

Planting the Seed:
An Examination of Individual Donor Cultivation
at an Art Museum

By Alexis Williams

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Research Advisor: _____
Dr. Phaedra Livingstone Date

Alexis Williams

alexis.d.williams@gmail.com

18610 Cook Street Oregon City, OR 503.329.6260

Education

Master's Degree in Art Administration, Museum Studies Concentration

University of Oregon

Fall 2007 - Spring 2009

Bachelor of Arts in Art History, Minor in American Studies

Lake Forest College

2000 - 2004

University of Richmond, Florence, Italy

Spring 2003

Portland Art Museum, Development Department

January 2009 - present

Development Assistant

Portland, OR

maintain donor records through Raiser's Edge, responsible for organizational grantwriting, create donor acknowledgment letters, coordinate scheduling in the department, and provide general support to all development staff

Altura Furniture

November 2006 - September 2007

Office Manager

Portland, OR

managed all client orders, from order entry to transportation to freight; handled A/P and A/R when needed; ran Microsoft Suites

Holly Hunt Incorporated

August 2004 - August 2006

Territory Manager

Chicago, IL

proactively managed all client orders for my respective showrooms; maintained client relations and pursued all customer service issues that arose; created new methods of communication for the company

Restaurant Experience

Oswego Lake House	server	Lake Oswego, OR
Por Que No?	server	Portland, OR
Dine, Crowne Plaza Hotel	server	Chicago, IL
Butera Ristorante	server	Chicago, IL
Nantucket Golf Club	server	Nantucket, MA
Elliot's, Francis Marion Westin	server	Charleston, SC
Eaton's Ranch	coffeeshop/gift shop supervisor	Wolf, WY

Skills

Adobe Creative Suite, Microsoft Office, Power Point, Excel, Fireworks, Dreamweaver, Raiser's Edge

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Abstract:

Economists predict an enormous transfer of wealth within the United States over the next 50 years due to demographic and generational shifts. Much of these funds are expected to be donated to nonprofit organizations. Art museums in the United States derive a major portion of their annual funding from individual donors. Therefore, development professionals working for art museums should be re-examining their methods for donor cultivation. This project will explore the Portland Art Museum as a case study for how individual donor cultivation occurs at major art museums.

Key Words:

major gifts/donors, art museum development, case study, Portland Art Museum, individual donor cultivation

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CHAPTER 1

Introduction

Economists predict a huge transfer of wealth will occur in the United States within the next 50 years (Sargeant, Lee & Jay, 2002), due to demographic and generational shifts. There has been an overall 3.1% increase in individual wealth since 1954 and a predicted \$22 to \$55 trillion will be donated over the next five decades (Schervish, 2006). Individual donations represent the largest source of contributions to charitable organizations (Van Slyke & Johnson, 2006) and are essential for an organization's survival. Private contributions (10% of donors produce 90% of the funding) form a traditional cornerstone of support to an art museum (Froelich, 248) and art museums need to be prepared to compete with other nonprofits to successfully cultivate individual donors for their organization's benefit.

Problem Statement

Philanthropy is very popular in the United States and both the term and the practice are considered positive and robust (Wright, 2002). Yet, in order to maintain organizational functionality, nonprofit organizations must rely on a variety of resource providers to monetarily support their mission and related work. The specific people within the nonprofit sector that are responsible for raising these funds are development

professionals. Within a nonprofit setting, there are four main sources of income: foundation grants, government funding, corporate sponsorship and individual contributions. Of these four sources, individual contributions compose the vast majority of the funds. Over the past three decades, individuals have been responsible for donating 83.8% to 90.2% of the annual funding to the arts in the United States (Sargeant, Lee & Jay, 2002) and therefore careful attention should be given to the choices that individual donors make and how to target and cultivate these donors and their funds towards art museums.

While there is enormous variation in the scale and type of art museum in the United States, almost all possess common characteristics and functions (O'Hagan, 1998): to collect, to conserve, to study, to interpret and to exhibit (Weil, 1990). Yet, in order for any success in each of these areas, there must be adequate funding for the museum to continue to maintain the ultimate goal of pursuing its mission. To target the individual art museum donor, certain aspects of donating should be taken into account, specifically donor characteristics, the motivation behind giving, the types of donations, and museum methods of donor cultivation. While exploring the individual donor, the museum also must consider potential issues arising, such as goal displacement, trustee domination, revenue volatility, and the current economic reality. Through an examination of these aspects and potential downfalls, an art museum can form a successful individual donor cultivation plan.

Purpose Statement and Questions

The purpose of this study was to gain an understanding of how to successfully cultivate individual donors within an art museum setting, specifically the Portland Art Museum.

The questions driving this study were:

- What motivates an individual donor to give to a specific cause, namely an art museum?
- What are characteristics of major individual givers?
- What is the current state of philanthropy in the United States and what are some predicted changes?
- Does the Portland Art Museum have a specific donor cultivation program or method already in place?

Basic Assumptions and Biases

The expected outcome of this study was descriptive data that would assist the Portland Art Museum, and potentially other art museums, in forming an understanding of how a successful individual donor cultivation program operates. As I am a full-time employee at the Portland Art Museum, I will bring biases to the research on a personal level, as I am emotionally invested in the organization and its successful donor cultivation. As well, there are inherent biases in every researcher and I recognize that my personal biases may affect the research. I have a vested involvement in this research

as I am interested in the development field on a professional level and I would like the outcome of this research to give me hope for a positive future of philanthropy in art museums in the United States.

Definitions

Major Urban Art Museum: an art museum located within an urban setting that has a population of at least 150,000 people and the budget of the museum is over \$10 million.

Cultivation: the act of working and communicating with a potential donor to inform and educate them about the importance of a nonprofit organization and the significant impact their gift would make.

Development: the department within a nonprofit organization that works directly with donors in securing funding for museum exhibition, programming and general operating expenses.

Major Donor: an individual who is capable of giving, or who has given, a gift of \$25,000 or more.

Delimitations

The scope of my study will be limited to [a] investigating literature concerning individual donor cultivation and how that literature can be applied at major urban art museums, specifically the Portland Art Museum; and [b] the participants in my study consist of practitioners, scholars and donors in the field of philanthropic giving. All of

my participant observation occurred at the Portland Art Museum and the focus was on the occurrences at this specific site.

Limitations

The potential weakness of this research is the generalizability of my findings, which are based on research done over a short period of time and in one specific site. There is an incredibly limited personal budget being applied to this research, which limits the scope of the topic, as there is no opportunity to explore how art museums in other urban settings are cultivating the individual donor. The time constraints run parallel to the budget constraints and limited the scope of the research to one case study site over a short period of time.

Significance of Study

Through this research, a firm understanding of successful individual donor cultivation techniques and practices was acquired. In the scope of this particular research project, the Portland Art Museum's development practices and procedures are considered an example of a successful donor cultivation program as the Museum is still opening its doors to the public. This research is not intended to shape the development field, but rather, to report on what successful individual donor practices look like.

CHAPTER 2

Case Study and Methodology

The purpose of this case study is to examine how successful individual donor cultivation occurs at a major urban art museum, specifically, the Portland Art Museum. As the goal is to understand a social situation, the epistemology falls within the interpretive / constructivist methodological paradigm. This paradigm states that reality is located in the actions of individuals, which also fits with my research, as I will be exploring a specific site location and its employees and donors. The goal is not to foster any social change, but simply gain a broader understanding of the occurrences.

This research will focus on a particular aspect within a particular organization and will attempt to describe the current methods for individual donor cultivation at the Portland Art Museum. The applied descriptive research dimension will control the lens and scope of this research: it is directed towards the participants in the field of development in a major urban art museum. The research describes the current situation at the Portland Art Museum, documenting the occurrences and attempting to locate new data that contradicts past data (Neuman, 2006).

Data collection began with a thorough review of the current literature in the field surrounding philanthropy and individual donors. In addition to reviewing the literature, this study employed several other research methods, such as interviews with donors and development professionals, questionnaires answered by donors and

Museum staff, participant observation and document analysis. The outcome of the study was an applied research project that employed qualitative inquiry methods in order to reach a description of what individual donor cultivation methods are successful, specifically at the Portland Art Museum. This study triangulated data in document analysis, interviews, questionnaires, and participant observation which took place between January 2008 and April 2009. An ongoing review of the literature and document and data analysis occurred throughout the time period, but the questionnaires, interviews and participant observation began upon approval by the Office of Human Subject Compliance in January 2009.

History of the Portland Art Museum

The Portland Art Museum was founded in 1982 and is the seventh oldest art museum in the country. It is the largest visual arts institution in Oregon and the most comprehensive art museum between San Francisco and Seattle. Comprised of more than 42,000 works of art, the Museum's permanent collection is one of the most diverse public collections in the entire Northwest. The Museum also showcases a series of special exhibitions which build on the institution's history, reflect the geographic location in the Pacific Northwest, and educate about history, the contemporary world, and the future.

