

**Fiducient Advisors, Nonprofit Investment Stewards Podcast**  
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**How Museums and Attendance-Dependent Nonprofits Can Thrive Post-COVID with Laura Lott**

[00:00:00] Welcome to Nonprofit Investment Stewards with Bob DiMeo and Devon Francis from Fiducient Advisors. Bob and Devon are passionate about helping nonprofit organizations prosper. Whether you oversee endowment, foundation, or retirement plan investments, this podcast exists to help stewards improve performance, reduce costs, and discover strategies that enable your charitable organization to prosper and advance its mission.

[00:00:26] Now onto the show. Hello, and welcome back to the Nonprofit Investment Stewards podcast. I'm Bob DiMeo, great as always to be joined by co-host Devon Francis. On today's episode, we're going to delve into the world of museums, zoos, gardens, and other attendance-dependent nonprofit organizations. It's a fascinating environment with some segments really thriving and candidly others facing extraordinary challenges.

[00:00:53] Super interesting topic. But before we jump to our guests, Devon, good to be with you today. Good to be with you, Bob. I [00:01:00] am so pleased today to be joined by Laura Lott. Laura is president and CEO of the American Alliance of Museums (AAM). She's a strategic leader with a track record of transformative change in nonprofit organizations.

[00:01:13] She served as the Alliance's chief operating officer for five years before becoming the chief executive officer in 2015. Laura led the redesign and rebrand of AAM resulting in a 70% growth in membership and the organization's first five profitable years in a decade. Laura is also a passionate advocate for strong and engaged boards, speaking to numerous museum boards every year.

[00:01:38] Before joining AAM, Laura served as chief financial officer and chief operating officer of the Jason Project, which is an international nonprofit education program at the National Geographic Society, with a mission to inspire and motivate students to learn science through great explorers. Laura is a CPA and a Price Waterhouse alum.

[00:01:59] I [00:02:00] could go on and on, but let me simply say we are so thrilled to have Laura Lott on the show and we really look forward to gleaning her insights. Welcome Laura, thanks for joining us. Thanks Devon. So pleased to be here. Laura, it's just great to have you on this show and particularly with just the dynamic in place with the membership and the members that you serve.

[00:02:19] So, before we jump into too much, you have an extensive and fascinating background. Maybe you can share a bit about the evolution of your career, why you're passionate about working with museums and such. Thanks Bob. And thanks for that very lovely, uh, bio upfront. I hope I can live up to it. You know, one of the things that's not in my bio but I'm very proud of is I was one of, I was the first person in my family to go to college.

[00:02:43] And so, there's a lot of pressure. I wasn't going to blow it. I'm very pragmatic and very goal oriented. And so, I got my accounting degree, uh, which my accounting advisor told me then would never hurt me, no matter what I decided to do with my life. And he was absolutely right. [00:03:00] I joined Price Waterhouse Coopers, which I think was one of the big five then, and got my CPA.

[00:03:06] I went to school here in DC and during college, I had the opportunity to do several internships and discover that there was this whole role of philanthropy and nonprofits out there where somebody could go to work and make money and also make the world a better place. And so, I quickly found my way into corporate philanthropy and discovered there that I had a real passion for education, particularly K through 12 education and improving schools and opportunities for, for, uh, for everyone.

[00:03:37] That led to working at an amazing program at National Geographic, that was all about using real scientists and real explorers and the real science they were doing to inspire kids to want to learn science, in middle school in particular, the time when science starts to get kind of tough for, for many kids.

[00:03:55] Still today, with all the roles that museums play in their communities, [00:04:00] I find my deepest passion for them is in their education work, that lifelong education, of course, but also their early education and K through 12 work with students and their, their authenticity, that power of those real objects.

[00:04:14] The real places. The real experts that museums come to bear on, on education, and this highly technological world where everything can be manufactured or digitally altered or virtual. I find it's so powerful and it's comforting in some way to be in the presence of the real thing. So, combination of, of, of passion for education and power of authenticity and real places, real objects, has me really thrilled to be working in the museum field.

[00:04:46] That's great, Laura. So can you talk a bit about the role that AAM plays and the types of organizations it serves? Yeah. So AAM, you know, our vision is a just and sustainable world that's informed and [00:05:00] enriched by thriving museums who are contributing to the resiliency and the equity of their communities. We don't often think about museums in economic terms.

