Graham**, **Ernesto Neto**, **Andy Goldsworthy**, **Robert Therrien**, and **James Turrell**. The exhibition of such acclaimed artists enables us to actively move into the new millennium as a leading contemporary art space that brings visitors and recognition from all over the world here to Santa Fe.

The ability to present such world-class exhibitions depends greatly upon the generous support of our Members. I would like to take this opportunity to tell you more about SITE Santa Fe's Membership Program and some of the benefits it offers. In the past two years, our Members have been a crucial and highly appreciated part of the development and growth of SITE Santa Fe. At any level, donors receive free admission to all our exhibitions and discounts on our educational programs. At higher levels of giving, Members receive catalogues, baseball caps and invitations to special receptions. Director's Circle Members benefit from specially designed events such as private receptions and tours with artists and curators.

Please do not hesitate to call us with any questions about Membership or any upcoming events. The support of our Members is invaluable and I hope you will consider joining our growing Membership Program and becoming an important part of our goal to bring international and national contemporary art to Santa Fe.

Sincerely,

Louis Grachos  
Director & Curator

Figure 1.6, SiteSantaFe, Letter soliciting membership

## Gifts & Donations

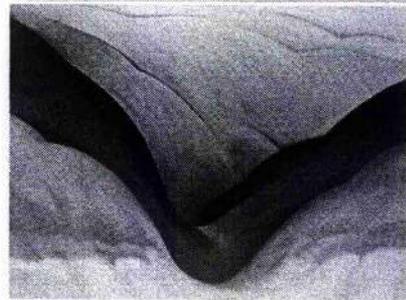
### Business Partners

Our thanks to these local and national businesses that support the Museum:

Adelson Galleries, Inc.	GuestLife New Mexico	Radisson Hotel and Suites on The Plaza /
Adios Travel	Harry N. Abrams, Inc.	Radisson Santa Fe
Ann Kendall Richards, Inc.	Hilton of Santa Fe	Rosa's Café Libertad
Arthur Andersen	Hinkle, Cox, Eaton,	Santa Fe Education and Apprenticeship Network
Atelier Central	Coffield & Hensley, LLP	Santa Fe Photographic Workshop
European Designers	Horizon / CMS	Schepps New Mexico Development Corporation /
A.V. Systems	Healthcare Corporation	Inn on the Alameda
Berry-Hill Galleries, Inc.	Hotel Santa Fe	Schering-Plough Corp.
Bessemer Trust Company, N.A.	Imperial Lithography and Dryography	Smallwood, Inc. /
Best Western	Inn of the Anasazi	Fort Marcy Compound
Lampighter Inn	Inn of the Governors	Sommer Fox Uccall
Bills Plumbing	Jack's	Othmer Hardwick & Wise
Biltmore Galleries	James Kelly	Sotheby's
Bradbury Stamm Construction	Contemporary, Inc.	Southwest Airlines Company
Century Bank	Kinko's	The Bishop's Lodge
Christie's	La Fonda	The Enterprise Foundation - Americorps Community Education Awards
Coyote Café	La Posada de Santa Fe	The International Endotoxin Society
Susan Dupépe Interior Design	Leadership America	The Palace
El Paso Energy Foundation	MANA del Norte	The Ralls Collection, Inc.
El Rey Inn	Manzano Center, Inc. /	Spanierman Gallery, LLC
Eldorado Hotel	Rancho de Chimayo	Visions Photo Lab
Eubanks/Bohnn Associates	Hacienda	Wolf Corporation
First National Bank of Santa Fe	Mercedes-Benz of North America, Inc.	Richard York Gallery
Fox Photo	Mitchell Brown	Zaplin-Lampert Gallery
Garrett Limited Partnership / Garrett Desert Inn	Fine Art, Inc.	
Gluckman Mayner Associates	NationsBank	
Grant Corner Inn	Nedra Matteucci Galleries	
Grove's Dictionaries, Inc.	New Mexico School for the Deaf Foundation	
	Office Depot	
	Owings-Dewey Fine Art	
	Partners in Education	
	Photo Express	
	Photo Supply	

To learn more about how the Museum's business and arts collaborations can benefit your customers and employees, please contact Susan Wider, Director of Development, the Georgia O'Keeffe Museum, at (505) 995-0755, x29, or [development@okeeffemuseum.org](mailto:development@okeeffemuseum.org)

## Recent Gifts to the Museum



THE BLACK PLACE, GREY AND PINK, 1966  
Oil on canvas  
66 x 24 in.  
Gift of The Rosser Foundation

### DONORS OPEN HOME TO GIRLS PROGRAM

Frieda and Jim Arth have generously made their Santa Fe home available to the Museum for 1999 program activities of the O'Keeffe Art and Leadership Program for Girls. Now in its second year, this interactive program for adolescent girls incorporates skill building and problem solving in the areas of identity, creativity, and self-esteem with an emphasis on art-making and artist role models.