The Museum welcomes more than 300,000 visitors every year, including international, national, and local visitors, with a majority coming from Oregon and southwest Washington. Last year, 943 school tours, representing 28,639 attendees,

visited the Museum. Recently, the Museum has shifted its focus to accessibility and educational programming and established the Art Access Initiative with five goals: [1] to provide free regular admission for children age 17 and under; [2] to provide free school tours; [3] to provide a quarterly free day; [4] to provide a monthly free evening and; [5] to provide free transportation to the Museum for Title I schools. Thus far, the first three goals have been accomplished through generous gifts from individual donors; these gifts will provide access in perpetuity, as they go toward an endowment specifically established for the Art Access components.

The Museum is run by Executive Director Brian Ferriso, who started in October 2006, after leading the Philbrook Museum of Art in Tulsa, Oklahoma. Prior to his appointment at Philbrook, he held various positions at the Milwaukee Museum of Art, the Alfred Smart Museum of Art at the University of Chicago and the Newark Museum. With a passion for art and an insistence to constantly refer back to the mission of the Museum before any major decisions are made, Ferriso represents a shift in leadership at the Portland Art Museum. Previous Museum leaders were more focused on hosting elaborate galas and creating an elitist atmosphere around the institution.

Human Subjects Compliance

Before any data could be collected from the case study site of the Portland Art Museum, it was required by the University of Oregon that I complete human subjects compliance documentation. This included providing such items as an abstract of the proposed research topic, a list of proposed research questions, detailed plans of how the proposed research was to take place and appendices indicating how research

participants were going to be invited to participate in the study. For this research project, it was important that the research participants have the opportunity to remain anonymous. Both the donors and staff at the Portland Art Museum had the potential to make statements that could implicate them in their jobs or personal lives. Following the approval of the submission of the above documents, this research was cleared and began in earnest in late January 2009.

Document Analysis

Over the course of this research project, ongoing document analysis of Portland Art Museum development materials was conducted. These documents included, but were not limited to, such items as Museum membership material, one page handouts on upcoming exhibition, meeting agendas, and letters to potential donors. Through analyzing these documents, a more thorough understanding of cultivation methods and procedures was reached.

Questionnaire

Another form of data collection used was a questionnaire sent to a select group of Portland Art Museum donors and a select group of Portland Art Museum staff. Refer to Appendix B for an example of the recruitment letter used to inform potential participants of the research project. Of the 17 donors that received the questionnaire, four returned it with answers. The donors chosen to receive the questionnaire were not

necessarily major donors, but were able to be identified as significantly involved with the Museum through their participation on both the Board of Trustees and the Development Committee, a sub-committee of the Board. These donors were chosen to participate in the study based on their apparent interest in the Museum and the cultivation process. Appendix C is an example of the consent form that all participants reviewed and signed. The questionnaire process was chosen so that both donors and staff had the option of remaining anonymous if desired. Two of the four donors that returned the questionnaire requested anonymity.

Though the questions varied between the donors and the staff, there were common themes in both sets that were greatly informed by the literature review. Questionnaires were received back from the participants between April 10 and April 24, 2009.

The questions posed to the donors were:

1. Why do you donate to the Portland Art Museum?
2. Do you donate to other organizations?
3. What are the benefits of being a major donor to the Portland Art Museum?
4. What do you think motivates people to give to art museums? To the Portland Art Museum?
5. What qualities and characteristics do you think a major donor has?
6. How do you think that the current economic situation will affect art museums in the long-term?

The questions posed to the staff were:

1. What do you think are some major factors that contribute to successful individual donor cultivation?
2. What could the Portland Art Museum be doing more successfully? What is the Museum already excelling at in terms of donor cultivation?
3. How important is stewardship in the realm of cultivation?
4. What do you think motivates donors to give?
5. What do you think are characteristics of major donors?

Participant Observation

Throughout the course of the research project, an ongoing observation of both staff and donors at the Portland Art Museum occurred. Activities observed included staff meetings, cultivation and fundraising events, and day to day operations within the Development Department at the Museum. Notes were taken, coded and grouped into clusters based upon similarities and differences between what was observed in practice and what was learned through the review of the literature in the field.

Data Analysis

After the questionnaires were returned, and the document analysis and participant observations were complete, the process of analyzing the results began. Of the 17 questionnaires emailed to donors, four were returned. This 24% response rate is somewhat below the 36.1% average response rate for academic studies (Baruch, 1999),

and, in part, reflects the time and scope limitations of the study. However, of the five questionnaires emailed to Portland Art Museum staff, all five were returned, and provided an immense amount of material for analysis.

In order to begin coding the data, each of the initial research questions was given an assigned word to summarize the overall theme, such as ‘motivation’ for the question concerning donor motivations. There were, therefore, 4 major themes: characteristics, motivations, cultivation methods, and economy. Once these theme words were established, intense coding of all donor and staff responses began. In order to create a system that was the most concise, yet explanatory, four copies were made of each returned questionnaire. At the top of each copy, one of the theme words was written, such as ‘motivation’. On that particular copy of the returned questionnaire, the *only* theme that was highlighted and analyzed was the theme word of ‘motivation’. Once all the questionnaires were coded appropriately, they were split into their appropriate sections (according to the theme word) and analysis began.

Initially, comparisons between donor and staff questionnaires were examined to see if there were similarities or differences between the two groups. Although the two groups presented varying viewpoints, which was to be expected, the answers to many of the questions were of the same vein. Following this initial comparison, each grouping was examined for differing points of view on the coded word, no matter if the answer was from a donor or staff member. The themes were culled from the questionnaires, analyzed, and compared to the literature in the field and to the cultivation practices that the Portland Art Museum utilizes in order to observe what methods are best for successfully cultivating the individual donor. Through this data analysis system, it was

possible to isolate single themes in order to most fully understand the implications of the research.

CHAPTER 3

Review of the Literature

Overview of Philanthropy

Philanthropy can be defined as the effort or inclination to increase the well-being of humankind, as by charitable aid or donations. At a museum, this donation can include gifts of art, in-kind donations of time, skills, or material goods, or volunteering time at the organization. For this particular research, the act of philanthropy is defined as a donation of funds to an organization that helps those in need. In the United States, charitable giving existed as early as the colonial days. One of the first figures to characterize American philanthropic practices was Cotton Mather, one of the most prolific and learned writers of the period and a founder of Yale University (Voth, 2007). In his *Essays to Do Good*, Mather proposed that men and women should engage in “. . . a perpetual endeavor to do good in the world” (as cited in Bremner, 1988, p. 12). Though current philanthropists do not necessarily believe, as Mather did, that this necessity to do good was an obligation to God, there is still a large sense of a societal obligation to give back to one’s community.

Ways/Types of Giving for Individuals

There are multiple routes for individual donations, and therefore multiple ways that an art museum can cultivate a donor. Types of donations include planned giving, annual giving, estate gifts, art gifts, membership, and major gifts from an individual. Each donation type possesses its own nuances for donor cultivation and development staff should be professionals trained in all aspects. The current economic state of the United States may play a role in which type of donation individuals choose to make, as well.

Introduction

The most common type of non-membership gift is a cash gift or pledge. This allows the donor to give to a specific cause or, in the case of art museums, exhibition. This type of gift is given in the form of a check, credit card payment or signed pledge agreement. Donors have complete control of this type of gift, what it is applied to and when it is to be spent. This is the most common and popular type of gift to art museums (Schervish, 2007); however, a planned major gift can be incredibly beneficial to an organization. Many governmental rules and regulations exist in the world of charitable giving, yet some of the most complicated and dense regulations pertain to the policies surrounding lifetime income gifts left by individuals to their charitable organization of choice. Navigating the differences between the various types of planned giving can be challenging for potential donors and development officers need to be aware of the

policies already in place and new policies that are enacted on a regular basis. Awareness of the advantages and disadvantages of each planned giving method can greatly assist development officers in securing lifetime gifts from major donors. Many individuals in the United States that have great assets are not exploiting the opportunity to reduce their estate tax liability by making tax-free gifts to charitable organizations (Poterba, 1998). One of the greatest opportunities for nonprofit organizations is the anticipated intergenerational transfer of wealth that is expected to occur within the next 50 years and is estimated at \$41 to \$131 trillion, making it the largest generational wealth transfer in history (Voth, 2007). This wealth transfer is a perfect funding opportunity for planned giving programs at art organizations. Research shows that with the rise in sophistication of donors, their reliance on financial planners is increasing (Brown, 2003; Grote, 2003; McJunkin, 2000; Richardson & Chapman, 2005); therefore, development professionals would be wise to create relationships with financial planners in their specific area.

