

INDIANA HISTORICAL SOCIETY COLLECTIONS ADVISOR

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Are Collections an Asset?

By Karen DePauw, Manager, Local History Services

Yes, and no. Collections are one of the most important assets of a museum, however, they are not generally considered financial assets. The purpose of a museum's permanent collection is as a cultural asset.

The main reason museum collections are not considered financial assets is because the objects within the collection are part of the public trust and therefore, in many ways, belong to the community the museum serves and not the museum itself. This is also the foundation of the idea that funds realized from the sale of deaccessioned collection items should be used for acquisition or direct care of collections. It is part of the structure that keeps museums from selling an item from their collection simply to fill a fiscal gap.



Currency: One Dollar (Indiana Historical Society)

It is not only the museum field that has made statements regarding collections and their role as financial assets. The Financial Accounting Standards Board (FASB) has also put out guidance for not for profits regarding the capitalization of items in a collection, which serves as the official authority when it comes to the proper creation of financial reports ([958-360-25-3](#)). They do not require that a not-for-profit organization claim its permanent collection as a financial asset. Capitalizing the collection would mean that it is an asset that could be sold and turned into cash if the organization chose. This would fly in the face of museum ethics

that guide organizations to see their collections as cultural rather than financial assets. The American Association for State and Local History's [Statement of Standards and Ethics](#) even outright states "Historical resources should not be capitalized or treated as financial assets." The collections held by museums are held in the public trust, carrying an educational and cultural value rather than a monetary one.

The FASB provides many explanations and examples of how to report non-capitalized collections on financial statements. Following this guidance helps ensure that museum collections are never considered a liquid asset for something such as providing collateral for a loan. If the museum used the collection as a financial asset in such a situation, then defaulted on the loan it could mean that the loan holder would now also hold the rights to the collection, which would be at great odds not only with museum ethics, but also with the intentions of those who donated the items in the first place.



[Home Owner's Loan Corporation](#) (Martin Collection, Indiana Historical Society)

Although collection items are not financial assets, there can be times when the value of an item might be needed.

- Insurance Value – This value refers to what it would cost to insure the collection in case of emergency or disaster. Insurance may be needed for small occurrences (like an object accidentally breaking and needing conservation) or large occurrences (like a fire or flood). This value also helps when insuring an item going out on loan.
- Fair Market Value – This refers to how much a particular collection item might be worth if it was sold. Understanding this for items being deaccessioned and sent to auction can help the museum know how much money could potentially be gained from the

sale. It also helps inform any institutional decision regarding putting a minimum reserve on the item at auction, meaning that if they do not get a certain amount then the item will not be sold. Although items should never be deaccessioned and auctioned due to financial need, this does not mean that the museum is excluded from seeking a fair market price for items (for example, sending art pottery to a specialty auction to get the best price instead of just sending it to the nearest auction house).

- **Appraisal Value** – This value is based on the Fair Market Value but might also take into consideration the historical significance of the item and is often obtained by a donor (prior to donation) for tax deduction purposes. Note that ethics do not permit a museum or its staff or volunteers to assign an appraisal value to an item.

Museum collections should be treated as cultural and not financial assets for the museum. By serving as tools for research, exhibition, and education, collection items help museums fulfill their missions. The public has entrusted these items into the care of the museum and it is the job of the museum to care for them correctly.

Further Resources

- [Collections Advisors](#) (Indiana Historical Society)
- [980 Not-For-Profit Entities](#) (Financial Standards Accounting Board)
- [Capitalization of Collections](#) (American Alliance of Museums)
- [Code of Ethics for Museums](#) (International Council of Museums)
- [Direct Care of Collections: Ethics, Guidelines and Recommendations](#) (American Alliance of Museums)
- [A Legal Dictionary for Museum Professionals](#) (Heather Hope Kuruvilla)
- [Museum Collection Ethics: Acquisition, Stewardship, and Interpretation](#) (Steven Miller)
- [A Practical Guide to Museum Ethics](#) (Sally Yerkovich)
- [Statement of Standards and Ethics](#) (American Association for State and Local History)

Collection Trainings

[Tackling Nostalgia: The Creation of “Sit Down to Take a Stand”](#)

August 2 – (Texas Historical Commission)

[Preparing for Extreme Weather: Fire and Hurricane](#)

August 18 – (Connecting to Collections Care)

[Webinars](#)

Recorded – (Indiana Historical Society)

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