

Valuing Collections

Have you done a valuation of your collection? Most museums and art galleries are legally required to do so. What do you value? How do you go about doing a valuation? This guide aims to tell you how.

Why value your collection?

Here are ten good reasons why you should value your collection.

- You may be *obliged* to account for your collection to bring it on to the books of your controlling body.
- Valuing your collection will encourage you to review how you *protect* and *manage* your collection.
- You need to know the value of items to get *insurance cover* for them.
- Valuation will help you to set *priorities* for your insurance cover.
- Valuation will help you to identify which *high value items* may need special protection and security - on display or in storage.
- Valuation will help you to set *priorities* for your conservation and budgetary planning.
- Do you really know what's in your collection? The valuation process will encourage you to conduct a *stocktaking audit*.
- Valuation is a good incentive to get your collections on to a *computerised database* if you have not already done so.
- Putting a monetary value on a collection enables better *communication* with your financial controllers.
- You need your collection to be valued in order to present a credible financial statement to *potential funders*.

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Do you **have** to

value?



Statutory obligation

Does central or local government directly or indirectly control your museum financially? Or does a local authority have 'a significant interest' in it? (If your museum's accounts are incorporated into the accounts of a local authority, Audit New Zealand regards you as 'a significant interest' for the authority.)

If the answer is yes to either of these questions, you must have annual financial statements prepared in accordance with generally accepted accounting practice (GAAP). (See section 41 of the Public Finance Act 1989 and section 223E of the Local Government Act 1974.)

The Institute of Chartered Accountants of New Zealand sets standards for financial statements. These now require cultural heritage collections to be treated as assets, and to be brought on to the books and valued like other assets. This means that you are under a statutory obligation to account for your collections.

Five not very good reasons not to value

Private and local body museums and galleries have been slower to comply with these requirements than those controlled by central government. Here are some of the common justifications.

- The items in our collection will not be sold, so why value them?
- If items in the collections are never sold, how can their true value be determined?
- Taonga and similar items often have spiritual rather than monetary value.
- Natural history specimens and much else may be valuable to us but have no market value. To ignore these things would be inconsistent, but aren't they just about worthless?
- We don't have the staff, money, time or expertise!

Why you should value your collection anyway

Improving protection and management

Most museums underestimate the value of their collections. Monetary worth is central to issues of security and protection. An item which is found to be of high value may need to be displayed or stored in a way that gives better protection from fire, accident, natural disaster, theft, moisture or atmospheric change.

Insurance

You should have adequate insurance for objects in your care, and should certainly obtain cover for objects held in trust or on loan. If a collection is insured and an object is lost or damaged, you will then be partially or wholly compensated, at least in monetary terms.

Valuation also helps you decide your insurance priorities. Which items should have what cover?

Stocktaking and database

Do you know what you have in your collection? Is your database up to date and easily accessible? Valuing your collection, stocktaking and computerising your collection database can be worked together to get your collection management in order.

Communication with funders

Putting a monetary value on a collection enables better communication with your financial controllers and with local or central government, which is always desirable. Speak the language of money, and understanding in both directions will improve. But be sure they understand that seeing a collection as assets doesn't mean there's any question of sale!

If you wish to approach other funders for assistance with projects, you will need to include financial statements with your applications. For credibility, any such statement should feature your collection among the assets listed.

Insurance priorities

See that incoming and outgoing exhibitions are covered seamlessly by transit insurance.

It's best to deal only with insurers who are sympathetic to the special requirements of museums - and experienced in meeting those needs.

If you are like most institutions, your budget will require you to set insurance priorities. How effective and efficient is your risk management strategy? Are insurance expenditures well targeted?

To review your insurance priorities, you will need to consider not only the relative values of your holdings but also their relative significance to you. Potential factors can include: rarity rating, aesthetic rating, scientific rating, historic rating, existence of legislation or an international convention banning export. In Australia, the Heritage Collections Council has put much effort into determining the best and most consistent ways of assessing the significance of cultural heritage objects (see: http://amol.org.au/craft/publications/pubs_index.asp).