All of the regulations concerning planned giving vehicles are enforced by the Internal Revenue Service and must be closely monitored for changes and updates. In 1917, tax law was amended to encourage individuals to donate by permitting a deduction of contributions up to 15% of the individual's taxable income. Combining this with the 60% surtax on high incomes enabled the very wealthy to give generously and avoid giving their money to the IRS (Bremner, 1988). Since 1977, the federal estate tax has been integrated with the federal gift tax (Poterba, 1998), creating motivation for individuals to donate their estates in order to avoid estate taxes upon their death. There are methods for giving monies to family members without being taxed, as well as

exemptions to family-owned businesses and farms (Poterba, 1998). However, the best legal way to avoid paying the extremely high estate taxes is to leave a gift to a charitable organization.

Current estate and gift tax rules in the United States create a complex set of incentives for wealthy individuals to make taxable gifts, charitable gifts during life and bequests to charities (Poterba, 1998) and this paper will explore the most popular planned giving vehicles and the policies that apply to them. As well, this paper will explore whether or not the governmental tax policies greatly effect charitable donations from individuals, specifically in the art and culture sector, and whether these tax breaks are a leading motivation to give to the arts.

Charitable Bequest

The least complicated and most straightforward planned giving vehicle is the charitable bequest, in which a donor leaves a gift. Through utilizing this method, the donor can deduct the value of the charitable bequest from the taxable value of the estate (Poterba, 1998). In this manner, the donor is able to reduce his or her estate value and receives an estate tax deduction for the value of the estate upon their death, which is a definite advantage. Other advantages are that charitable bequests are revocable at any time, the donors have access to and use of the assets until death, and the bequest may be anonymous (Moerschbaeche & Dryburgh, 1996).

Another method of leaving a charitable bequest is to leave the assets held in an Individual Retirement Account (IRA) or held in a 401(k). In the budget plan for 2009

that President Bush submitted to Congress, he proposed making several permanent and several temporary incentives for giving (Kean, 2008), including the recently passed IRA law. Under the now permanent policies, any person who is 70 ½ or older is able to donate up to \$100,000 to a charity of their choice from the individual retirement accounts tax free. This is an incredibly useful policy for organizations to use in donor cultivation, as the previous combined tax policies could eat away up to 80% of an individual's retirement plan if they were to give to heirs.

Charitable Gift Annuity

A charitable gift annuity is a gift vehicle accompanied by a contract, rather than a trust, and transfers money or property to a charity of choice in exchange for a fixed annual payment for the donor's lifetime (Moerschbaecher & Dryburgh, 2001). The amount that the donor receives back over a lifetime must be worth less than 90 percent of the whole transfer (Moerschbaecher & Dryburgh, 2001). This fixed amount is a percentage based on the donor's age and each charity is allowed to create their own gift annuity rate chart. However, there are specific numbers suggested by the American Council on Gift Annuities and these numbers are respected by state insurance departments and the IRS. These percentage amounts vary according to whether the gift annuity is for one person or two and are updated by the council on a yearly basis (<http://www.acga-web.org/2008ratesjuly/singlelifejuly08.html>). Please see Appendix 1 for the American Council on Gift Annuity's suggested charitable gift annuity rates.

There are also multiple types of charitable gift annuities, such as immediate gift annuity, deferred gift annuity, a flexible annuity and a college annuity. All are recognized by the IRS as vehicles for planned giving and each possesses its own policy nuances. When a donor chooses to partake in an immediate gift annuity, the payments begin immediately following the donation and may be made monthly, quarterly, semi-annually or annually (<http://www.acga-web.org/whatisga.html>). With the deferred gift annuity, the donor chooses to have the payments begin on a specified future date, which must be more than one year after the date of the gift. The flexible annuity means that the donor does not have to choose a specific date for the annuity payments to begin when he or she makes the contribution to the charitable organization. According to the American Council on Gift Annuity, this allows the charity to somewhat resemble the commercial annuities offered by commercial insurance companies and gives charitable organizations more tools for cultivation.

Benefits of this type of giving are varied and applicable to both the charity and the donor. They include the following: the donor is able to give to a charity of his or her choice, while still receiving a lifetime income and part of the income received is a tax-free return of the principal, in that the donor can avoid paying the large legal and accounting fees that are required if a donor sets up his or her own trust (Halverson, 2002).

A disadvantage is that a younger donor would not receive as high a percentage payout if they made the donation early in their lives, as the percentage is fixed from the age of the donor on the date of the contribution. Another disadvantage is that the charity is liable for the annuity, so if the charity has financial difficulties, the income

beneficiary may not receive income. It is wise to pick a long-standing and stable charity for this method of planned giving.

Charitable Remainder Unitrusts

Internal Revenue Code Section (IRC§) 664(d)(2) requires that all charitable remainder unitrusts contain the following four features:

1. Annual payments to the beneficiary of a fixed percentage that is no less than 5% and no more than 50% of the initial fair market value of the amount placed in the trust. This amount is to be evaluated on an annual basis
2. The amount can be paid over a lifetime, but not more than 20 years
3. Following the termination of the payments, the remainder of the trust is to be transferred to the charity
4. The value of the remainder interest in the trust is at least 10% of the net fair market value on the date that the funds are contributed to the trust (downloaded from <http://www.law.cornell.edu/uscode> on November 17, 2008).

.Since the value of charitable remainder unitrusts are evaluated annually, this type of planned vehicle is helpful for those individuals who own property that is expected to increase in value over time. This property could consist of artwork, a vacation home, or even stock. This is highly beneficial for those individuals trying to avoid paying capital gains taxes on the increased value of their property. Another major benefit of creating and contributing to a charitable remainder unitrust is the ability to deduct the gift from

income taxes each year and also avoid state taxes, as the donated property belongs to the charitable organization.

Although the benefits are plentiful, some disadvantages of the charitable remainder unitrust do exist. If the value of the donated property decreases and therefore the fixed percentage paid to the beneficiary decreases; therefore, the donor is not able to completely rely on a fixed amount of income for the remainder of his or her life or for the 20 year maximum life of the trust. The income tax deduction is subject to adjusted gross income (AGI) restrictions put in place by US tax law and the income that is passed to a beneficiary is generally taxable.

Charitable Remainder Annuity Trust

Internal Revenue Code Section (IRC§) 664(d)(1) requires that all charitable remainder annuity trusts contain the following five features:

1. Annual payments to the beneficiary of a fixed dollar amount or a percentage that is no less than 5% and no more than 50% of the initial fair market value of the amount placed in the trust. This amount is determined when the trust is established;
2. The amount can be paid over a lifetime, but not more than 20 years;
3. Following the termination of the payments, the remainder of the trust is to be transferred to the charity;
4. The value of the remainder interest in the trust is at least 10% of the net fair market value on the date that the funds are contributed to the trust;

5. If the likelihood of the charity to receive a remainder interest is less than a 5% probability, no charitable deduction is allowed and therefore the trust is not qualified (downloaded from <http://www.law.cornell.edu/uscode> on November 17, 2008).

Charitable remainder annuity trusts are ideal for those donors who have growth property or appreciated stock that they do not believe will accrue any more value over time. These individuals are also able to increase their income and create a fixed income while avoiding capital gains taxes. The disadvantages are very similar to a charitable remainder unitrust with one major exception: charitable remainder annuity trusts cannot accept additional donations to the trust (Kean, 2008). The types of trusts can be incredibly complex to establish and the fees are generally much higher than some alternatives.

Although the charitable remainder annuity trust and the charitable remainder unitrust are highly similar in their basic makeup, there are a few differences that stand out as crucial. Firstly, a charitable remainder unitrust is valued annually, while the charitable remainder annuity trust has a fixed value from the time that the trust was created. Secondly, a charitable remainder annuity trust has its probability tested from the creation of the trust in order to establish that there will be substantial funds remaining following the donor's death or the 20 year maximum lifetime of the trust (Moerschbaeher & Dryburgh, 2001). This is because (unlike a charitable remainder annuity trust) a charitable remainder unitrust is permitted additional contributions if the original trust paperwork provides for them and provides for valuation of the property at the time of the contribution (Moerschbaeher & Dryburgh, 2001).

Therefore, if the funds are not significant enough to maintain interest of at least 10% of the net fair market value, the donor would be asked to contribute more property to the charitable remainder unitrust.

Lead Trusts

There is only a brief mention of charitable lead trusts in the IRS codes; (IRC§) 2642 (e)(3) gives vague definitions and there are other sections in which a lead trust is mentioned as an amended code. In a lead trust, assets are placed in a trust and the charity receives annual payment from the assets of the trust for a set period of time or for the donor's lifetime. Following the agreed upon dissolution of the trust, the property is returned to either the donor, the donor's descendants, or some other non-charitable beneficiary. In this manner, the trust generates income for the charity over the donor's lifetime. A charitable lead trust comes in two forms – an annuity and a unitrust – and both forms follow along similar paths as the charitable remainder unitrust and charitable remainder annuity trust. A charitable lead trust annuity has its assets evaluated on an annual basis, while a charitable lead trust unitrust has its value set at the time the trust is created.

