

## **MINUTES OF THE NOVEMBER 3, 2009, ADVANCEMENT COMMITTEE MEETING**

The Advancement Committee (“the Committee”) of the Board of Regents met on November 3, 2009, in the Regents’ Room of the Smithsonian Castle in Washington, D.C. Participating were Committee Chair Alan G. Spoon\* and Committee members Travis Engen, Sakurako Fisher\*, Robert Kogod, and Adrienne Mars\*. Staff members present were Chief of Staff to the Secretary Patricia Bartlett, Director of External Affairs Virginia B. Clark, Director of Development Services Zully Dorr, Chief of Staff to the Regents John K. Lapiana, General Counsel Judith Leonard, Campaign Director Jenine Rabin, and Office of External Affairs Manager of Communications Bill Tabor.

The agenda consisted of the approval of the minutes of the Committee’s September 10, 2009, meeting; comments on the Strategic Plan by Secretary Clough; updates on action items from the September 10, 2009, meeting; a Campaign planning report; a discussion on Campaign budget models; fund-raising results for fiscal year 2009; and a review of pending gifts.

### **Call to Order**

The Chair called the meeting to order at 10:07 a.m.

### **Approval of the Minutes of the September 10, 2009, Meeting**

The minutes of the September 10, 2009, meeting were sent to members in advance of this meeting. The Chair asked for comments. There being none, it was moved that the minutes be approved. The motion was seconded and the minutes were approved by unanimous vote.

### **Comments on the Strategic Plan by the Secretary**

Since the last meeting of the Committee, the Strategic Plan was presented to and approved by the Board of Regents on September 21, 2009. The Secretary commented that he had discussed the plan with eight of 30 Smithsonian unit advisory boards and found each to be supportive of it. Mr. Spoon asked if the Secretary was asked questions about funding the plan. The Secretary said the questions asked have been organizational in nature, such as how each unit will fit into the plan. He added that the plan was being printed for distribution.

Secretary Clough reported that the fiscal year 2010 Federal budget just passed, and that the Smithsonian received a good appropriation. He commented on three items in the budget—\$1.5 million for the Smithsonian Global Earth Observatories (SIGEO), \$1.5 million for Web access, and \$1 million for digitization—and noted that the second and third items will support the Strategic Plan’s priority of broadening access. The appropriation also includes \$20 million for the National Museum of African American History and Culture and funding for the interior revitalization of the Arts and Industries Building.

(\* *participated by teleconference*)

## **Action Item Updates from the September 10, 2009, Meeting**

Ms. Clark reported on action items from the September 10 meeting and reviewed a Campaign chart that demonstrated overall Campaign activity and major initiatives. The Committee was informed that formal Campaign budget reports with detailed financial information will be provided by the Office of Development in early fiscal year 2011, after the Campaign budget is finalized, and that updates on Campaign spending will be provided until that time.

## **Campaign Planning Progress**

Ms. Clark then reported on Campaign planning progress, which she characterized as an intensive phase of preparation. She commented on current major efforts, including selecting an IT vendor, creating a comprehensive staffing plan, and focusing the units on their plans, including money and staffing needs.

Secretary Clough said that the Office of External Affairs discussed the fund-raising IT system with the Office of the Chief Technology Officer and that good progress had been made. The Smithsonian will purchase an “off the shelf” system that will support the sharing of information from all units and the preparation of good financial and performance reports. The Committee discussed the system and was told that it will be kept well-informed on its progress. Ms. Clark also reported that a professional development training program for museum directors and other leadership has begun. Outside consultants are assisting with the program. She then reviewed the Campaign calendar that provided an overview of the Campaign, as well as benchmark goals and initiatives. A Committee member said that while the calendar presented a summary of Campaign activity, future discussions would benefit from the addition of the detailed tracking document used by staff.

## **Campaign Budget Models**

Ms. Clark, assisted by Ms. Rabin, discussed campaign budget models. Members had received materials about the models in advance of the meeting. Ms. Clark reminded the Committee that the Smithsonian historically had funded development operations on a year-to-year basis. She said that this discussion of campaign budget models would be a preliminary introduction to a complex subject, that no conclusions would be expected from this meeting, and that a formal Campaign budget request would be presented in the spring of 2010. She noted that the campaign budget models were the result of a team effort; had been vetted by staff in the offices of budget, finance, and General Counsel; and had been benchmarked using reports and data from outside organizations.

The Committee reviewed five campaign funding options—assessing gifts; assessing the Endowment; earning interest from holding gifts; recovering indirect costs of private grants; and gaining short-term investment income on gift funds—and noted that a combination of options would be needed. Supporting materials for the five options included benchmarks, internal principles, internal cost assumptions, and assumptions used in preparing the analysis, which used a cost-per-dollar-raised estimate of \$.16.