### NEW MEXICO ARTS FUNDS MUSEUM LECTURES

The Museum is pleased to be among the recent grant recipients from New Mexico Arts, a division of the Office of Cultural Affairs. Funds will be used to support the Museum's lecture series serving communities statewide. Art Historian Robert Ewing presents public talks about the art and life of Georgia O'Keeffe. In conjunction with the lectures, Museum Education Director Jackie M. conducts in-service workshops for the corresponding school district's teachers.

### CITY OF SANTA FE ARTS COMMISSION TO FUND MUSEUM OPERATIONS

The City of Santa Fe Arts Commission is supporting museum operations for exhibitions, education, marketing, and public relations. A visit to the Museum is a major reason that many tourists come to Santa Fe and the resulting economic development impact is significant.

### MATCHING FUNDS FROM THE MCCUNE CHARITABLE FOUNDATION

The McCune Charitable Foundation has granted funds to the Museum to support general operations contingent on these funds being matched by other Museum funders. The Foundation supports programs and organizations that enrich the cultural life of New Mexico.

Figure 1.7, The Georgia O'Keeffe Museum 1999 Gifts and Donations Report

"All the News  
That's Fit to Print"

# The New York Times

VOL. CXLIX . . . No. 51,659

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TUESDAY, SEPTEMBER 28, 1999

Printed in Georgia

ONE DOLLAR

## Outbreak of Virus in New York More Prevalent Than Suspected

### West Nile Strain Confirmed; Fourth Person Dies

By JENNIFER STEDHAUER

Health and wildlife officials said yesterday that a mosquito-borne illness had stricken nearly twice as many people in the New York region as previously recognized, and they said the virus might be present in a far larger geographic area than they originally suspected.

The new assessment came as experts confirmed that the virus was not St. Louis encephalitis, as first believed, but a strain called West Nile virus that had never before been reported in the New York region.

Officials also attributed a fourth death to the outbreak: a woman in her 80s from New Rochelle in Westchester County.

The virus is transmitted to humans from mosquitoes that have fed on infected birds. That fact has led experts to suspect that the virus may exist in many parts of the region, since scores of dead crows have been turning up from Connecticut to Suffolk County in Long Island.

"I have never seen crows dying in this kind of pattern in 30 years of studying them," said Thomas, the chief wildlife pathologist for the State Department of Environmental Conservation.

What is more, as birds continue their fall migration, some scientists are concerned that birds carrying the virus will take it with them as they move south.

"I think this is something we need to be very concerned about," said Dr. Diane Gubler, the director of the division of vector-borne infectious disease at the Federal Centers for Disease Control and Prevention.

There are now 37 confirmed cases of the West Nile virus in people in the region, 25 in New York City, 8 in Westchester and 4 in Nassau County. Officials had previously put the total number of confirmed cases at 20, 14 of them in the city — and no confirmed cases had been reported in Nassau before yesterday.

Doctors are still studying human tissues and blood of eight other New

Yorkers who died since the outbreak began in August for traces of the illness. Further, 182 cases remain under investigation in New York City.

One bird from Westport, Conn., has tested positive for the illness, as has one crow from Scarsdale, officials said. Last Friday, health officials from the Federal Centers for Disease Control and Prevention confirmed that several birds from the Bronx Zoo and its surrounding area were infected with West Nile.

The state has received 523 reports of dead birds around the region; many more are being reported among birdwatchers, conservationists and the like.

"These birds do not travel with birds, and bird migration has been in process now for a better part of the season," Dr. Gubler said. "There is good possibility that this virus has already been taken to areas further south. We are going to rethink our whole surveillance approach."

Other Federal agencies have just asked for help in conducting a region-wide search to look for large pockets of dead birds.

Madeline W. Gilliland said yesterday that the change in diagnosis, and the rise in numbers of the sick, would not change the city's plans to spray for mosquitoes periodically as the next spring, nor should it worry New Yorkers, because the illnesses are similar and are prevented the same way.