A lead trust as a highly successful planned giving vehicle if the donor thinks that the assets are going to appreciate over time, as the donor can avoid capital gains taxes while the assets are being managed by the charitable organization. This method works well for donors who are willing to transfer assets immediately and do not need to receive income from the asset over the years, as charitable remainder trusts provide. Benefits of

lead trusts are that they generate income for the chosen charitable organization over the donor's lifetime or a set term of years, but the assets can be passed along to the donor's heirs . In this manner, the lead trust can provide gift, estate and generation-skipping tax advantages. Some disadvantages are that the tax treatment is complex and often requires a third party's assistance. It is also more complex to establish lead trusts and the fees are generally higher than some charitable alternatives.

Overall Benefits of Planned Giving

Planned giving vehicles were created as incentives for Americans to donate to a charitable organization of their choice, but also to create consistent funds for the nonprofits. When a donor creates a planned gift, he or she is entrusting the nonprofit with managing and handling precious assets; this creates an intense level of trust between the donor and the charity, and allows the donor to become intimately familiar with the organization while they are still alive and can actively participate with the organization and witness their gift being put to good use. Another benefit of planned giving is that it allows the organization to recognize and acknowledge the donor while they are still alive. Such recognitions can include being a member of an exclusive group of planned givers at an organization, naming a space after the donor or holding an event in honor of the donor's legacy gift.

The volume and distribution of charitable gifts is influenced by the personal income tax treatment of charitable contributions (Feldstein & Taylor, 1976) and careful attentions should be paid to the tax laws in the United States. The most simple

charitable donations are able to be deducted from an individual's income amount, and therefore reducing the amount of tax having to be paid to the government. Yet, much more complex tax regulations and policies surround planned giving vehicles, and development professionals need to remain up to date and aware of any policy shifts. Currently, planned giving methods, though complex to establish, run fairly smoothly once the donor and the charitable organization create the trusts. The tax incentives allow the donor to avoid capital gains taxes on accumulating assets, pass assets to heirs without large estate taxes, and donate through assets other than just straight cash. This flexibility and the numerous availability of planned giving vehicles assist both the nonprofit and the donor.

While United States tax laws surrounding charitable giving generally benefit both the charitable organization and the donor, some tax cuts that President Bush signed on could discourage certain types of charitable gifts, especially planned gifts (Schwinn, Wilhelm, Williams, & Wolverton, 2003). Though the tax laws do not directly relate to charitable gifts, they cut the tax rate on capital gains taxes, this influencing potential donors' decisions to establish charitable remainder trusts. According to Vaughn Henry, a planned-giving consultant in Springfield, Illinois,

...the problem is that such trusts are expensive to establish and cost money to maintain. When capital-gains taxes are high, people have an incentive to donate stock or property that has increased substantially in value from the time they acquired it so that they can get some benefit from the appreciated property without paying the full capital-gains tax. Under such a scenario, most or all of the fees associated with a gift to a charitable trust are covered by money that would otherwise have gone to the federal government. But if capital-gains taxes are low, donors would essentially have to pay the fees out of their own pocket, since

they would have the option of keeping more of the financial gains themselves (Schwinn, et. al., 2003).

The fact that income-tax rates have been lowered for all Americans means that individuals who desire to lower their tax bills have less need of charitable deductions to achieve that goal.

Current Cultivation Methods

For each type of individual donation, there are methods for cultivating the donor. However, much attention is given to cultivating major gifts from individuals with no restrictions attached. This is considered the ideal gift. In the United States, 10% of donors produce 90% of gifts (Sargeant, et al., 2002), so it is natural that most museums focus their attentions on this type of cultivation. There have been multiple examinations of the most successful plans for securing major gifts, from G.T. (Buck) Smith's five-step process of identification, information, interest, involvement and, investment (Smith, 1997) to Ernest Wood's theory of the four R's: research, romance, request and recognition (Wood, 1997).

Individual Art Museum Donors

Characteristics, Behaviors and Demographics

Although limited information exists with reference to the characteristics of a major giver to the arts in the United States (Sargeant, et al., 2002), some overall trends

have, in fact, been identified. In examining individual donor characteristics, researchers across the social sciences and philanthropy and fundraising professionals tend to focus on a set of demographic characteristics that include age, gender, and race as well as a set of socioeconomic characteristics that include education, income, marital status, religion and political affiliation (Van Slyke & Johnson, 2006). Through various studies, art patrons have been found to most often be white men of middle-age or older (Wright, 2002), possessed a higher income, educational attainment and financial status, and were less likely to be from a racial minority group (Sargeant, et al., 2002). Donors to the arts are also generally between 25 and 64, employed full-time and also give to other causes (Cobb, 1996).

American private donors also tend to support organizations that they are or have been personally involved with (Wright, 2002). These characteristics have been consistent throughout research done in the past three decades, and are expected to continue along the same vein at the Portland Art Museum. However, it is imperative to explore how the current economic situation in the United States can potentially change these characteristics.

Motivations for Giving

A fundamental question in public economics concerns the motivation underlying voluntary donations to charitable activities (Ribar & Wilhelm, 2002). While there are potentially endless reasons that an individual would donate to a specific cause, there are

three that stand apart as reasons that major donors give: governmental tax breaks, societal status and recognition, and the donor's desire to support the organization.

Even scholars in the field have difficulty in assigning one major reason that motivates donors to give. According to O'Hagan (1998), "tax policy is the main instrument for encouraging support of art museums in the United States"(p. 204). Even when donating a work of art, rather than direct cash, the donor receives tax breaks, plus similar works in their private collection gain value (Zolberg, 1981). While tax benefits are assumed by many scholars and economists to be a major motivating factor for legacy giving, Richardson and Chapman (2005) state that the largest motivating factors are a donor's desire to support a specific charity and how the charity will use the gift. Ribar and Wilhelm (2002) further this by stating that donors give for completely altruistic reasons, for the joy-of-giving, and have conducted theoretical and empirical analysis to prove their point. They also argue that government support of charitable organizations does not create a crowd-out effect and lower the amount of charitable donations made by the public. The ideal motivation for giving is hopefully that the donor wants the organization to succeed and wishes to assist the nonprofit through monetary contributions, while also receiving some direct and indirect benefits (Wolpert & Reiner, 1984), such as membership and invitations to special events. Wolpert & Reiner (1984) also state that donors prefer to receive direct benefits from their donations, such as governmental tax breaks, but that these are not major motivating factors.

It is crucial for a nonprofit organization to understand its constituency and why they give. Therefore, exploration into motivational factors, such as the tax incentives, must be dealt with by any organization that is serious about wanting to utilize planned

giving vehicles. High income donors tend to have more precise information about the tax breaks gained from charitable donations and undertake more tax planning than low income donors (Glenday, Gupta, & Pawlak, 1986). It would then seem reasonable that high income donors would be more interested in a way of planned giving and the benefits that they, as donors, can experience. Although low income donors do not have as many assets, it is still imperative to educate the public about the benefits and tax incentives surrounding giving. Low income donors may not give through charitable trusts, but a charitable bequest is still a feasible goal. The tax treatment of charitable contributions substantially influences the volume and distribution of charitable gifts (Feldstein & Taylor, 1976). Therefore, close attention should be paid to tax policies, changes in these policies and how these policies affect nonprofit organizations.

Although it is pleasant to think that donors give to organizations for altruistic reasons and to help the organization succeed, there are certain selfish factors that enter the sphere of donor motivation. One of these aspects is a donor's attempt to increase social standing through individual philanthropy. For centuries, philanthropy has been used as a way to demonstrate both social leadership and significant personal wealth. As well, it has often been used as a vehicle for entrance into elite circles. Overall, there is a strong sense that motivations for individual contribution are largely based on self-interest, either through tax benefits, benefits from the supported charity, or social status (Wright, 2002). The desire to demonstrate wealth and the chance to socialize with other wealthy donors may be a strong motivational cause (Glazer & Konrad, 1996). This is evident in the low percentage of anonymous major gifts that are given to charitable organizations, particularly to the arts (Glazer & Konrad, 1996).

Potential Issues

When individuals donate, they often expect some sort of reciprocity from the organization receiving the gift. Often, donors are placated by standard methods of recognition, such as the naming of a gallery or a luncheon held in their honor. However, some donors can expect much more and this can lead to goal displacement and trustee domination. According to Froelich (1999), goal displacement occurs when “goals and activities are modified to satisfy the wishes of the contributors”(p. 250). Another issue that could arise is trustee domination in administrative duties. At most major art museums, board members are expected to contribute to the museum as a financial symbol of their dedication. However, along with this contribution often comes a sense of ownership and entitlement (Zolberg, 1981) and this must be avoided at all costs in order to maintain the museum’s ethical code. These potential challenges and conflicts can lead the museum astray from its mission, which should always be an art museum’s main focus and goal.