[00:05:09] Of course, they are priceless in many ways, but museums in the U.S. alone are a \$50 billion a year industry. Pre-pandemic museum's employed three quarters of a million people. And part of AAM's role is to champion museums, to help people understand and appreciate the essential role of museums and communities and in our nation, both in economic terms, but also in, in the invaluable roles that they play in education, in community service, uh, and in preserving our culture, the things that society deems important to save for future generations.

[00:05:43] We often think of the big urban centuries-old museums that are so important to our society, but there are something like 30,000 museums in the country. Most of them very small, serving rural communities, operating as community centers really in a lot of places. [00:06:00] And Bob, as you said up front, when we say museums, we mean A to Z, art museums to zoos and everything in between.

[00:06:07] So children's museums and science centers and botanic gardens and a range of institutions that rely on people coming through their doors or engaging with them in some way. And from the biggest, like the Smithsonian here in Washington, DC to the all-volunteer train museum that's in my neighborhood.

[00:06:26] So, range of, of sizes of, of museums that AAM works with. AAM is also the accrediting body for museums. So, we hold a robust set of professional standards and ethics for museums and museum professionals. We provide resources and learning and engagement opportunities for museum professionals, including the largest annual gathering of museum professionals in the world now, which I'm so excited.

[00:06:52] We'll reconvene in person finally this spring, after two years of virtual conferences. And so we're a [00:07:00] robust community that serves, you know, range of museums, but we're the one place where everyone comes together. So, Laura, obviously the pandemic has had to have had an enormous impact on, you talk about the A to Z of museums.

[00:07:13] So, from the art museums to the zoos, all of these attendance-based non-profit organizations. Can you talk a bit about the impact of the pandemic on this, this space and where do we stand about two years into this? Yeah, it has been a really tough two years. At the beginning of the pandemic, the first survey we conducted of our community found that about one third of museums in the country were at risk of closing permanently.

[00:07:43] If the pandemic went on and if they didn't get some sort of financial relief. So, this was obviously a staggering number and would so negatively impact so many communities across the country if these places closed forever. And we know that museums do, when they close, they tend to [00:08:00] close forever. So, unlike a restaurant, which I also love, that might close, uh, during a difficult time, but then be replaced with a new restaurant at some point in the future.

[00:08:11] Once a museum closes. it pretty much closes for good. And its collections are often dispersed and often lost forever for future generation. So, we knew we had to be pretty aggressive in

our advocacy efforts so that museums wouldn't get left out of federal relief programs. Not by, you know, anyone not wanting museums to survive, but just by neglect.

[00:08:34] By absent, you know, not thinking about them. Following the great recession in the late two thousands, that's what originally happened. Museums were ineligible for stimulus funds. Um, we were eventually successful at changing that back in 2008, but for the bulk of the, for the bulk of the field, we were able to change that.

[00:08:50] But for, for some museums, they were still left out and we certainly didn't want a repeat of that, given the crisis that the pandemic was, was imposing on museums and museum people.

[00:09:00] So, my team and our partners and museum advocates across the country put in many, many hours and sent literally tens of thousands of letters to Congress.

[00:09:09] And we were ultimately successful in ensuring that museums are eligible for both PPP, the paycheck protection program, and a program called shuttered venues operating grants, which provided a great relief funding for those museums that were really impacted by being shuttered for months at a time, sometimes in some places of the country, you know, almost the entire 2020.

[00:09:32] And into 2021. That museums were having to be closed. And some that were just voluntarily closing because they didn't know if it was safe to have people in and around their, their exhibits. So, thanks to the federal funding, the percentage of museums at risk of permanent closure has been cut in half.

[00:09:51] About 17% now, according to our most recent data, which of course is still way too many. But we continue to work on that. Unfortunately, we have [00:10:00] seen dozens of museums close indefinitely or permanently. The Annenberg space for photography in LA, the Portland children's museum in Oregon, the Indianapolis contemporary art museum.

[00:10:12] Just to name a few that really hit home for me in particular and hundreds more that are still closed right now and are I think at risk of never reopening, many historical societies and sites across the country. Laura, that's, uh, in part really good that there's been improvement, but, but a sad loss in many other instances.

[00:10:32] And, and perhaps that takes us to the topic of financial sustainability. And we'd love to have you comment on the trends in financial sustainability for museums. Yeah, well, of course this is a passion of mine as well, given my background as a, as a finance person, as a CPA. And knowing that even before the pandemic, many museums were pretty severely under capitalized and I'm afraid many more are now.

[00:10:56] It's a pretty precarious business model and something we've been [00:11:00] looking at today and for several years, how to build more stability, more sustainability in museums' business models and financial backing. Most people out there think government funding is what most museums rely on. But the truth is that fewer than 25% of museums get any government funding.