"I should emphasize that this is just reclassification," the Mayor said yesterday.

Symptoms of the illness, including fever and headache, are usually mild. But in rare cases the virus can cause neurological diseases and even death. Elderly people, young children and people with weakened immune systems are more susceptible.

Experts attributed the original

Continued on Page A22

## Italians Say Russian Racket Is Linked to New York Bank

By JOHN KATLABUE

RIMINI, Italy, Sept. 24 — A two-year criminal investigation has just turned up evidence that suspected Russian organized crime operators have funneled millions of dollars through the Bank of New York in what Italian prosecutors called a "money laundering" scheme.

Through the examination of bank records and telephone wire taps, investigators in this seaside town in northeastern Italy say they have uncovered the first concrete examples of illicit funds moving through the group of accounts at the Bank of New York that are under investigation by the Federal Bureau of Investigation.

The prosecutors here say criminal gangs were taking money in Italy through a mixture of legitimate business activities as well as extortion and tax fraud. The funds, investigators suspect, were regularly routed to Moscow and New York, where, bank records show, they were transferred to Italian bank accounts be-

longing to suspected organized crime figures.

"It must be assumed that part of large sums of money that have been transferred into Italian bank accounts are the proceeds from protection racketeering with regard to Russian businessmen," said Giuseppe Barberio, an investigating magistrate here, in an arrest order issued last February for the leader of the reputed Russian crime gang.

The case appears to involve small-scale Greek fronts. Those fronts, investigators believe, went to the Bank of New York, passing through accounts of the Banco Corporation and eventually winding up in Italian bank accounts belonging to suspected organized crime operators.

Bont and a group of related accounts at the New York bank are at the center of a Federal money laundering investigation. The Banco network of accounts was the pipeline through which at least \$7.2 billion moved from Russia into the bank of New York in the last three years, according to the bank.

So far there have been 5 arrests in Italy and international arrest warrants have been issued for 10 more individuals.

The examination uncovered three accounts in which money flowed through the Bank of New York to bank accounts in Italy. In one case, \$5.5 million went from Banco to the Italian bank account of Boris Bont, 34, a Ukrainian. An arrest warrant

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### INSIDE

#### Britals and Gay Soldiers

The European Court of Human Rights ruled that Britain's longstanding ban on homosexuals in the military was a violation of the basic human right to privacy. PAGE 41

#### A Future of Earthquakes

The rate of earthquakes is unchanged, but more people are moving where they occur, making it possible that as many as 11 million may die in the next century. PAGE 41

#### Resolving of Cases Is Urged

A panel selected by Attorney General Janet Reno urged prosecutors to let more cases go if they cannot be proven beyond a reasonable doubt. PAGE 41

#### Atlantic Monthly Is Sold

The Atlantic Monthly Group, owned by the Washington millionaire David G. Bradley, bought it. PAGE 41

#### Unlikely Philanthropist Dies

Onelia McCarty, a waterworksman who gave her savings to help others go to college, was 81. PAGE 41

Sports Tuesday, which usually appears in section C, is on page A25-26 today.



One In, One Out

Senator John McCain of Arizona, left, formally entered the race for the Republican Presidential nomination yesterday as former Vice President Dan Quayle withdrew from it. Page A10.

## Offending Portrait's Removal Broached by Museum Official

By DAVID BARTIS

Seeking to end a dispute with Mayor Rudolph W. Giuliani over a controversial art exhibition, the chairman of the Brooklyn Museum of Art yesterday discussed with city officials the possibility of removing the painting that had become the lightning rod of the controversy: a long-striated portrait of the city's subway.

But after city officials disclosed the discussion, he reported, other museum officials reportedly had decided to proceed as planned.

The development appeared to deepen a battle that the mayor had embarked upon with gusto and that spilled into his likely Senate campaign with Hillary Rodham Clinton, who was forced to speak out on the issue yesterday.

"Whatever I discussed in my own office," Robert S. Rubin, chairman of the museum's board, said last night, clearly upset that word of his negotiations had been made public before he had discussed them with other top museum officials.

Last yesterday afternoon, City Hall officials told reporters that Mr. Rubin had tentatively offered subject to approval from the museum board, a package of concessions aimed at overcoming Mr. Giuliani's objections to the exhibition, and

having continued public financing for the museum.