CHAPTER 4

Moves Management Theory

Briefly discussed in the literature review, the Moves Management Theory was created by G.T (Buck) Smith, the former President of Chapman College, in the 1970s as a systematic method for cultivating and nurturing relationships with potential donors who have the ability to make the most important gifts (Smith, 1997). The Portland Art Museum utilizes the moves management theory to guide its cultivation practices. I also used this theory as a model to create a framework and guide my research at the case study site. According to Smith, this cultivation cycle is essentially a model for how relationships naturally develop in everyday life, and that in securing major gifts, development professionals need to be most concerned with the donors and less concerned with securing an immediate financial commitment. The model employs five crucial cultivation steps: identification, information, interest, involvement and investment; and can be applied to any size development program (Smith, 1997).

A “move” is defined as the meaningful engagement of or interaction with a potential donor (Smith, 1997), and succeeds in penetrating the consciousness of the donor, rather than utilizing manipulation to achieve the end goal. J.S. May, Director of Development at the Portland Art Museum, believes that seven of these meaningful encounters, or moves, are necessary to progress a potential donor down the cultivation pathway (questionnaire response). Examples of moves can include something as simple

as a conversation with a potential donor or an invitation to an event being held at the Museum.

The Portland Art Museum utilizes this theory of moves management as a guide for its individual donor cultivation, and strives to *move* a potential donor through the cultivation cycle and further a potential relationship to the point of a donor investment. The Museum uses the database software “Raiser’s Edge” in order to maintain its donor records, gifts each donor has made, membership levels, and other pertinent information. With over 17,000 members currently, maintaining these types of meticulous record-keeping would not be possible without using a computer-based database, and the Raiser’s Edge is one of the most widely respected databases in the nonprofit world. The Director of Development believes that the management of the data is incredibly important in the cultivation process (questionnaire response), and the Museum is working towards taking steps to improve and c’lean’ the database in order to fully utilize its information. With the current economic situation, the Museum’s staff is incredibly lean and sometimes certain time-consuming projects, such as updating and cleaning the database, are not completed as desired. Caroline Kim, a Senior Development Associate at the Portland Art Museum, also believes strongly in the necessity of record-keeping and a clean and functioning database system. She feels it is extremely important for the Museum to remain diligent in updating donor records, discovering donor-to-donor relationships within the database, and following up with potential donors via the peer to peer networking system (questionnaire response).

Identification

In this first stage of the moves management theory, potential donors are identified through a variety of methods. In my observations, these methods included conversations with current donors and volunteers, to looking through the Portland Business Journal, to mining the database, locating potential prospects can be time-consuming work.

In September 2008, the Portland Art Museum undertook a major examination of its database, the Raiser's Edge, and contracted an outside company to investigate over 15,000 records and assign a rating to each individual. These ratings were based up on a number of factors, including previous giving history, residential zip codes, real estate value, etc. and the end result was a series of numerical ratings for various categories. These categories include major gift capacity, probability of the donor giving an annual gift, the probability of the donor to leave the Museum in his or her estate, the amount of money a major gift would be and the amount of money that an annual gift would be. I observed that this categorization made it possible to identify potential donors, place donors in various groupings, and cultivate accordingly.

Information

During the information phase of moves management, prospect research is conducted on the donor. Marlene Carlson, Associate Director of Development at the Portland Art Museum, believes that there are various ways to engage in this research,

such as simple web-based searching, communication with Museum volunteers that may have knowledge concerning the potential donor, searching for relationships within the database, and more (questionnaire response). Members of the Development Department meet weekly at a Moves Meeting to discuss potential donors and any research that has already been done. This is referred to as prospect sharing and, through this information sharing with all Development staff, many facts and figures come to light.

Following this prospect research and information sharing, a cultivation strategy can be developed. Marlene Carlson believes that this planning process is key to the cultivation process; at this point, you will have identified who knows the prospect, what the prospect will best respond to, what their social circle looks like, what their interests are, where their “heart” is with your mission, and you will have collected and analyzed a great deal of data to build a good profile of the prospect (questionnaire response). A cultivation strategy is a plan of action designed to further the relationship of an individual with an institution in such a way that the person’s interest is heightened and greater involvement is encouraged, which will lead to investment in something about which the person cares deeply (Smith, 1997). According to Carlson, without adequate planning, the cultivation and solicitation process is shortchanged and can be off the mark (questionnaire response).

However, even with appropriate time and efforts dedicated to research and planning, development professionals can still be heading down the incorrect path, in terms of a potential donor’s interests or even interest level. Carlson believes that “another key to success is remaining open to new developments with the donor prospect

that tell you that [a] your initial research and planning was not quite right, or [b] you drew incorrect conclusions, or [c] that you didn't follow your best plan or settled for "second best" in the implementation of your strategy. By remaining open and alert to subtle changes, you'll be able to stay flexible and fine tune your plan" (questionnaire response).

In order to successfully cultivate the donor, the Museum must gather enough information on the donor's interests to determine the most natural and appropriate course of action to pursue (Smith, 1997). The Portland Art Museum attempts to gauge a potential donor's interests in a variety of ways, the most successful being through open conversations with volunteers, either one on one or in monthly Development Committee meetings. The Development Committee is a recently formed subcommittee of the Board of Trustees. Members meet with staff at the Museum once a month to discuss development updates, potential prospects and cultivation strategies. As the peer to peer relationship is highly effective, this committee is essential to fundraising efforts at the Portland Art Museum.

According to Smith, the key research method to determining the most personal things about a potential donor come from information given by close associates or friends. The Portland Art Museum again utilizes the Development Committee to glean information about members in the community that have the potential to give. Special time is often taken during Committee meetings to peruse a list of lapsed members, look over spreadsheets of donor prospects for upcoming exhibitions and discuss individuals' capacity to give. This can often make Committee volunteers uncomfortable, as seen in a meeting in the fall. Museum staff had created a list of individuals they felt were

potential donors, made copies and passed out at the meeting. I observed that time was set aside to go over the people on the list, gauge their interest in the Museum and their level of wealth. Although Committee members sign a confidentiality agreement at the beginning of their term, this aspect was not brought to the attention of the Committee during this information sharing process and a new Committee member voiced her discomfort. The importance of the peer to peer connection was then explained, the confidentiality aspect was revisited and the volunteer then felt much more comfortable. I observed that this particular situation displays the necessity for Museum staff to fully explain and elaborate upon the confidential role of the volunteer, what it means to be on the Development Committee and that sharing information is a crucial step in the cultivation process.

Interest

While making sure that a donor's interests lie within the museum, it is also important to create interest in the museum. At the Portland Art Museum, a variety of actions are taken to rouse a potential donor's interest in the Museum, including artist lectures, gallery talks and family activities. However, in the Development Department, a significant amount of time is placed on private events in which cultivation activities (or moves) can take place.

Jane Christensen, Events Coordinator, is in charge of organizing all development related events, which include a majority of the events that occur at the Museum. From grand galas in celebration of an exhibition opening, to smaller wine and cheese

gatherings, to private dinner and tours with curators and the Executive Director, Christensen handles all the planning, inviting and arranging of the event. She thinks that having donors come to events make them feel special, like they are part of a special group at the Museum (questionnaire response). According to Christensen, potential donors feel privileged to be a part of something that is considered elite, simply because of what the Museum's walls contain—beautiful (and expensive) art. She further explains that it is necessary to have a variety of events in order to attract a cross-section of potential donors. The more events that potential donors are invited to, the more they become interested in the Museum and its mission and feel as though they have a relationship with the Museum, which leads to the potential for a major gift (questionnaire response).

Recently, the Museum initiated two new exclusive member benefits that can also be utilized to heighten awareness and interest in the Museum and its mission. Art Salons are quarterly occasions, hosted at a donor's home to which member of the Patron Society (members at \$1,500 or more annual membership fee) are invited for a catered dinner and discussion of the host's art collection. Depending on the venue, one of the Museum's curators will give a brief presentation of the collection and then encourage attendees to discuss the art amongst themselves. This private dinner is an event that potential major donors often attend and has shown to pique interest enough to generate a gift to the Museum.

The second recently established exclusive member benefit is a Patron Travel Program. Again, only Patron Society members are invited to participate in the Travel Program, which does cost a set fee but all proceeds are used for the trip, rather than

being funneled into the Museum. The trip becomes a method for engaging potential donors on a more personal and exclusive level, as both the Executive Director of the Museum, Brian Ferriso, and the Chief Curator, Bruce Guenther, travel with the group. Thus far, only one trip has occurred, but, according to Karie Burch, Senior Development Associate, the feedback was incredibly positive and the next trip has been planned and spaces are filling up quickly (personal communication, April 15, 2009).