[00:11:18] Um, and it's zero for a lot of them. So, others think that museums rely on wealthy donors, but that's really only true for a few. And that money is typically highly restricted. So, most museums rely on relatively small amounts of money, from membership, from ticket sales, from donations, uh, all, you know, all from community members, people who live in the community and support the museum by going or making contributions.

[00:11:45] And as communities, just like we need to support the small businesses, the family-owned restaurants, and other things that we don't want our communities to lose. We need to support our local museums as well, or we'll lose them or more pointedly, our children and our grandchildren will lose them. [00:12:00] And Laura, what do you see leadership doing differently at your member organizations?

[00:12:04] I'm sure the segment matters a lot and maybe even geography matters, where museums are able to have folks' attend or not based on local rules and mandates, but what do you see leadership doing differently at your member organizations that have a brighter financial future today? Yeah.

Museums are really rethinking everything, uh, given the disruptions of the past couple of years, which I, which I think is good and healthy.

[00:12:29] Many museums are monetizing experiences in different ways. Not that some of this wasn't existing before, but it seems that more museums are looking at renting their beautiful spaces for weddings and celebratory occasions or thinking about what they have beyond their collections, but what they have in space.

[00:12:49] What they have in expertise and what they can do with it. They're thinking about that in different ways. You know, many schools became, many museums became schools during the pandemic and [00:13:00] actually tapped into education funding as part of providing classroom space for schools that needed more space or parents who were working and needed a place for their children to go during the day.

[00:13:11] Uh, so they're thinking about serving communities in different ways, in ways that that might bring some financial sustainability to their bottom line. So, adaptation and evolution seems to be the key then. I think that's right. It's all about, you know, adapting to the, you know, I think what everyone realizes now is, uh, ongoing changing set of circumstances that you, you know, stagnation is just it's going to be death for many institutions, museums included.

[00:13:39] So Laura, let's shift and talk a bit about investing. So, what is the broad overview of the investment landscape for museums? So, my assumption is that you've got some large, very well endowed museums and others with no investment portfolio at all. Is that correct? You're right. Absolutely Devon. So our latest data was museums [00:14:00] on average have about 14 months of reserves.

[00:14:02] It's quite an average of quite, uh, quite a variation of institutions as you pointed out. 25% of museums have fewer than four months of reserves. So they're really just operating on operation funds without much, if any, investments at all. In a 2017 survey that we did, that was at 860 museums.

[00:14:24] 54% had less than a million dollars in investments. And only something like 9% had, you know, \$25 million or more in investments. Very few have much more than that. So, there is a wide range of institutions, but it can be from zero to pretty large investment endowments. And then, uh, so for those museums who do have investment portfolios, do you have any insights to share on best practices regarding the investment approach or perhaps board or committee structure, anything along those lines?

[00:14:57] Sure. Yeah. Well, obviously those that have investments have, [00:15:00] you know, those portfolios have been doing well for those museums. And so, increasingly I think museums realize that, uh, you know, that's an opportunity and a place to grow their expertise and their sophistication I think. That said, 2017 survey I mentioned showed a wide range of investment approaches at that time.

[00:15:20] And you know, various levels of sophistication when it came to managing those investments. At AAM we highly recommend museums have an investment policy. For starters, I think only about half of museums do or did again a couple of years ago. An investment policy that addresses their strategies, their targets, that allows them to monitor how their investments are performing against other benchmarks and making sure you know.

[00:15:47] That they don't view those investments as both short-term cash, but also don't just park them someplace and ignore them either, but really make sure that they're performing. And a spend policy of course, for when and how to use the [00:16:00] returns that they get strategically. We also recommend if not a separate investment committee that the finance committee of the board should have some oversight of those policies and should be regularly reviewing them in the context of the museum's current situation and, and, and the environment's current situation.

[00:16:16] And that those committees, whatever committee it is, of the board that oversees that has some expertise in this area, either on the board or in the form of trusted advisors who can help explain the options and the results and, and the opportunities that are out there for museums.

[00:16:34] I think that's a really great advice. Thank you for sharing that. So, the last thing that I'll ask about the investment landscape. I saw an article on your website about ethical investing and an excerpt from that article indicates that the top 45 museums in the U.S. hold endowments of more than \$40 billion in aggregate. However, most are invested in the very same types of companies like tobacco, [00:17:00] weapons, manufacturing, fossil fuels that are frequently protested in connection with their controversial donors.

