

Maintaining Financial Stability in Crisis: A Tip Sheet

The American Alliance of Museums offers the following tips from museum leaders Norman Burns and Elizabeth Merritt to help you determine policies related to maintaining financial stability amid the pandemic. The information shared here is based on the best available information as of publication. Museums are encouraged to seek legal and other expert advice on their specific circumstances, and/or any state or local requirements.

During this turbulent time, it is imperative to be aware of your museum's current financial situation and think about how to conserve cash while maintaining a "duty of obedience" to govern with the mission first in mind.

The following tip sheet is designed to help museum leaders think about how to stabilize your organization's finances during the current crisis by reducing costs, raising funds, and managing operations in such a way as to remain solvent. Taking a thoughtful and measured approach to the suggestions below will allow you to make the best decisions for the museum.

Business Continuity Planning

Business continuity plans create systems of prevention and recovery to deal with potential threats, whether physical or economic, with the goal to enable ongoing operations before and during disaster recovery. They outline how a business will continue operating during an unplanned disruption in service, including contingencies for business processes, assets, human resources, and business partners.

It is important for your museum to have [business continuity plans](#) separate from, but contiguous with, your emergency/disaster preparedness and recovery plans.

Reducing Non-Staff Costs

The number one rule for any organization in crisis is to conserve cash. Perform a thorough review of every budget line on the most recent balance sheet, looking for ways to reduce or delay payments and/or accelerate earned and contributed income. Start by scrutinizing the budget and cutting all non-essential costs (both fixed and variable)—now is the time to keep track of all costs and retain all supporting documents diligently and keep in mind any penalties you might incur from service termination.

Here are some steps you should consider:

- » **Negotiating (or renegotiating) for discounts** on purchases and interest rates
- » **Delaying or foregoing purchasing** non-essential items.
- » **Cutting back on programming and events** that do not have associated income streams - phasing-out, delaying, discontinuing, or considering ways of tying these to income

(sponsorships, fees, or voluntary donations). Keep in mind that you might find there is a disproportionate amount of programming associated with serving predominantly Black and brown audiences. If this programming is essential to your communities, diversifying your audience, and helping fulfill other strategic priorities outside of revenue generation then it is essential to the museum's growth and sustainability.

- » **Delaying payments**/pay only the most essential vendors first - many lenders are allowing delayed payments (force majeure laws come into play here).
- » **Negotiating with current grant funding agencies to reassess terms** - ask about using funds for operating expenses/salaries.

Managing Staff Costs

Salaries and benefits commonly account for more than half of a museum's operational costs, sometimes considerably more. A museum may not be able to ensure financial survival without managing these costs. That said, a nonprofit's Duty of Care encompasses stewardship of staff as well as its collections, building(s), and other assets. One measure of a museum's success during the pandemic will be how well it mitigates harm to all its constituents, including the staff and members of the community. From a business perspective, a museum's staff is one of the organization's core assets. Losing key staff and damaging staff morale may impair the museum's ability to rebound and rebuild as the financial crisis eases. If museums need to cut salary and wage expenses, some options are:

- » **Ceasing to match retirement funds** in the short-term, reevaluating as time allows.
- » **Freezing non-essential hiring** (be sure to identify critical positions that need to be filled if they become vacant).
- » **Considering ways of distributing the salary budget** that is available as broadly and equitably as possible, for example job sharing (where jobs can easily be shared) or converting some positions to part-time.
- » **When planning salary freezes**, cuts, or reduction in force, try to mitigate the damage to the most vulnerable on your staff. For example, salary cuts might be borne disproportionately by those staff with the [highest compensation](#). Explore what can be done to support staff who are furloughed or laid off. For furloughed workers, this might include maintaining health insurance; for staff who are laid off, the museum might subsidize COBRA payments for some period.
- » **When downsizing staff**, one common approach is to eliminate contract employees first, then furlough part-time and seasonal employees before cutting full-time staff. However, be aware of how any plan for layoffs may disproportionately impact BIPOC individuals and the overall diversity of the museum's staff.
- » **Discussing the need for financial cuts with staff** may yield more equitable approaches as well as building staff buy-in. For example, some staff may propose job sharing, or sequential furloughs to protect the jobs and income of their colleagues.

Raising Funds

While it may not be possible to raise as much funding as you might have previously, looking for ways to increase liquid funds will only help your overall financial situation.