Take careful note of the mission statement of your institution. The mission of an art gallery may effectively require the cover for its collection to permit ongoing exhibitions or acquisitions, even after a major disaster. A scientific collection may need to be insured to allow payment of research and development costs associated with re-establishing the collection after its destruction. In each case the policy may need to extend much further than just replacement value.

What **needs** to be

valued?

What you must value

If you are required to comply with GAAP, consider whether the item comes under these three criteria.

- Is it an item you own?
- Is it a useable item?
- Is it permanently retained in your collection?

If the answer to these three questions is 'yes', then you must value the item.

Ownership

An item you own here means an item for which you have unencumbered legal ownership. Any other items in an institution's care, for whatever reason, are not legally required to be valued, for example, objects placed in museum custody under the Antiquities Act 1975.

Useability

An item must be, in a specialised sense, useable if it is to be valued.

- Is the item of sufficient quality to be displayed?
- Is it of value for research?
- Does it have an educational use?
- Is it something that could be lent to another institution?
- Is it entered on your database as a collection item?

If the answer to any of these is yes, then the item is probably useable.

There is no need to value low-grade junk and oddments.

Permanently retained

Under GAAP, an item is seen as permanently retained if it attracts 'sufficient technological and financial resources to preserve and protect [its] service potential'.

Most museums hold items that can be expected to last only a short time, and will then be replaced. Specimen animal bones and fossils set aside for handling by school students fall into this category and do not need to be valued.

What you should value

An institution may still need to value many items which it does not own, for example, for insurance purposes or for management of the collection. If an object on loan is not adequately insured, the museum may be liable in the event of theft or breakage. An agreed basis for valuation (which appears in the insurance policy wording) will assist in the event that a claim has to be made.

What is this **object**

worth?

Current market value

The proper valuation for any item is the amount it will fetch on the open market at a given time. But what an asset might reasonably sell for is only known for sure at the time and place of an actual sale, and cannot be known at the time of valuation.

Best estimates

Museums and art galleries rarely sell things from their collections, so the exact value of any object is hardly ever known with precision. But to say that a museum collection has no value is clearly absurd. The value that you give to an item must necessarily be your estimate of its current market value, much as an estimate in a catalogue for a coming auction can only be an estimate.

Ways of valuing

Different objects must be valued in different ways, using different resources.

THERE IS NO SINGLE, EXACT VALUE FOR ANY HERITAGE COLLECTION ITEM.

Catalogue value

A catalogue may give you the current value of a similar but not identical item. Although exact correspondence is always preferable, the catalogue value of a similar object, made at about the same time and of similar make, can be used to assist you in estimating a comparative value.

Useful guides to New Zealand values include:

- Webb's (Auckland) and Dunbar Sloane's (Wellington) auction catalogues
- various monthly New Zealand traders' magazines.

Useful references for the Australasian market include:

- *Carter's Price Guide to Antiques in Australasia* (published annually)
- *Australian Art Auction Records* (for prices of paintings and works on paper - published biennially).

Christie's, Sotheby's, Bonhams and Phillips publish major international auction catalogues. A particularly authoritative guide to international art values is the Mayer Art catalogue. All of these can be viewed at the Hocken Library and the Museum of New Zealand Te Papa Tongarewa.

Dealer or collector value

Local auctioneers, antique dealers, second-hand bookshops and experienced private collectors are other formal and informal sources of information on New Zealand prices, and are often quite acceptable as valuers. Sometimes local collectors are known for their expertise in, for example, stamps, coins, or old bottles.

A curator or collection manager can value without any assistance many items commonly found in second-hand shops, for example, flat irons, carpenters' planes, 1950s New Zealand commercial ceramics and New Zealand post cards. These are often referred to as collectables.



Value by sampling

There is no need to value every single collection item. GAAP will accept a valuation of a group of items based on a sample from the group if:

- all items in the group are of a similar type, and
- the value of the sample fairly reflects the value of all other items in the group.

You do need to consider the value of the collection as a whole as well as the value of each of its parts. The value of a stamp collection, for example, may be greater than the sum of its parts.