[00:17:05] So, but, but the article suggested that it doesn't have to be that way. What thoughts can you share on that topic? I don't know about that specific report's methodology or conclusion. And when people talk about endowments, they generally focus on the biggest endowments, the largest, generally art museums, which aren't necessarily representative of the whole field.

[00:17:25] But of course, museums are invested in index funds and mutual funds that include a range of industries. And I think there's increased attention to how that money and those investments and their fund managers even are in alignment with their values and with their missions in museums thinking about, you know, the influence that particularly larger investments have in terms of social good.

[00:17:53] And so are you seeing, our organizations, for example, prioritize investment in the creative [00:18:00] economy, very values aligned to the rest of their work. With a increased recognition and I think commitment to diversity, equity, accessibility, and inclusion across the museum field, many museums are deliberately investing with people of color and women fund managers.

[00:18:18] Who've been shown to invest in companies led by people of color and women founders. Museums are asking their advisors about ESG metrics, you know, and paying more attention to the details of how their investments are contributing to or reinforcing inequities in our financial system and society.

[00:18:34] If and how they're continuing to the climate crisis inadvertently or, you know, what other things their investments are involved in that they might oppose if it was more visible in their operations. That's helpful, Laura, and when I think of our clients, we're managing money for art museums and gardens and zoos, and a wide variety of your type of members.

[00:18:58] And actual [00:19:00] members of your organization. I'm just curious, as you think about lessons that have been learned from the pandemic, what you might share that might be helpful as leadership thinks about a post COVID future. There is really so much. And I, you know, I think as, as a finance person.

[00:19:20] I've always thought though the, the pandemic has been really painful and traumatic for many people, I've always thought that, you know, you have to take advantage of a crisis, never put a good, never let a good crisis go to waste. Right? So out of this crisis, we have witnessed some really amazing examples of museums engaging with their communities.

[00:19:40] I think in expanded ways from the very start of the pandemic, museums donated, you know, gloves and face masks that they had in their restoration, uh, preservation areas to hospitals and medical communities that needed them. They opened their doors to provide childcare for first [00:20:00] responders. Museums like the New York botanical garden and many others across the country grew food.

[00:20:05] For their local food pantries and their, and their outdoor spaces. Zoos offered virtual animal experiences. We all know the hippo from the Cincinnati zoo would make an appearance on your boring Zoom call to add some surprise and delight to, um, to, to participants. So many museums I think discovered that there they had a lot to offer.

[00:20:27] And that their expansion into this world of virtual engagement, whether it was through some of those things I mentioned, or just virtual exhibit tours or bite-sized lectures on an artifact or a piece of art or children's programming that, you know, as a parent, I can say was tremendously valuable for, for all of us during the, during the quarantine times. They discovered that all of those things reached a broader audience.

[00:20:52] An audience that, you know, maybe was outside of their local geographic area. Kids were attending virtual camps at science museums [00:21:00] across the country because they could, and people were engaging with museums that had never stepped foot in those museums before. And that is a huge opportunity for museums going forward.

[00:21:10] And one that, you know, our studies have shown the majority want to continue so that they can reach beyond their four walls out into their communities and use social media and other web platforms to reach audience, you know, around the world that they wouldn't ever have reached before, or been able to host in person in their, in their museums.

[00:21:30] They're also partnering with community organizations I think in new ways. The COSI, a science museum in Ohio, did something really incredible that I know they intend to continue, which is the local food bank was creating lunch kits for local students who, you know, who didn't have school lunches to rely on anymore.

[00:21:51] And the museum said, well, we want to help and create lunch and learn kids. You know, you, you nourish the children's bodies, we want to nourish their minds. [00:22:00] And they delivered thousands and thousands of these lunch and learn kits to local communities and eventually expanded the program across the state.

[00:22:07] And that's, you know, it's a new way for a museum to really think about not having to do it all itself, but partner with another local institution that's meeting a really critical community need and use what the museum has to enrich it even further. How rewarding, and I'm smiling as you're describing this here, Laura, because there is a real fun component to your role and your job and, and really to museums.

[00:22:32] And I'll share a story. I don't know if I've shared this with you before. But we have a zoo client in Chicago that basically, uh, it's been a while, but we do big in-person conferences, both out east and then Chicago and other parts. And we usually have one of our nonprofit clients come and speak at lunch and kind of break up some of the financial data and such.

[00:22:52] And we had the president of the zoo come and talk. And just wonder, if you can imagine clicking through slides and so on, but then after, after lunch, [00:23:00] right outside the doors in the, uh, in the foyer, they had brought a number of different animals. And I can't tell you how much joy that just brought to the attendees and so on.