It is through these interests and events that the donor will become engaged with the Museum, its mission and goals and a plan can be developed to meaningfully involve the individual with the Museum. However, according to both the Events Coordinator and the Associate Director of Development, it is incredibly important to have a 'mission moment' at the events, so that the gathering has direction and is not just about being social (questionnaire responses). Donor motives have been researched and documented, and a connection to the mission is often one reason that donors give; therefore, this marriage of a social event along with the mission is crucial. Once this interest has been established, it is much more appropriate to extend an invitation to join and invest in the organization, rather than merely sending a proposal (Smith, 1997).

Involvement

A donor is much more likely to give a major gift if he or she is directly involved with the Museum (Smith, 1997), whether this is through the Board of Trustees, as a committed docent or simply an active member. It is crucial to involve volunteers at this stage in the moves management process, as the peer to peer relationship is one of the

strongest methods for cultivating potential donors. According to the Director of Development, peer networks are extremely powerful and the Museum is actively working on furthering and fostering those relationships (questionnaire response). A side benefit to involving volunteers in this process is that their participation can serve as a means to further their involvement with the Museum (Smith, 1997), thus creating a move for them.

According to Caroline Kim, Senior Development Associate, many major donors become so because somebody close to them was also involved with the institution (questionnaire response). This is confirmed by a highly involved donor who wished to remain anonymous. She admits that she gave her first large gift because a friend, who was a docent at the Museum at the time, asked her to donate at that level (questionnaire response). The same donor states that she became involved with the Museum because art had always been a significant part of her life, influencing how she sees the world and the events in the world, both in the present and historically (questionnaire response). Though this donor became involved with the Museum for personal reasons, her major gift was initiated by peer to peer contact.

If an individual is aware of the Museum's efforts, strategies and plans for the institution, he or she is able to feel a more direct connection and relationship with the Museum, and this relationship is key to soliciting major gifts (Smith, 1997). Susan Jones (name has been changed) and her family foundation are a fairly new donor to the Museum. Jones states that the biggest reason she has chosen to be a donor is because of the philosophy of the new Executive Director, Brian Ferriso, and his emphasis on the necessity for access and education (questionnaire response). Caroline Kim, a Senior

Development Associate at the Museum believes, as the previous donor does, that strong leadership and communication also instill confidence in the donor that the institution is making the right decisions for the health and wellbeing of its mission. Kim stresses that having clear, direct goals as well as a realistic projected growth pattern ensures the donor that management is leading the institution in the right direction (questionnaire response).

Investment

If the previous moves management steps have been properly executed, the organization is primed to ask the individual to make an investment to the Museum. The potential donor should not be taken by surprise when asked to make a gift or contribution, as the entire moves series has been cultivating them for this moment (Smith, 1997). This transition from involvement to investment is a crucial one in the cultivation pathway, and the Director of Development emphasizes the importance to choose one's approach carefully, as the words the Museum uses to solicit major gift support are often as important as the thoughtfulness with which Museum staff and volunteers approach each cultivation move (questionnaire response). However, it is important to remember that a major gift is something that is major in the life of the donor and a gift that requires thought and reflection to the point of giving up something of great personal value in order to take advantage of a philanthropic opportunity (Smith, 1997).

Donors choose to invest with an organization for a variety of reasons, but the donors that contributed to the research for this paper all cited that a passion for the mission was essential for their giving. Marcia Stilwell, a member of the Development Committee, has been involved with the Museum for five years, both as a member and a volunteer. She states that she “is passionate about art on many levels” and references the importance of art in the community, and is grateful that she is able to give back to her community (questionnaire response). She and her husband have chosen to donate to organizations in the community whose mission is to improve the lives of disadvantaged youth, as she thinks that children are the most important asset that the United States has and it is imperative to creating a strong future (questionnaire response). Clearly, Stilwell is aware of the importance that art has on a community and a nation and chooses to give because of the Portland Art Museum’s mission of educating about art.

An anonymous donor shared stories about visiting museums as a child, and how those visits shaped her understanding of herself and others (questionnaire response), as well as helping her develop a deeper understanding of the meaning of human expression. However, when this anonymous donor was asked what motivates donors to give, she is clear and to the point: donors have a strong connection personally, philosophically and civically to the mission (questionnaire response). Though Susan Jones (name has been changed) understands that many donors give because they have always had art and culture as a part of their lives and feel compelled to sustain that opportunity for their community (questionnaire response), she believes that in her case, the educational component of the mission is a strong reason to give to the Museum.

CHAPTER 5

Discussion

Summary

This inquiry began with a thorough review of the literature in the field concerning individual donor cultivation, including an overview on philanthropy in the United States, ways and types of giving, current cultivation methods, behaviors, characteristics and demographics surrounding individual donors, donor motivations and potential issues with individual donors. The main questions driving the study were:

- What motivates an individual donor to give to a specific cause, namely an art museum?
- What are characteristics of major individual givers?
- What is the current state of philanthropy in the United States and what are some predicted changes?
- Does the Portland Art Museum have a specific donor cultivation program / method already in place?

Triangulated data from document analysis, donor questionnaires, development professional questionnaires and participant observation further developed the study.

The document analysis reviewed various cultivation documents utilized at the Portland Art Museum in order to gain an understanding of the donor cultivation methods utilized at the Museum. The questionnaire was given to both donors and Museum staff in order to gain a further, and more personalized, understanding of topics in the literature of the field, such as donor motivations and donor characteristics. Participant observation further rounded out the study by providing insight to practices at the Portland Art Museum.

Conclusions

Donor Motivations

Based on the review of the literature, the major reasons that donors give to nonprofit organizations are for either a tax credits or, according to Glazer and Konrad, because there is a desire to demonstrate wealth and a chance to socialize with an elite crowd (1996). According to John O'Hagen , tax policy is the main instrument for encouraging donors support of art museums in the United States (1998). Though social events held by the Museum, such as the Art Salons, do draw large crowds, answers received from both donors and staff at the Portland Art Museum, the two factors above do not play a major role in the reasons that donors give to the Museum and there seems to be a cultural shift in the motivations behind gifts from individuals. Chita Becker, a donor who has been involved with the Museum for over 25 years, sums up the general consensus among donors when she states that donors give to the Portland Art Museum

because they have the means and believe in the mission (questionnaire response). All four of the donors who returned the survey felt similarly; donors give because they believe in the organization and its mission. One donor further clarified by stating that she and her family foundation give to the Museum because of the leadership of Executive Director Brian Ferriso and the Museum's newfound focus on education. These responses align with the theories of Richardson and Chapman (2005) who state that the largest motivating factors are a donor's desire to support a specific charity and how the charity will use the gift; in the case of the Portland Art Museum, trust in the leadership and how the gift will be used is a strong motivational factor. Another donor, Marcia Stilwell, shared her belief that art experiences as a child have the power to greatly shape one's life and that art education is where she feels her financial support is best founded (questionnaire response). It is precisely because of her personal experiences with art as a child that she chooses to give back to the Portland arts community, which speaks to the theory posed by Ribar and Wilhelm (2002) that state that art museum donors respond to museum experiences they had as children.

Museum staff also had some differing opinions on donor motivations than those found in the literature. Karie Burch, Senior Development Associate, believes a gift is reached through a relationship, but "what ultimately motivates someone to give year after year to an organization is a connection to the mission and confidence in the leadership to continue and advance the mission" (questionnaire response). Staff also stressed the importance to donors of being able to witness the impact that their gift can make. Although Richardson and Chapman (2005) note that a donor is motivated to give because of a desire to support how a nonprofit organization will use the gift, Marlene

Carlson, Associate Director of Development is able to add further explanation. Carlson notes that people don't want to throw money away or throw money at a problem or opportunity that they have no idea how impactful it will be; they want for their gift to make a difference (questionnaire response).

If, according to both donors and staff, and a review of the literature in the field, donors are motivated to give to the Museum because of a connection to the mission and what the Museum provides for the community, that message must be clear and repetitive. This is a challenge that the Museum is currently facing, both internally and externally, as it strives to move forward in terms of donor cultivation.

Donor Characteristics

The findings concerning donor characteristics do not vary much from what was found in the review of the literature. Major donors at the Museum do tend to be of Caucasian descent, married, possessing a higher education, and from a high financial status (Van Slyke & Johnson, 2006; Cobb, 1996). However, there is a disparity in the findings as compared to the literature on one important level: many of the major donors (and all the donors that responded to the questionnaire) are women. This is not to say that they are single women, but rather, that it is women who are most actively involved, both financially and as volunteers, with the Museum. This completely contradicts Wright (2002), who states that, through various studies, art patrons have been found to be white men. It is therefore imperative that the Museum consider Marlene Carlson's observations that women especially want to use their gifts to help make things happen

(questionnaire response) when forming a plan for successful individual donor cultivation.