The package, city officials said, included removing the Virgin Mary painting by Chris Olden, separating five or six other controversial works from the rest of the exhibition and acquiring a 10 percent reduction in the city's subsidy to the museum during the length of the show, which is scheduled to start in February and run through June 9. The 20 percent reduction corresponds to the amount of those space the museum had developed up to the exhibit, city officials said.

"If this offer is true, it represents a major concession on the part of the Brooklyn Museum, and a significant victory for Rudy Giuliani," said Joseph J. Lofa, Deputy Mayor for operations, who did not attend the meeting.

"On the money issue," Mr. Lofa said, "the fact is that if that's true, it's important that taxpayer dollars will not be spent on a painting which demonstrates religion, plus other pieces of art which glorify a child murderer, and the other stuff."

Mr. Rubin acknowledged discussing the three issues with city officials, but he vigorously disputed their characterization of the talks, and he emphasized that he engaged in the

Continued on Page A18

## California Law To Let Patients Sue H.M.O.'s

By JAMES STERNHOOD

LOS ANGELES, Sept. 27 — Gov. Gray Davis signed a package of bills today that will give patients a variety of new rights in their relationship with health maintenance organizations in California and could will influence managed health care coverage across the country.

Most important, the broad set of bills, announced last November, advocates on both sides over several months, given patients 200 rights to sue their health insurers for punitive damages and strict liability reviews of decisions denying them coverage.

The legislation also required health care providers to pay for second opinions on some treatments, cover the testing and treatment of breast cancer, pay for reconstructive and capitol coverage for serious mental illnesses.

The measure will create a new state Department of Managed Care to regulate the huge industry, which covers about 22 million Californians.

The provision that gives patients the right to seek punitive damages when they have suffered substantial harm was the most contentious. It provides a way around a 25-year-old Federal law that prohibits annual family caps, and it has been championed by consumer groups for years.

A Senate bill at least as contentious on the issue is under way in Congress as part of the debate on a patient bill of rights. Health care insurers have long criticized the provision, saying its potential costs outweigh the benefits.

While there is no guarantee that the changes in California will play out around the country or be deci-

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National Edition  
South: Scattered showers in the Carolinas, southern Georgia and south Alabama. Isolated sprinkles in Tennessee Valley. High in the 70s and 80s. Weather map on page C.

## REPUBLICANS SAY BILLS ON SPENDING WON'T BE ON TIM

### STOPGAP MEASURE NEEDED

### For Another Year, a Fight That Has Given Congress Chills and White House Cheer

By TIM WEINER

WASHINGTON, Sept. 27 — In four days left before the start of a new fiscal year, Republican leadership in Congress formally conceded today that they would not meet the deadline for passing the annual spending bills, and the White House laid out a new deadline, three weeks away.

So began the final act in a \$2 billion confrontation between Congress and the Clinton administration, which has vowed to veto half of Republicans' spending bills. If that fight is not done by President Clinton has reason to relish, and Republicans in Congress have cause to dread.

The White House is sitting back and watching Congress fail to complete the appropriations work before the fiscal year ends at midnight Thursday, hoping and expecting that when negotiations over spending begin next month, Mr. Clinton will again outmaneuver the Republicans. October will be a month of "pure conjecture" arguments between the White House and Congress over why the government will spend a trillion dollars, Jack Lew, a White House budget director, predicted in a discussion with reporters.

"I just don't see you, the president, going to be facing bankruptcy," Mr. Lew said.

Last October, in a previous bout over spending bills, Mr. Clinton vetoed every measure from the standpoint of both politics and policy. Two bills were broken, and Congress was left talking together. (400-page omnibus spending bill) plus with billions for jet payee and other things. Mr. Clinton vetoed that bill before it was passed.

The fight, insiders say, was not meant to get the president looking forward to a reelection.

The result was even worse for Clinton in 1995, when the White House and the newly Republican Congress failed to strike a deal then, much of the Government shut down because of a budget impasse.

Now, with the next fiscal year rapidly approaching, Congress has yet to complete work on 8 of the 13 spending bills needed to finance Government operations. Further, Mr. Clinton and his senior advisers say he will veto 7 of the bills if Congress passes them in their current form.

So, in the absence of an organizational strategy to move the final Congressional passage of the outstanding bills, and unless the President changes his mind about the veto, the new fiscal year will start with 10 of the 13 bills stalled, some not even complete.