- » **Creating a “COVID Case for Support”** that explains why your museum is worth investing in and asks donors and sponsors to redirect their funding to essential operations and new program delivery.
- » **Switching to conducting [virtual fundraising events](#).**
- » **Providing logistic and tangible support for staff** who wish to establish a [mutual aid fund](#) to assist colleagues in financial distress.
- » **Applying for new COVID-related grant opportunities** –
 - [National Endowment for the Humanities](#)
 - [National Endowment for the Arts](#)
 - [Institute of Museum and Library Services](#)
- » **Applying for a line of credit** - you do not necessarily need to use the credit, but it is good to have on hand for emergency purposes.
- » **Applying for rapid response funding** from foundations.
- » **Applying for federal/government loans ([CARES Act funding](#))** - these are often forgivable.
- » **Accelerating giving by asking donors and board members** to make their payments early. This will raise cash and provide you with important information about how donors have been affected by the crisis.
- » **Enhancing and monetizing digital programming.** Here are some examples of museums that have enhanced and monetized this content:
 - [Cincinnati Museum Center](#)
 - [Baseball Hall of Fame](#)
 - [World War 2 Museum](#)
 - [The Met](#)
 - [The Henry Ford](#)
- » **Tapping operating reserves** - ask donors to modify restrictions to allow for more flexibility or lift the restrictions completely. If a donor cannot be reached (deceased), you can consider whether restrictions may be lifted by confirming the applicable [Uniform Prudent Management of Institutional Funds Act](#) (UPMIFA) regulations.
- » **Increasing the endowment draw 50 to 100 basis points** if your endowment or investment policy allows for it and only if this increase does not place the endowment under water.

General Management & Budgeting

Establishing a clear set of decision-making principles and establishing a budget early on will help keep your museum on course during this crisis and beyond.

Here are some steps you should consider:

- » **Meeting with your board more frequently**, in essence enabling your leadership team and board to make faster and more consistent decisions.
- » **Limiting your requests to the board** to individual asks instead of group asks.
- » **Making sure you listen to your staff** and take their needs into account while crafting your financial strategies.

- » **Being transparent.** When employees have all of the information, decisions, even when difficult, will be more likely to be understood and respected.
- » **Remaining in direct communication with donors** and funders and maintaining those relationships.
- » **Developing partnerships with other organizations** in your area and creating new relationships.
- » **Advocating** for the museum with local officials.
- » **Supporting local communities.** Don't forget the needs of the most vulnerable in your community. Consider how the museum might offer support to communities that are suffering disproportionate harm during the pandemic, to families, students, and teachers coping with virtual schooling, and to essential and front-line workers in the COVID-19 crisis.
- » **Creating a flexible budget** that will allow you plan for the near future for things like general operating costs, revenue, and expenses that will help you meet your mission and purpose.
- » **Using scenarios** to help build a picture of what that future might look like will help!
- » If it makes sense, consider **merging** with a similar or tangential organization/university/government entity.
- » There may come a point when the museum must consider closing permanently; think carefully about all the various options before considering this last resort. If the museum is forced to close, try to manage the closure and dispersal of assets in a way that minimizes harm to the community.

Resources

Here are some additional resources you might find useful related to financial and general management during a crisis.

Financial management

- » [7 Easy Steps to Move Any Fundraising Event to Virtual \(bloomerang.co\)](#)
- » [By Cutting Their Own Salaries First, Nonprofit CEOs Display Leadership](#)
- » [Conner Prairie at Home](#) and [Conner Prairie in the Classroom](#)
- » [COVID-19 Tools and Resources for Nonprofits](#)
- » [Digital Tools for Pandemic Times](#)
- » [Downsizing Our Museum in the Face of a Pandemic](#)
- » [Earning Income from Education Programs during COVID-19](#)
- » [How Museums Can Generate Revenue Through Digital Content and Virtual Experiences](#)
- » [How One Nonprofit Organization is Turning its Gala into a Major Online Event](#)
- » [How to Craft Your Organization's Financial Story](#)
- » [It's Different This Time: Handling Nonprofit Staff Cuts under COVID-19](#)
- » [Principles of Fundraising: The Coronavirus and Philanthropy](#)
- » [The Henry Ford inHub](#)
- » [The Keys to Maximizing Your Virtual Gala](#)

- » [Three New Scenarios for Financial Survival in 2020](#)
- » [TrendsWatch: Building Financial Resilience in a Time of Crisis](#)
- » [Virtual Tours at the MET](#)
- » [Why Museums Can't Always Fall Back on Endowments](#)

General management

- » [AAM's COVID-19 Resources and Information for the Museum Field](#)
- » [Ask an expert – for BoardSource members](#)
- » [By Redeploying Her Staff in Some Ingenious New Ways, the Director of Texas's Blanton Museum Has Managed to Avoid Job Cuts Entirely](#)
- » [Customized Assistance – available to AAM Tier 3 museum members](#)
- » [Inclusion at the Heart of Well-Being – American Alliance of Museums \(aam-us.org\)](#)
- » [Informal Learning Special Issues](#)
- » [Information from the CDC for Workplaces and Businesses](#)
- » [Information from the Council of Nonprofits Non-profits and Coronavirus, COVID-19](#)
- » [Museum Junction, AAM's online community](#)
- » [Reinventing Museums: Pandemic Disruption as an Opportunity for Change](#)
- » [Strategy during COVID: no time like the present to review, update your plan -Philanthropy Daily](#)
- » [“The museum we closed will not be the museum we reopen.”](#)
- » [Vaccination News Has Already Changed Plans to Visit Cultural Entities in 2021 \(DATA\) - Colleen Dilenschneider](#)
- » [What is a business continuity plan \(BCP\)? | IBM](#)
- » [Why We're Staying Closed](#)

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