

TrendsWatch:

The Future of Financial Sustainability

This special edition of the Alliance's forecasting report provides a framework for examining any museum's financial performance and thinking about long-term strategies for financial success. The chapters are organized around the four main sources of museum income: earned revenue, charitable contributions, government funding, and capital (including income derived from financial investments). Author Elizabeth Merritt, the Alliance's Vice President of Strategic Foresight, and Director of the Center for the Future of Museums, cites examples of emerging practices, points to signals of change, and profiles museums that have tried interesting (and successful) ways to cultivate income.

Use this report to:

- ❖ support meaningful and robust conversation with staff and boards of trustees about financial planning
- ❖ foster healthy conversations about integrating a museum's financial needs into parent organizations such as colleges/universities or city/state government
- ❖ provide context for exploring the museum's financial goals, plans, and decisions with community groups, government officials, members, and supporters
- ❖ improve your own financial literacy and understanding of emerging trends in museum finance
- ❖ engage all staff members in understanding their role in the financial health of a museum

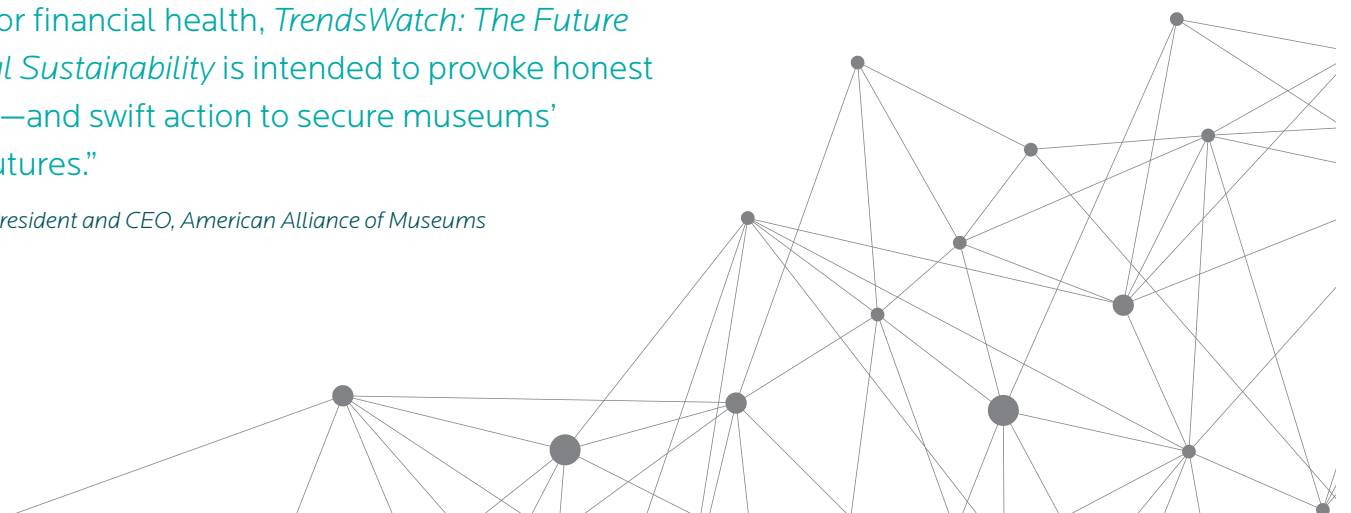
“By exploring the disruptions in museums' traditional business models and sharing some of the emerging practices for financial health, *TrendsWatch: The Future of Financial Sustainability* is intended to provoke honest discussion—and swift action to secure museums' financial futures.”

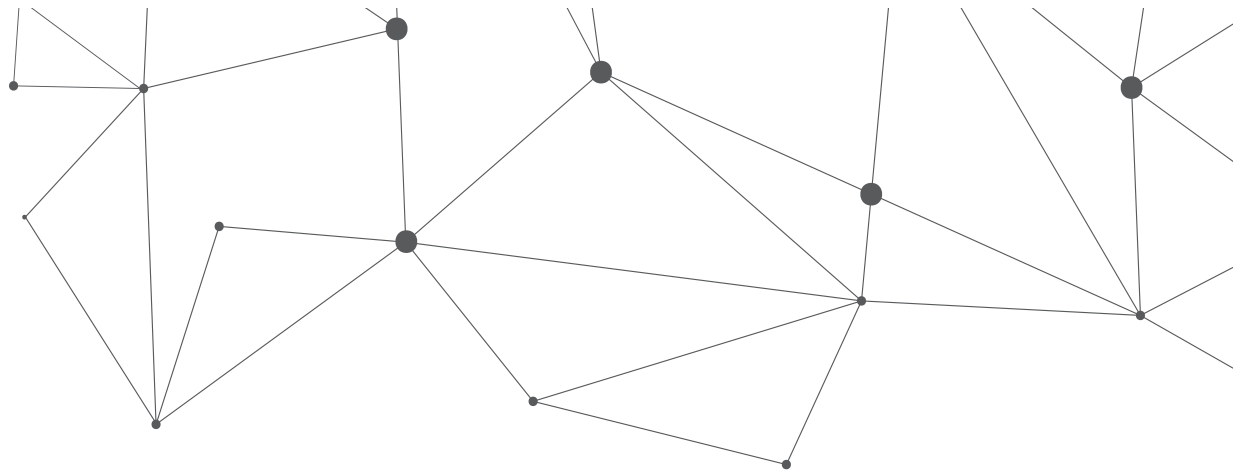
—Laura L. Lott, *President and CEO, American Alliance of Museums*



“Nonprofit is a tax status, not a business strategy. Museums can use their profits to make themselves more accessible, to serve more people in more ways, and to provide good, stable jobs that pay equitable salaries. The question for nonprofit museums isn't whether to be profitable, but how.”

—Elizabeth Merritt, *Vice President, Strategic Foresight, and Founding Director, Center for the Future of Museums*





TrendsWatch: the Future of Financial Sustainability summarizes the trends reshaping museum income, reviews the behaviors and tensions inherent to each type of funding, explores how museums are improving the performance of traditional practices and pioneering new sources of income, and suggests some new revenue streams that may arise in the future. Highlights of the report include:

- ❖ museums' use of data analytics and variable pricing to optimize revenue
- ❖ the emergence of coworking spaces, media channels, and hotels as museum business ventures
- ❖ trends in overall giving and the potential impacts of recent changes in tax policy
- ❖ priming the next generation of donors
- ❖ born digital fundraising
- ❖ New Market Tax Credits as a source of low-interest loans for nonprofit museums
- ❖ the use of Private Activity Bonds to finance capital projects
- ❖ sustainable investing

The report prompts discussion of difficult and important issues such as:

- ❖ the business case for prioritizing salaries and training for museum staff even in difficult financial times
- ❖ the impact of free admission on the demographics of museum audiences and the financial bottom line
- ❖ “toxic philanthropy” and rising concerns over the source of some museum funding



**American
Alliance of
Museums**

The American Alliance of Museums' Center for the Future of Museums (CFM) helps museums explore the cultural, political, and economic challenges facing society and devise strategies to shape a better tomorrow. CFM is a think tank and R&D lab for fostering creativity and helping museums transcend traditional boundaries to serve society in new ways.