Cultivation Method

Though there are other cultivation methods that were discovered through a review of the literature, such as Ernest Wood's theory of the four R's: research, romance, request and recognition (Wood, 1997), the Portland Art Museum's development leadership feels as though the five-step Moves Management Theory created by Buck Smith in the 1970s is the one that is the most successful at the Museum. Each step of Smith's plan contains multiple complex layers and the Museum constantly explores the nuances within the layers in order to best utilize the method for their purposes.

Identification is often one of the most challenging steps, as it involves isolating specific individuals as potential donors. A 'Weekly Development Update' that is sent out electronically by the Associate Director of Development was recently implemented. This email update is sent to all Development Committee members, the Board of Trustees and other select people who are directly involved with the Museum. Each email includes a 'Do You Know' section that lists the names of people that have lapsed in their high end membership or who's name has been floated within staff meetings. If someone replies back and can identify that a person listed has the capacity to give and a potential interest in art and/or the Museum, the name is *moved* to the next step within the moves management model: information.

New events, such as the Art Salon evenings and the Patron Travel Program, while not specifically fundraising events, are generating donor interest in the Museum, which is step number three in the moves management model. In order to attend these special events, the individual or couple must be a member of the Patron Society, the Museum's high end membership level. Many member of the Patron Society continue to renew their membership, but are not active on any other levels. Providing elite events such as these has proven to be of extreme interest to some members that the Museum has not been able to reach otherwise.

The involvement step has also proven to have its challenges at the Museum over the course of this research. Previously, many in the community felt as though the Museum was a place that only the extremely wealthy could be involved and contribute, both financially and as volunteers. Though there is a minimum membership level in order to join the Board of Trustees, the Museum is actively attempting to erase the notion that a large amount of wealth is necessary for involvement. New committees, such as the Development Committee and the upcoming Marketing Committee, do not require a specific membership level in order to be involved; rather, the Museum staff look for individuals who possess the skills to make a significant impact upon the organization instead of simply a significant gift. Other steps that the Museum is utilizing in order to promote involvement are creating Task Forces that will be assigned to specific projects, Exhibition Leadership Committees that help link corporations and community members to specific exhibitions, and working on establishing relationships with corporations for in-kind gifts of their skills and services, rather than cash.

The cultivation process is an organic one at the Museum; it can change per exhibition, or depending on the donor. However, though establishing the moves management theory as the structure for individual donor cultivation, the Museum has created a model on which to consistently build and adapt to best fit its needs.

Current Economic Reality

Throughout the course of the research process for this paper, the United States economy took a significant plunge and changed the current economic reality. This affected the country on many levels, but made an incredible impact on the nonprofit sector on multiple levels. A major art museum such as the Portland Art Museum has a fairly large endowment that contains restricted funds which are invested in stocks and bonds. When the market falls, as it did recently, the endowment value also drops. This is significant for two major reasons: firstl, the Museum utilizes the interest earned off the endowment in order to finance certain budget items, such as salaries for endowed positions and basic operations costs; and secondl, the value of the endowment is often a barometer used by donors to determine an organization's financial stability and sustainability. The Portland Art Museum did not escape unscathed and has lost almost half of its endowment over the past months. Another substantial way that the Museum has been effected by the current economic state has to do with individual donors. Just as the Museum's investments were influenced by the stock market, many donors have experienced the same downfall with their personal investments and have halted abruptly in their giving. According to the Executive Director of the Museum, this freeze

on the market is a short term issue and the focus for the Museum needs to be on the long-term plans to combat the economic struggles at present (personal conversation, April 14, 2009). Museum staff attempt to maintain a positive outlook concerning the economic crisis, citing examples of other times that the Museum has struggled financially and survived. At a Development Committee meeting in March, a brief presentation was given on the state of philanthropy during the Great Depression and emphasizing that giving to nonprofit organizations did not halt then. In fact, the Museum's massive Hoffman Wing was constructed during those financially unstable times.

Donors feel similarly about the market and are optimistic that the current economic situation will not have a long-lasting impact on the Museum. According to Stilwell, those who have supported art in the past will continue to do so in the future; history has proven this to be true (questionnaire response). One donor notes that those who are wealthy are still considered wealthy, even in the current economic climate (questionnaire response). An anonymous donor firmly believes that the current economic situation will provide an opportunity for the Museum to identify and prioritize its greatest strengths and its greatest needs and that the Museum will emerge from this difficult time well positioned to expand the mission in ways that target future goals in a sustainable manner (questionnaire response). Although all the donors that participated in the research possessed an overall positive attitude concerning the economy and the future implications of the volatile market, the overall giving to the Museum is much lower than predicted in the budget and the Development Department is still struggling to generate funding for upcoming exhibitions and programming. Due to the economic

downturn, many foundations have placed a freeze on grants, and many individuals are following suit.

Although staff and donors are thinking positively about the state of the economy, this economic reality has forced the Museum to think creatively about itself on a variety of levels, including donor cultivation. New cultivation tactics have been enacted; most recently, a personalized letter from the Executive Director was sent to potential donors asking for their support of an upcoming exhibition that included a post script noting the challenging economic times, but emphasizing that the Museum needs financial support more now than ever. Stilwell states that she hopes the current state of the global economy will cause the Museum to reevaluate how it uses the collections it owns, the programs it offers, and the technology that is now available to continue to promote its arts education programs (questionnaire response).

Implications

It is a constant challenge for nonprofit organizations (and especially the Development Department within the organization) to attempt to understand the reasons that motivate donors to give and to successfully navigate the various rules and regulations implemented by the government in regards to charitable giving. Yet, a firm understanding of the reasons that donors support the organization is a crucial element to the organization's sustainability. Brian Ferriso, the Executive Director at the Portland Art Museum, believes that there are two types of donors at the Museum: those

that want recognition for their gift and those that support the Museum's mission (personal conversation, April 21, 2009). However, he is quick to note that there is an ongoing shift within the Museum's giving structure and that this shift is towards giving to the Museum for the mission. There is a recent attempt at the Museum to encourage donors to give for an entire exhibition series (which lasts two years), rather than simply exhibition by exhibition, as has been the case in the past. Some donors naturally balk at this type of giving, as their name may become associated with an art form that they personally do not care for, and according to Wood, donors are particular about what their name is attached to in art museums (1997). However, the Executive Director is determined that a shift of this type is imperative for the Museum to stay true to the mission of the organization, which is to serve the public by providing access to art of enduring quality, by educating a diverse audience about art, and by collecting and preserving a wide range of art for the enrichment of present and future generations. This shift in donor motivations is a challenging one that the Museum constantly stresses to donors and staff in order to maintain consistency through messaging.

There is also a shift in the Museum's culture from being perceived as an organization that caters to the elite, to actively being involved in the community and improving public perception through a consistent internal reference to the mission and its importance. This shift is highly apparent at Museum fundraising events. Under the previous administration, much emphasis was placed on hosting elaborate and expensive parties in order to generate funding; however, according to the Events Coordinator at the Museum, events now marry art with the social aspect of a party (questionnaire response). Events are now more purpose-driven, and there is a conscious effort by the

entire Development Team and the Executive Director, to create an art moment at each and every event. These moments consistently and constantly remind event attendees why they are at the Museum and how the Museum's mission influences the entire community, which is important to many donors (Wright, 2002).

The Museum is facing a major shift, both economically and culturally. Donors want to be assured that their gift is making a difference, impacting the community and assisting in maintaining the Museum's mission. These challenges can potentially be daunting, yet the Portland Art Museum is taking them in stride and thinking proactively in terms of individual donor cultivation. There have been improvements at the Portland Art Museum on many steps of the moves management model over the course of this research.

Recommendations for Further Study

Though this study addressed many of the research questions, it had limitations, as discussed in Chapter 1. These limitations included the length of time in which the study was conducted, the number of donors that responded to the questionnaire and the scope of the study.

The first recommendation is to examine and collect data from other major urban art museums and donors at those museums. This process would allow valuable comparisons to be made concerning donor motivations and characteristics as a whole, and also illuminate other methods of donor cultivation, rather than simply the moves management method utilized at the Portland Art Museum. Additionally, this inquiry

would be interesting as applied to other art organizations within the Portland region, such as the Oregon Ballet Theater or the Portland City Stage. Through this more thorough examination of successful donor cultivation methods, it might be possible to create a program model for this type of fundraising.

The literature revealed a major gap in research done concerning the economic downturn and its impact upon individual donations to nonprofit organizations, specifically art museums. Though preliminary studies show that donations are down, it is important to examine the long-term effects. Over time, this research will inevitably be conducted; however, at the time of this research project, very few studies were available. This effect that the current economic state has on the future of philanthropy will greatly effect all nonprofit organizations and over time those effects will become visible.