In formal acknowledgment that they could not complete their work on time, Republican leaders today began preparing a "continuing resolution," a stopgap bill that will finance the government until the President's signature, will finance

Continued on Page A12

## From Tips to Arrests, the French Pursue a Mass Killing in Kosovo

By CARLOTTA GALL

MITROVICA, Kosovo, Sept. 27 — The French police serving as peacekeepers in Kosovo today notified the British in the Hague, who have been digging up the bodies this week, how crucial that they were the men from Popovic Street.

Today, the relatives recalled themselves in the news. "They are dead for sure," said Sula Misha, a peasant in a town nearby, a war-crimes investigator and nephew were among those missing. "Seven of them had been identified by reports on their bodies, including Zdravko," he said, naming one of her brothers.

The news added to a three-month investigation by the French. "Usually, the bodies are found first," said a spokesman for the French forces here, Lt. Col. Philippe Tanguy. "This time, it was the other way around. We followed a judicial program with a judge issuing warrants, and eventually one of the witnesses brought in for questioning revealed where the bodies were."

Some of the most important witnesses were children of the victims. "The special police came and killed

Continued on Page A4

## China's Bright Young Stars

They were only in their teens when Mao died in 1976; they came of age in the more outward-looking China of Deng Xiaoping. They do not know the fear and caution that their parents and grandparents imbued with revolution and repression, they are not strangers to the world; they are not afraid of reform. And when the men who have led the Communist state through the half-century since his founding in Oct. 1, 1949, are gone, they may well be among its leaders. Who are they?

Zeng Qing is the founder of an Internet company that, he is showing, will soon be earning billions of dollars a year. Zhao Shuang is the producer of China's most influential women's show. Dong Yundui is an active Communist who has helped formulate China's human rights policy. Lu Zhi is an environmentalist, one of the world's top authorities on pandas. Liu Jianxing is one of China's most influential liberal political thinkers. But Jianxing returned from studies in California to stage popular TV shows and galas.

Few are household names, yet. But these six profiles by Erik Eckbo and Elizabeth Rosenthal introduce them and women in their 20s and early 30s who, in their diverse achievements and professions, represent the emerging force of a changing China.

Pages A14-15

Figure 1.8, New York Times, front page, 28 September 1999

# more out of life

The Government is committed to ensuring that everyone can get more out of life. The whole creative sector is seeing the benefits of more money. But this is investment tied to reform: cutting bureaucracy, promoting excellence, and above all widening access, so that more people can enjoy and participate in all kinds of arts, crafts, sports and heritage.

## Increasing funding

Culture has had its biggest ever funding boost this year – spending on arts alone is up by 11% to £516 million. But this extra money is not something for nothing. It is tied to good financial management, promoting wider access, maintaining and enhancing quality, and reaping the educational, social and economic benefits the arts can bring.

## Widening access and developing new talent

Wider access is about making the best of our culture accessible to more and more people, and encouraging excellence, without any loss of quality. For example, this country has great museums, but if it costs a family £30 to get in, then those on low and middle incomes will be excluded. That is why the Government has provided over £4 million so that

admission to all our main museums is free to all children. Next year, we will do the same for pensioners. This year, we have also:

- Reformed the Lottery so that more money goes to a wider range of projects spread more fairly across the country.
- Introduced new protection for school playing fields from being sold off.
- Finalised plans for the headquarters of the UK Sports Institute in Sheffield, with announcements on a national and regional support network, to provide world-class facilities and training for elite sportspeople.
- Launched the £200 million National Endowment for Science, Technology and the Arts to foster new talent.

## Cutting bureaucracy

We have reformed the way arts money is delivered. We are cutting bureaucracy



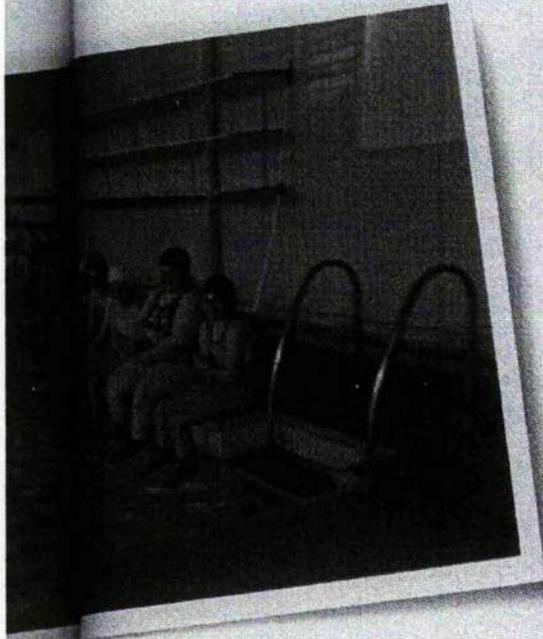
Figure 2.1a, extract from the government's annual report

