



## Smithsonian Institution

### Resourcing the Strategic Plan

In 2010, the Smithsonian developed an ambitious strategic plan with a focused vision to leverage the individual strengths of its organizations and achieve even greater accomplishments through interdisciplinary and collaborative efforts.

*Inspiring Generations through Knowledge and Discovery* positions the Smithsonian for a new era, where the complexity of the world's problems overwhelms any one field of knowledge. Few institutions are better suited to deliver an integrated approach, for we possess both depth and breadth of knowledge across the branches of history, science, art, and cultural studies.

The strategic plan is designed to capitalize on Smithsonian strengths and address critical issues facing the world.

#### Funding the Vision: A Public-Private Partnership

To accomplish the vision set forth by the strategic plan, the Smithsonian will require additional resources. These will be generated through a combination of elements that further forge the private-public partnership which serves as the foundation for the Smithsonian: federal appropriations, business revenue, government grant and contracts, and private philanthropy.

While federal funding keeps our buildings open and accessible to the public, maintains the invaluable national collections, and pays for most of the Smithsonian's workforce, we know that our vibrant future must also depend on private support.

In 2011, the Board of Regents approved a plan for the Smithsonian's first comprehensive fundraising campaign. The campaign is the cornerstone that will enable the Smithsonian to achieve the goals of the strategic plan.

#### Building Capacity

The campaign will almost double the level of private giving to the Smithsonian, both in number of donors and gift income. This effort will require a greater investment, both in staff and infrastructure resources.

In doing so, the Smithsonian must account for costs beyond those for resources needed to solicit contributions, such as gift officers, and carefully consider equal investment in functions that are critical to our accountability to donors and the stewardship of all gifts received.

#### Investing in the Smithsonian

In 2011 the Smithsonian began to direct a small portion of new term gifts received to advance the fundraising capacity of its museums and programs. Aligning with best practices across the country, a Development Cost Recovery of 10% will be applied to term gifts starting at \$10,000, effective June 15, 2011. The fee will be capped at \$1 million.

As of October 1, 2011, the Smithsonian also directs a percentage of the annual endowment payout, where terms of the gift allow, to support the administrative expenses incurred by the program the endowment funds. The percentage is based on the indirect cost recovery rate approved for the Smithsonian for government grants and contracts.

A gift to the Smithsonian will have a two-fold impact. In addition to supporting our incredible museums and programs, each gift will also allow the Smithsonian to invest in the expansion of a world-class development organization and leverage additional philanthropic opportunities to further advance our mission.

#### The Outcome of Our Actions

A robust development organization is key to the success of any campaign. A successful campaign will strengthen our endowment, helping us grow wisely in good economic times and weather bad ones. It will enlarge our base of annual support, enable us to realize our goals, and engage the next generation of donors in the Smithsonian's work.

## Frequently Asked Questions

In the coming years, the Smithsonian will undertake the largest fundraising effort in its history with a national campaign, and to do this we must make a greater investment in our fundraising program.

- 1. What is the Development Cost Recovery?** The Development Cost Recovery allows the Smithsonian to further the Smithsonian's fundraising capacity and invest in development, beyond the costs of soliciting gifts. It helps offset the costs associated with processing and recording donations to be able to properly and accurately account and report to our donors, thereby strengthening the stewardship of all gifts we receive. The Development Cost Recovery will be applied to gifts and pledges starting at \$10,000, and capped at \$1,000,000 per gift. The Development Cost Recovery will not be applied to gifts and pledges received prior to June 15, 2011, unless prior arrangements were negotiated with the donor and reflected in the gift agreement. The Development Cost Recovery does to apply to gifts to endowment.
- 2. What is the Administrative Cost Recovery?** The Administrative Cost Recovery allows the Smithsonian to recover costs associated with indirect administrative services that support the programs funded by endowment, such as legal services, procurement, contracting, and investment management. The rate is set annually based on indirect cost recovery rates approved by the Smithsonian for contracts and grants. Beginning October 1 2011, the Smithsonian will assess the Administrative Cost Recovery annually to the spendable payout of endowments that allow for such expenditures. Funds recovered allow the Smithsonian to leverage the investments needed to advance its mission through philanthropy.
- 3. Is my entire contribution still tax deductible?** Yes. The assessment of cost recovery rates does not affect the tax-deductible amount of your gift to the Smithsonian. You will receive a gift receipt for the full amount of your donation.
- 4. Will my gift to endowment yield less than the Smithsonian's required minimum to establish the fund after the Administrative Cost Recovery is assessed?** The Board of Regents has established minimum levels for the creation of endowed funds that are based on the donor's gift amount, not on investment income.
- 5. Why are you not using interest earned on working capital?** A portion of interest earned from working capital is already directed to fund development and supporting functions.
- 6. Why are you not using federal funds to pay for fundraising?** As a general matter, Congress does not provide the Smithsonian federal appropriations for its fundraising efforts. On rare occasions, Congress provides temporary federal funding for fundraising efforts necessary to create a new museum, as was the case for our newest museums. Once the museums open, however, they are expected to fully support fundraising efforts necessary to sustain their programs with non-federal sources.
- 7. Must my gift be subject to these practices?** Exceptions to these fee practices may be made in rare instances in which the unique nature of the gift overrides the needs of the Smithsonian to create a sustained and secure method to strengthen private philanthropy.
- 8. Are other organizations applying fees to recover such costs?** Yes. We conducted research on what other organizations are doing, and many institutions implement similar fees. Recent surveys and news reports indicate increasing use by the non-profit sector.
- 9. How is the Smithsonian going to control its fundraising operating costs?** We continue to explore entrepreneurial ways to increase private giving while keeping our administrative costs at a minimum and our efficiencies at a premium. The development budget is carefully monitored both by our departments and advisory boards, as well as by the Board of Regents' Advancement Committee.