Mr. Spoon asked members to comment based on their fund-raising experiences. Among the number of points discussed was the importance of clarity and transparency in communications about the selected funding methods, including explaining to the public how costs are conveyed. A Committee member asked if Campaign funds could be borrowed from the Endowment and repaid with unrestricted Campaign gifts.

Ms. Clark said that assessing gifts was a common fund-raising practice and that fees charged range from 5 to 10 percent. When asked to comment, Committee members said that charges should be standardized, disclosed to donors in a user-friendly way, and factually conveyed as a necessary business cost. The Committee requested more information from five Smithsonian units that presently charge overhead fees, including feedback from donors about this practice.

Ms. Clark discussed the option of assessing the Endowment, which can be done by increasing the Endowment's payout or by charging an assessment on the payout. Mr. Spoon asked for comments. A member described the practice as troublesome, as increasing the payout would be the same as invading its principal, and said that the option should be the last choice. Secretary Clough commented that Georgia Tech employed a graduated assessment on the payout of its endowment, and that the school informed its previous endowment donors when the charge was established. Ms. Rabin shared information about eight state university foundations that charge fees on their endowments' payouts. Mr. Spoon asked that staff provide more information on university foundation practices, specifically on whether endowments' payouts were increased or if current payouts were reallocated to fund development. A member observed that more will be known about IT and personnel costs, which are large and have a large impact on costs, in April 2010.

### **Fund Raising Results as of September 30, 2009**

Ms. Clark reported that the Smithsonian raised \$126.5 million in fiscal year 2009, or \$6.5 million over its fund-raising goal. She said that it reflected the warm welcome being given to the Secretary and the Smithsonian. Further details of the year's results were provided in handouts.

### **Review of Pending Gifts**

Ms. Clark presented five pending gifts for the Committee's review: the creation and naming of The May Liang and James Lintott Foundation Endowment, the Catherine and Ralph Benkaim Endowment, and the Jeffrey P. Cunard Endowment, each to benefit the Freer Gallery of Art and the Arthur M. Sackler Gallery; the creation of a quasi-endowment for the National Portrait Gallery; and the creation and naming of the Charles Robertson Exhibitions Endowment at the Smithsonian American Art Museum. Discussion of the insurance gift associated with the proposed Robertson endowment led to a discussion of gifts of insurance and Mr. Spoon requested further information on the acceptance of insurance gifts. He then asked for an en bloc vote to approve the submission of the following five motions to the Board of Regents for its approval. The motion was seconded, moved, and approved by unanimous vote:

**VOTED** that the Board of Regents creates and names The May Liang and James Lintott Foundation Endowment. The endowment will support the annual needs of the Freer Gallery of Art and Arthur M. Sackler Gallery until such time as the Galleries' director, in agreement with the donors, shall determine the endowment's designation, which shall take place before or by the conclusion of the Galleries' current endowment campaign.

**VOTED** that the Board of Regents creates and names the Catherine and Ralph Benkaim Endowment to support Indian art and associated programs at the Freer Gallery of Art and Arthur M. Sackler Gallery. At the discretion of the director of the Galleries, the endowment may also be used to support Islamic art and associated programs.

**VOTED** that the Board of Regents creates and names the Jeffrey P. Cunard Endowment, an endowment to support the needs of the Freer Gallery of Art and Arthur M. Sackler Gallery as determined by the director of the Galleries. The director will have the discretion to return any unspent income to the endowment for reinvestment.

**VOTED** that the Board of Regents creates a quasi-endowment for the National Portrait Gallery for the general purposes of the Gallery. Further, the Board authorizes the transfer of funds identified for this purpose to the endowment, which shall be known for administrative purposes as the National Portrait Gallery Endowment.

**VOTED** that the Board of Regents approves the creation of an endowment for the Smithsonian American Art Museum to be established after the donor's death with a payment from a universal life insurance policy. The endowment will support the Museum's exhibitions program; it may not be used for salaries or for other operating or capital expenses. Its payout is to be used at the discretion of the Museum's director and may be returned to the endowment's principal. Further, the Regents approve naming the endowment, when it is established, the Charles Robertson Exhibitions Endowment.

## **Adjournment**

A member asked if a specific planned giving goal would be established when the Campaign goal has been set. Ms. Clark confirmed that a specific planned giving goal would be established at that time.

There being no further business, this meeting of the Advancement Committee was adjourned at approximately 11:50 a.m.

Respectfully submitted,  
Alan G. Spoon, Chair