**Arts spending up by 11% to £516m**

**Lottery money spread more fairly**

**Free entry for children to national museums and galleries**

**More sports events to be shown on non-subscription TV**



Left: "Pencoed School Windband at Coity Castle Fête. Funds raised with the Prince of Wales Trust to provide a safe play area for the village of Coity." Lewis Morgan, Ysgol Pencoed School, Bridgend  
Centre: "Refurbishment of the swimming pool - new floor surface." Nick Hooper, Newcastle Community High School, Newcastle-under-Lyne

– for example, the staff of the Arts Council is down by a third.

The number of quangos will fall too. More decisions will be taken locally. And we have introduced new agreements which tie funding to access, education, social inclusion and excellence. This means:

- More money goes to artists and performers and less to administration.
- Artists will find it faster and less complex to secure funding.
- Sectors such as film and architecture have a single representative body – and a stronger voice – for the first time.

#### **Changing attitudes**

Much of the arts world needs a change of culture. Anyone in receipt of public money – national and regional flagship companies, or local groups – will need to reach out to those who do not normally go to the ballet, or watch cricket, or visit a museum, and also build stronger links with their local communities. And they must think how they can contribute to wider social objectives – reducing social exclusion, creating jobs, regenerating the local environment – as well as bringing on the next generation of audiences.

#### **Spreading knowledge**

Museums and libraries hold the collected knowledge of centuries, but too often this knowledge is hard to access. We do not want to see the internet lead to a two-tier future for our children – those with computers having so much more opportunity to acquire skills and knowledge than those without. That is why we are investing in IT in all schools and in libraries, and increasing access too. This year we have announced:

- £70 million to train librarians in the latest digital technology.
- £200 million for Community Access to Lifelong Learning infrastructure.
- £111 million extra funds for museums and galleries over three years.

#### **Reaping the economic benefits**

The creative industries are worth £60 billion a year to the UK and employ at least 1.4 million people. Tourism is worth £50 billion and employs 1.7 million. Their future is vital to our prosperity, and their rapid growth means more jobs and investment. This year, the Government has:

- Published the first-ever analysis of all the creative industries.
- Published a tourism strategy to increase the quality of tourist facilities in the UK and encourage more visitors to come and spend more money.
- Helped launch a new quality mark for hotels and guest houses.

Figure 2.1b, extract from the government's annual report

Registered Number	Subsidiary	Charity Name	Registration Date	Registration Removal Date
266937	---	AREA MUSEUMS SERVICE FOR SOUTH EASTERN ENGLAND	27 Jun 1991	27 Jul 1991
293950	---	ASSOCIATION FOR SUFFOLK MUSEUMS	14 Apr 1986	n/a
1082215	---	ASSOCIATION OF INDEPENDENT MUSEUMS	30 Aug 2000	n/a
313008	---	BRITISH FRIENDS OF THE ART MUSEUMS OF ISRAEL	19 Jan 1967	n/a
1046201	---	CITY OF WAKEFIELD PERMANENT ART FUND	04 May 1995	n/a
800389	---	COTSWOLD MUSEUMS CHARITABLE TRUST	17 Nov 1988	n/a
702479	---	DONINGTON MUSEUMS LIMITED	30 Jan 1990	n/a
700580	---	EAST MIDLANDS MUSEUMS SERVICE	22 Aug 1988	27 Jan 1993
1009683	---	EAST MIDLANDS MUSEUMS SERVICE	10 Mar 1992	n/a
1029265	---	FRIENDS OF ARCHIVES MUSEUMS AND OXFORDSHIRE STUDIES	29 Nov 1993	n/a
516984	---	FRIENDS OF BRADFORD ART GALLERIES AND MUSEUMS	26 Nov 1985	n/a
289514	---	FRIENDS OF CHELTENHAM ART GALLERY AND MUSEUMS	13 May 1984	n/a
310669	---	FRIENDS OF COLCHESTER MUSEUMS AND ART GALLERIES	18 Mar 1964	n/a
306649	---	FRIENDS OF EXETER MUSEUMS AND ART GALLERY TRUST	15 Aug 1972	n/a

Figure 2.2, extract from Register of Charities, Charity Commission