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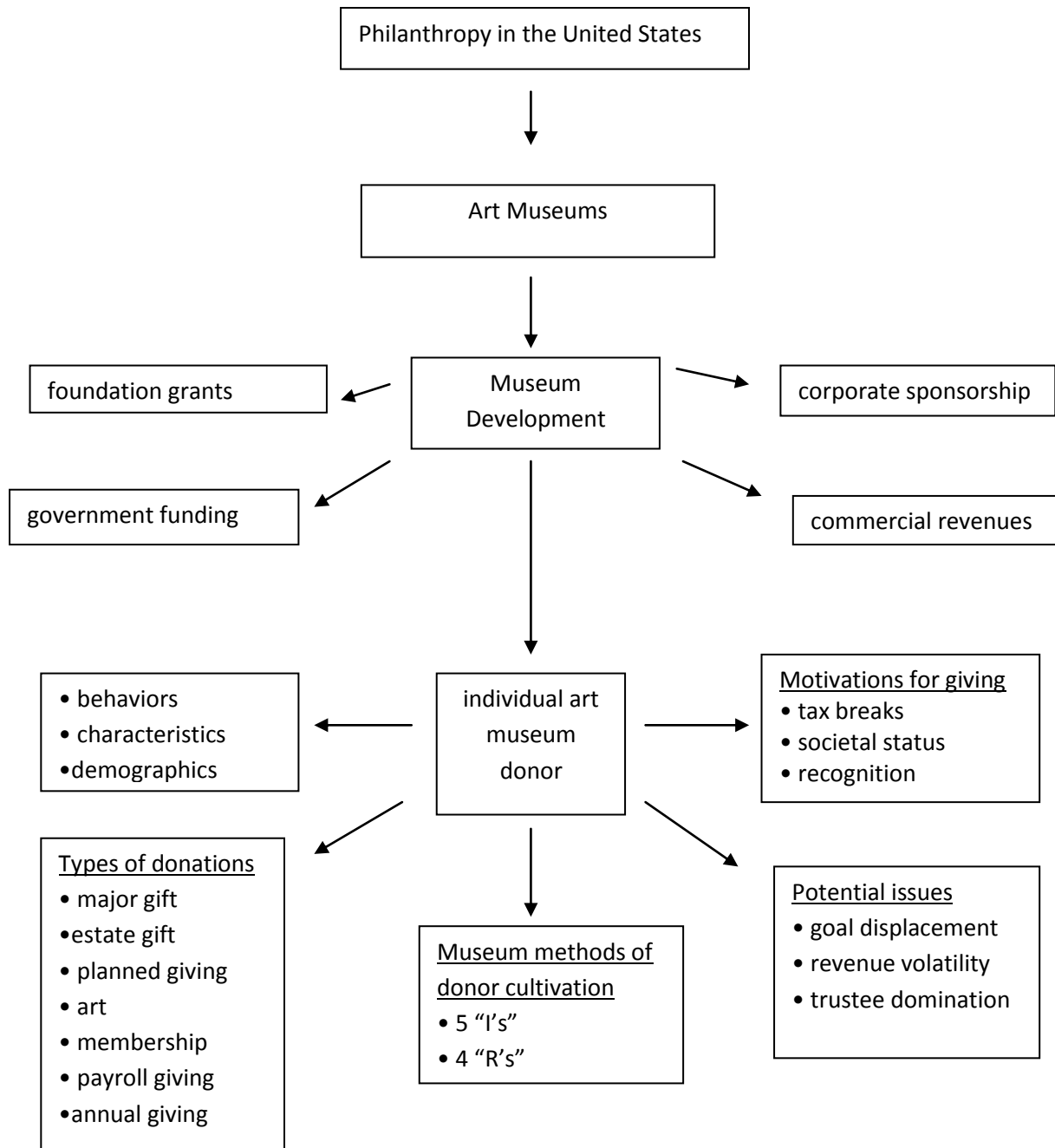
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Appendix A

Conceptual framework schematic



Appendix B

Recruitment Letter

November 12, 2008
John Smith
Portland Art Museum
Portland, OR

Dear Mr. Smith:

You are invited to participate in a research project titled *Individual Donor Cultivation: Planting the Seed and Compelling It to Grow*, conducted by Alexis Williams from the University of Oregon's Arts and Administration Program. The purpose of this study is to explore how successful individual donor cultivation methods occur at major urban art museums, specifically the Portland Art Museum.

Over the next 50 years, economists predict an enormous transfer of wealth within the United States. Much of these funds are expected to be donated to nonprofit organizations. Art museums in the United States derive 90% of their annual funding from individual donors. Therefore, development professionals working for art museums should be re-examining their methods for donor cultivation in order to receive large gifts. This project will explore the Portland Art Museum as a case study for how successful individual donor cultivation occurs at major art museums.

You were selected to participate in this study because of your leadership position with the Portland Art Museum and your experiences with and expertise pertinent to donor cultivation in Portland, OR. If you decide to take part in this research project, you will be asked to provide relevant organizational materials and participate in an in-person interview, lasting approximately one hour, during winter 2009. If you wish, interview questions will be provided beforehand for your consideration. Interviews will take place at the Portland Art Museum or at a more conveniently located site. Interviews will be scheduled at your convenience. In addition to taking handwritten notes, with your permission, I will use an audio tape recorder for transcription and validation purposes. You may also be asked to provide follow-up information through phone calls or email.

If you have any questions, please feel free to contact me at _____ or _____@gmail.com or Phaedra Livingstone at _____. Any questions regarding your rights as a research participant should be directed to the Office for the Protection of Human Subjects, University of Oregon, Eugene, OR 97403.

Thank you in advance for your interest and consideration. I will contact you shortly to speak about your potential involvement in this study.

Sincerely,

Alexis Williams

Appendix C

Consent Form

Individual Donor Cultivation: Planting the Seed and Compelling It to Grow

Alexis Williams, Principal Investigator
University of Oregon Arts and Administration Program

You are invited to participate in a research project titled *Individual Donor Cultivation: Planting the Seed and Compelling It to Grow*, conducted by Alexis Williams from the University of Oregon's Arts and Administration Program. The purpose of this study is to explore how successful individual donor cultivation methods occur at major urban art museums, specifically the Portland Art Museum.

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You were selected to participate in this study because of your leadership position with the Portland Art Museum and your experiences with and expertise in donor cultivation in Portland, OR. If you decide to take part in this research project, you will be asked to provide relevant organizational materials and participate in an in-person interview, lasting approximately one hour, during winter 2009. If you wish, interview questions will be provided beforehand for your consideration. Interviews will take place at the Portland Art Museum, or at a more conveniently located site. Interviews will be scheduled at your convenience. In addition to taking handwritten notes, with your permission, I will use an audio tape recorder for transcription and validation purposes. You may also be asked to provide follow-up information through phone calls or email. There are minimal risks associated with participating in this study, particularly since this phase of research is exploratory in nature.

Any information that is obtained in connection with this study will be carefully and securely maintained. Your consent to participate in this interview, as indicated below, demonstrates your willingness to have your name used in any resulting documents and publications and to relinquish confidentiality. If you wish, a pseudonym may be used with all identifiable data that you provide. It may be advisable to obtain permission to participate in this interview to avoid potential social or economic risks related to speaking as a representative of your institution. Your participation is voluntary. If you decide to participate, you are free to withdraw your consent and discontinue participation at any time without penalty. Any information that is obtained in connection with this study and that can be identified with you will remain confidential and will be disclosed only with your permission.

I anticipate that the results of this research project will be of value to the development sector as a whole, especially in the Pacific Northwest region. However, I cannot guarantee that you personally will receive any benefits from this research.

If you have any questions, please feel free to contact me at _____ or _____@gmail.com or Phaedra Livingstone at _____. Any questions regarding your rights as a research participant should be directed to the Office for the Protection of Human Subjects, University of Oregon, Eugene, OR 97403.

Please read and initial each of the following statements to indicate your consent:

_____ I consent to the use of audiotapes and note taking during my interview.

_____ I consent to my identification as a participant in this study.

_____ I consent to the potential use of quotations from the interview.

_____ I consent to the use of information I provide regarding the organization with which I am associated.

_____ I wish to have the opportunity to review and possibly revise my comments and the information that

I provide prior to these data appearing in the final version of any publications that may result from this study.

_____ I wish to maintain my confidentiality in this study through the use of a pseudonym.

Your signature indicates that you have read and understand the information provided above, that you willingly agree to participate, that you may withdraw your consent at any time and discontinue participation without penalty, that you have received a copy of this form, and that you are not waiving any legal claims, rights or remedies. You have been given a copy of this letter to keep.

Print Name: _____

Signature: _____ Date: _____

Thank you for your interest and participation in this study.

Sincerely,

Alexis Williams