Photographs, books and archives are examples of items that can often be valued by sampling.

Replacement value

Objects which have little or no intrinsic value in themselves should often be assigned a replacement value. Examples are audio-cassette tapes in an oral archive or plaster casts of moa footprints. Such items are often collected to supplement aspects of local history, and are unlikely ever to be put on the open market. Natural history specimens are a special case, and are discussed on page 7.

When an item has been made by staff of the organisation - for example, by a museum's taxidermist - the cost can be used as the value of the item. The main component of that cost will often be the hourly rates of relevant staff.

Replacement values are also applicable when an object has been lost or broken and a replacement is made. Any copy can be assigned a replacement value.

Comparative institutional value

If it's difficult to find a suitable method of valuation, you may be able to adopt values used by a comparable institution. For example, National Archives is another institution which must have its collections valued. They use an external valuer who values at market value.

If a valuation of material in the National Archives has been accepted by the Auditor General, the same method of valuation can be adopted by your museum for similar material, or you can use their valuations as a reference catalogue.

Local or international value?

Many items in any collection are worth less or more in this country than overseas. In such cases, should market value be the local or the international value?

Established practice is that only items of high value should be given an international value. In such cases, the valuation is usually expressed in United States dollars (USD), British pounds (GBP) or Australian dollars (AUD).

At what point should an item be given an international value? If one needs to refer to an international catalogue for a value, then the item probably deserves an international value. This is usually the case for objects worth at least NZD50,000.

Items of New Zealand origin which should be assigned international values might include a New Zealand Cross medal (GBP40,000), or a prized example of poutokomanawa from a meeting house (USD1,200,000).

Items of high value should be valued in international currencies.

Which currency?

If an expert would value an item by reference to an Australian catalogue, express its value in Australian dollars. If value is judged from a Sotheby's catalogue, use British pounds - but United States dollars if it is Sotheby's New York. To justify your value, cite the catalogue.

What exchange rate?

The exchange rate used for valuation should be the spot rate applying at the date of valuation. The financial year of Museum of New Zealand Te Papa Tongarewa ends on 30 June. Te Papa's international values are set at the exchange rate for that day.

Exchange rates can be ascertained from local banks, and an official exchange rate can be obtained from the Treasury, Wellington. If the source is cited, you may use the rate published in any major daily newspaper.

Example

- An item is valued at GBP275.00
Exchange rate: NZD1.00 = GBP0.30
The item's worth is $275 \div 0.30 = \text{NZD}916.66$
- An item is valued at USD275.00
Exchange rate: NZD1.00 = USD 0.50
The item's worth is $275 \div 0.50 = \text{NZD}550.00$

Effect of exchange rates on collection value

The value of the New Zealand dollar will affect the value of items to which you've given an international value. For example, if the value of the New Zealand dollar drops, then the value of such an item will be seen to rise. Conversely, when the value of the New Zealand dollar rises, an item's value will be seen to decrease.

Example

- $\text{GBP}275.00 \div 0.30 = \text{\$NZ}916.66$
- $\text{GBP}275 \div 0.40 = \text{\$NZ}687.50$

If a collection contains many items of international value, its value may seem to rise and fall as the New Zealand dollar falls and rises.

Special cases in valuing

Spiritual or monetary value?

Valuing items to comply with accounting standards should be regarded as entirely separate from any assessment of their cultural or spiritual quality. Kaumātua appear to agree that there's nothing culturally offensive in valuing taonga, provided the valuation is only - and expressly only - for audit or similar purposes.

Any valuation of taonga should be accompanied by a declaration: 'This valuation is solely for financial statement purposes. Financial statement values do not take account of the cultural or spiritual significance of items valued.'

HOW CAN A VALUE BE PLACED ON AN ITEM THAT IS IRREPLACEABLE OR IS SEEN AS PRIMARILY HAVING NON-MONETARY VALUE?

Natural history specimens

Current market or replacement values can usually be found for taxidermed specimens, but how do you value animal remains preserved by other means, or botanical specimens?

