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collections funds
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most nonprofits have two types of financial funds: restricted and unrestricted. restricted funds are designated for use for a particular activity and cannot be spent on anything else, like a grant for a specific project. those funds can be restricted either permanently or temporarily. unrestricted funds, on the other hand, can be used at the discretion of the organization for general operations.

there are multiple reasons a nonprofit heritage organization might have restricted funds. grants and sponsorships are restricted to specific projects or programs. financial donors might ask that their gift be restricted to a certain project or area of the institution. and funds raised from the sale of collection items are restricted to the direct care of collections.

many museums create a restricted collections fund to house all the money that is restricted to the collection. this might include individual donations with donor-designated restrictions, assets from the sale of deaccessioned collections, sponsorship of a specific item, or even money
raised in the name of the collection without a particular project in mind. Once money is in the collections fund, in some ways, how it got there becomes less important than how it is used from this point forward. Even if an organization has not created a specific collections fund, there are likely funds that fall into this category.

The broadest definition of what can be done with the money in a collections fund is often cited as “direct care of collections.” This is intentionally broad language. There are certain things that easily and indisputably fall under this category, like the purchase of archival supplies to house and preserve the items or conservation of items in the collection. There are also quite a few gray areas.

When it comes to determining if a potential purchase can be covered by collections funds, check the purchase against some ethical parameters.

1. Will the collection, in whole or in part, suffer if the purchase is not made?
2. Will the purchase extend the life of the collection?
3. Does the project fit within the donor’s intent?
4. Is the expenditure necessary in making the collection of educational use?

If the organization first thinks of the collections fund to cover an expense because that fund has money “just sitting there,” then it probably is not a good use of those funds.

One frequently sticky situation revolves around organizations that have officially accessioned buildings who now need to do building work. Two great questions to help guide decisions about whether using collections funds is ethical are: is the work being proposed necessary for the historical integrity of the building, such as fixing the original copper roof? Or does the work have more to do with the use of the building, like making the current restroom into an accessible restroom? Both projects are being done to the accessioned historic building, but one is much more apparent as being an ethical use of collections funds (hint: it’s the roof).

It is important to have ethical management of collections funds, and all funds for that matter, because not doing so can reduce community confidence, which in turn might reduce financial donations. Ultimately
because the definition of “direct care of collections” is broad, it is up to the organization to determine whether or not they think they could make a good case to an upset public that their use of the collection funds was ethical. If they are not confident, then it might be a good time to find another source of funding for that project.