



## REVENUE GENERATION: AN INVESTMENT IN THE PUBLIC SERVICE OF ART MUSEUMS

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Art museums, like universities, are intellectual enterprises. They provide an array of cultural programs and services, including the care, preservation, and conservation of collections, scholarship and library services, youth and adult education, publication, exhibition, public programming and other related activities. Each of these activities or “lines of business” is essential to the museum’s fulfillment of its mission. And each is its own, cost- and resource-intensive operation.

The art museum’s consumer base is equally diverse. While there are overlapping interests among museum audiences, the interests and needs of scholars, artists, families, tourists, the general public and special constituencies are highly individualized. Meeting these needs – which, again, must be achieved as part of the museum’s mandate – is a public service whose expense far outweighs any direct income that can reasonably be derived from these audiences.

Museums are committed to ensuring that their programs, services, and exhibitions are accessible to all. On average, it costs a museum \$53.42\* to serve each person that walks through its doors. These costs include not only the presentation of exhibitions and public programs, but also the behind-the-scenes costs of caring for the works in their collections, conducting research, producing original publications, and developing educational programs for young people, teachers, and adults. At the same time, the average admission paid by a visitor is \$3.55\*. Charging admission fees comparable to their expenses would create an economic barrier to the public and undermine the museum’s role as a public institution. Instead, museums establish revenue streams to support institutional operating costs and to protect the public from escalating admission and/or service usage fees.

*\*Source: 2006 AAMD Statistical Survey*

This structure is one challenge to financial stability for all art museums. Other significant challenges are the ever-changing reality of a volatile economy, shifting patterns of philanthropy, and the fluid demographics of the American population. Where once museums were able to rely on a few donors or a primary source of income, today's museum director must develop and manage a highly diversified portfolio of revenue streams to ensure institutional stability. These revenue streams comprise endowment income, membership dues, museum store sales and other traditional sources for funding – including private philanthropy, corporate sponsorship and public agency funding – as well as new forms of public-spirited entrepreneurship and innovative non-profit business development. A museum's financial performance has a direct bearing on its success as a public institution in providing specialized services to a highly diverse audience.

In recent years, art museums have systematically professionalized their management and marketing, and have cemented their role as civic centers in their communities. These “business-like” practices have one purpose: to stabilize, support and make more efficient the museum's development and delivery of cultural and educational services to the public. Similarly, the museum's mission – its collections, programs and scope of services – defines the context in which appropriate revenue-generating activities are initiated and the primary criterion by which they are measured. In the end, museums hold their assets in trust for the public and are responsible and accountable to the stakeholders who have placed their own trust in museums.

To foster financial security and ensure that revenue generation is a responsible means of investment in the museum's service to the public, museum directors – in consultation with trustees and staff – weigh the following questions:

- Are traditional funding strategies consistent with the museum's standards of quality and integrity?
- Does the economic climate necessitate the creation of additional revenue streams?
- Are prospective revenue streams consistent with the museum's mission, collection and programs?
- Are the motives and means of a prospective revenue stream consistent with the terms of a museum's non-profit 501(c)3 status and its charter?
- Does the return on investment justify the direct and indirect costs of establishing and maintaining a prospective revenue stream?

- Is the risk inherent in the creation of new revenue streams acceptable to the museum and is the museum protected against any financial loss that might be sustained?
- Does the museum have the infrastructure to manage a prospective revenue stream?
- Will development of a new stream put a strain on the institution's existing resources or draw away from programming?
- How will the income derived from a prospective revenue stream extend the museum's cultural and educational mission?
- Does a prospective revenue stream adversely affect public perception of the museum?
- Are there legal or ethical issues associated with a prospective revenue stream that can be anticipated by the museum?

Each of the 175 institutions represented by the membership of the Association of Art Museum Directors (AAMD) answers these questions according to the unique mandate of its mission and the interests of its community. All museums operate with a system of checks and balances by which museum directors, trustees and staff evaluate and decide upon the terms of their engagement with actual and potential sources of revenue. Underlying these operational processes is a set of core values to which the members of AAMD subscribe and which guide all aspects of their work as museum professionals. These core values are:

*Mission:* The mission of all art museums is to serve the public through art and education. Fulfillment of this mission is the primary goal of every AAMD member and the touchstone by which all decisions are made concerning museum programs and operations.

*Individuality:* Each museum has a unique identity, and its collections and programs serve the distinctive interests of its community. Museum directors have the responsibility and the freedom to exercise sound professional judgment in ensuring that their museums are responsive to local interests while adhering to the national standards of quality for which AAMD's members are recognized.

*Accountability:* Museum directors are responsible to their trustees, staff, donors and community for ensuring that museums fulfill their public service mission and reinforce the leadership position of museums as cultural and educational resources.

*Integrity:* Museum directors are responsible to their trustees, staff, donors and community for ensuring that museums meet the highest standards of ethical integrity.

*Transparency.* Museum directors manage their institutions – and, to the extent possible, the involvement in their museums by outside individuals and organizations – to promote clarity of purpose in action and openness in internal and external communications.

The AAMD promulgates fundamental standards by which art museums should be governed and managed. These principles are found in the publication, *Professional Practices in Art Museums*, which has been revised at ten-year intervals since 1971. The AAMD's commitment to these core values and the success of its members in managing their institutions' revenue-generating activities have ensured that America's art museums are among the most trusted and respected public institutions in the world – resources for education and enjoyment that provide lasting benefits to the people of the world.