Natural history items of purely scientific value can be assigned an 'estimated replacement value', as is done at the Museum of New Zealand Te Papa Tongarewa.

Such a value is imperfect, but probably the best option. The method calculates a cost for one specimen and applies that cost to other specimens of the same category.

Example: a botanical specimen

Cost the activities required to bring the specimen to a state where it can take its place as part of the permanent collection, as a useable item. These include collecting, drying, mounting, curatorial identification and other activities required to bring the new specimen into the collection. Labour costs can be estimated from the number of minutes required for each activity, at the appropriate hourly rate for the expertise needed for the job.

Example: a specimen preserved in spirit

In the case of spirit specimens - specimens preserved in alcohol in a jar - the activities will include collecting, curatorial identification, and the cost of preserving the specimen. With spirit specimens it is important to cost the jar, alcohol and lid, because without them the integrity of the specimen may be lost. The specimen and its method of preservation are taken as a single unit.

Costing fieldwork

The fieldwork cost of collecting a specimen can be difficult to compute. Scientists who have use of a trawler to gather marine specimens have little control over what any trawl will yield. Three days trawling, costing tens of thousands of dollars, may yield only one snapper specimen. Is that snapper worth all that money? Does a snapper specimen taken from Wellington harbour have the same value as an identical fish caught off Napier? Fortunately only a few museums need face such issues, which are largely unresolved. The best value may be the average of all the collecting costs of all specimens of that category.

If you find it difficult to value a natural history specimen, find out what value the Museum of New Zealand Te Papa Tongarewa has assigned to a comparable item.

Human remains

By universal consensus, human remains should not be valued. Similarly, used containers of and for human remains need not be valued.

Artefacts made from human remains are another matter, and whether they should be valued usually depends on the degree to which the remains have been modified.

Although mokomōkai have been altered by removal of flesh and preservative smoking, they are still obviously human heads, complete with tattoos and should not be valued.

By contrast, human bone used to make fishhooks is no longer obviously human bone. Many kaumātua have acknowledged that, because such bone has been so modified and has been used for a common functional purpose, the hooks should no longer be perceived as kōiwi tangata (human bone).

Unique items

An institution will often have a unique item which seems impossible to value. However, an unorthodox solution can often be found (see 'The case of Phar Lap' opposite).



How to go about a *valuation*

Assembling the data

Determine what material is to be valued

The extent of the valuation will depend on its purpose. Clearly define what is and isn't to be valued.

Determine what outside help you need

If you lack confidence, seek expert advice on how to address the task. You will need help in valuing unusual or difficult items or if other staff are not available to assist in what is essentially a big job.

Seek written quotations for what you want done, seek written statements of potential contractors' qualifications and experience, then put any agreement in writing. Will you be paying the contractor's actual and reasonable expenses? It is better to over-communicate than to rely on an oral understanding which may turn out to be ambiguous or poorly recollected. Confirm in writing any agreement made over the phone.

Create categories

Separate your collection into groups or categories of items, to provide logical structure to the valuation. Most museums already catalogue their holdings in separate categories such as Art, Ceramics, History and Taonga Māori.

Then divide each of these into subcategories. For example, if you are following Chenhall's system for the category History, your subcategories are likely to include: Structures, Building Furnishings, Personal artefacts, Tools and Equipment, Communication, Transport, and Recreation.

Fill out the data sheets

Print out logically sequenced lists of the categories and subcategories you have decided upon. Work your way round your museum, entering items against each subcategory on these data sheets. Do the valuations for the items and enter them.

The case of **Phar Lap**

When the (then) National Museum of New Zealand first valued its collections, one item included was the skeleton of the famous racehorse Phar Lap. This could have been said to have little value, as few would ever have detected the substitution of another horse skeleton. But such an approach would have been dishonest. The public had a right to authenticity for this great New Zealand icon.

The solution was to ask major Australian state museums how much they would offer for the skeleton. One already had the horse's skin. Another had its heart. Each was excited at the prospect of getting more of the horse. A million New Zealand dollars was offered. This became the nominal value of the skeleton - a skeleton still in New Zealand.

In such cases, the valuation report should state that the valuation is nominal, and you should describe briefly how you arrived at the valuation. You can use the same nominal value in successive reports, until a better means of valuing the object presents itself.

Collect raw data in the format of your intended valuation document.

Key in the data and valuations

The data entries naturally follow the format that you will use in your valuation report. There need be only one data transfer - from data sheets directly into the valuation report.

Putting together the valuation report

A valuation report is essentially a set of tabular summaries of the values of items in each of the categories and subcategories in your collections. The report is a consolidation. Don't list every item in your collections.

Use standard software, such as Microsoft Word, to create tables and calculate totals. If a table runs from one page to the next, split the table, compute subtotals at the foot of the first page, and start the next page with 'brought forward' amounts.

Descriptive notes

Each tabular summary in the report may be followed by descriptive notes or comments. Describe here briefly the nature of the material covered by that summary, and the means by which those collection items were valued. Catalogues and other references can be cited, and photocopied pages from catalogues inserted or appended. Draw other relevant facts to the reader's attention.

Here is an example of descriptive notes.

Tools and Equipment

The objects in this category are extremely varied. This category has a higher total value than any other. Many holdings are valued at less than \$100, but some could command a higher market price. Examples showing the range of items and values in this collection include:

\$100-500: carpenters' planes, weighing scales, hammers

\$500-1,000: microscope, wooden refrigerator, church organ

Over \$1,000: 'Jiffey' washing machine, surveyor's alidade.

Illustrations

You may wish to incorporate illustrations which publicise some of your prime holdings to people who rarely visit the museum.

Archiving

At least two spiral or heat-bound copies should be prepared, one of which should go into your archive for safe keeping. Keep an unbound copy available for photocopying, if additional copies are required.

Audit trail

Ensure an audit trail is available for anything described in the report. An audit trail provides a system whereby an auditor may select any subcategory of items, see how the subcategory was valued, then be led directly to the places where the items in the subcategory are kept. An auditor will, as a matter of course, contact the valuer to clarify the methods used and the credentials of the valuer.

Report format

There is no standard correct format for a valuation report. From front to back, here is one way of presenting a report:

Title page

State the effective date of the valuation on the front cover or perhaps on the title page. For example: 'Effective date of valuation: 30 June 2001.'

Keep your report clear, keep it simple, identify the audit trail, and give some illustrations.

Table of contents

Prepare this after the pages have been numbered.

Executive summary

The executive summary - which usually appears on a single page - takes the form of a table that summarises the detailed contents of the other tables in the report. It sets out the major collection categories, their values, and changes in values since the last valuation.

Valuation methods

Under this heading, and immediately after the executive summary, describe in some detail the various methods of valuation employed, and why you used them.

General comment

Include under this heading anything you consider important and relevant. Bear in mind that some readers of the report will have a major role in your museum's welfare. You might think it worthwhile to point out for example that, due to financial constraints, part of the collection must be held in substandard storage.

This is the place for declarations about the nature of the valuations. For example, that the valuation is intended for audit purposes only, that only material owned legally by the museum is covered in the report, and that all items valued are useable.

Category valuations

The body of the report is made up of the valuations of each collection category. Each valuation should have a tabulated summary at the beginning.

The summary for the main History collection category might read:

HISTORY COLLECTION SUMMARY

Collection	\$NZ
Structures	10,000
Tools & equipment	10,000
Technology	10,000
Total	30,000

The total of \$30,000 is brought forward to appear in the executive summary with totals from all the other main collection categories.

How to tabulate international and local values

This table assumes that the archaeology and ceramic collections can be given an international value.

Collection	GBP (@ 0.30)	NZD
Archaeology	123,234	410,780
Art		367,101
Ceramics	34,455	114,850
History		456,789
Philatelic		87,654
Taonga Māori		98,321
Total	157,689	1,535,495



Reference

Chenhall, R. (1978). *Nomenclature for Museum Cataloguing: A System for Classifying Man-made Objects*. Nashville: American Association for State and Local History.

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