[00:23:13] So you really do have a fun component. And frankly, like you were looking forward to more in-person and resuming these conferences this spring and in the fall. But thank you for sharing, that reminding me of that. So, Laura, many of our listeners are executives, including CFOs, as well as finance or investment committee members.

[00:23:31] Do you have any practical tips that you might want to offer up in this setting? Yeah. Thanks for asking that, Devon, uh, you know, museums are mission-oriented businesses, but businesses nonetheless. I think when I speak to boards and finance committees, a lot of finance and investment folks kind of defer to the museum thinking that they're so different or non-profits are so different from, you know, some of their, their work in the for-profit sector.

[00:23:57] But museums really are businesses. [00:24:00] And they, they benefit from the experience and advice of folks with finance backgrounds. It's something that many museum directors often don't have because they might have expertise in a particular area of art or history or science, but not necessarily the business background that is also required to run these complex organizations.

[00:24:21] So my advice would be, you know, to the CFOs and the finance and investment committee members out there, potential finance and investment committee members, even if you don't have a passion for museums per se, I recommend finding a museum that works at an issue area for what you do have a passion, you know, a science museum that is working on climate change.

[00:24:42] A museum that has a robust education program or a botanical garden that's working with, you know, veterans with PTSD. You know, these museums are doing amazing things. But find one that

does address your passion and, and volunteer to lend your financial expertise on their board. They, they, and we, the [00:25:00] collective field, we need you.

[00:25:01] Laura, you've shared a lot. Anything regarding resources or some of the analytical work or what have you, that AAM is doing that we should have asked you, but didn't? Oh, well, there, there is a lot to cover, but you know, at AAM, we're trying to lead the field forward. So, after a variety of resources around.

[00:25:22] You know, how to, how to shut down responsibility, how to, cause of course, museums, particularly those that you were just talking about, Bob, with live animals can't just turn off the lights and close the doors. They had to put in other procedures in place as they were having to close.

[00:25:37] Open and close a few times. So, I spent a lot of time and resources, uh, helping museums with all of that, and then to reopen safely again for their staffs and for their visitors. But we've also recently spent a lot of time thinking about the, the years ahead. And knowing that the decisions that we make now will impact our field and therefore impact our communities [00:26:00] for decades to come and, and trying to figure out what are the lessons learned that can help us to rebuild a better field.

[00:26:07] Uh, so we recently launched our strategic framework for the next couple of years, which will guide us into hopefully leading the museum field into a brighter and more resilient future. It continues, it kind of doubles down on some of that social impact of museums I was talking about, museums working in, in bigger, broader ways with their communities, building a stronger community of museum professionals who like all of us have been largely working from home and kind of isolated over the last couple of years.

[00:26:35] Um, it focuses on continuing to forge a more inclusive and equitable future for museums as employers and as contributors to their communities. And of course, uh, commits us to looking at our own, AAM's own structures and the changes that we need to make to be more nimble and financially sustainable and as a supportive backbone for the, for the field.

[00:26:59] That's great. [00:27:00] So, Laura, we always like to learn a little bit about our guests as people outside of their professional careers. So, before we let you go, outside of your work and your volunteer efforts, what do you truly enjoy doing? Yeah, I thought you were going to ask me what my favorite museum is, Devon, which is what everybody always asks.

[00:27:17] And I always say, you know, it's kind of like, um, it's kind of like your favorite child. You probably have one, but you can't admit to it. Um, but no, you know, I'm lucky that I actually really enjoy museums. I have found a career that allows me to really have, I've never really believed in a work-life balance.

[00:27:35] For me, it's always been work-life integration. You know, I found a field where I can really do that. I'm a proud mom to, uh, a 9-year-old little girl who loves her museums. And so, we get to do a lot of things that are quasi-work, quasi-fun together in and around museums, both here locally and when I travel around the world to visit different museums in different parts of the world.

[00:27:59] But [00:28:00] I'm also a foodie and a cook. I love experimenting in the kitchen and hosting dinners and can't wait, can't wait to get back to doing more of the latter. I've been doing lots of cooking, not so much hosting. And my total escape is flying actually. I'm an instrument rated private pilot and there is nothing better for me than buzzing around in my little single engine plane.

[00:28:19] Uh, so that's been a little bit on hiatus too, but I can't wait to get back to it. Wow. That's fascinating. You really are a woman of many talents. So, Laura, thank you so much for joining us today. You've shared so many great insights and we are so appreciative of the time and the expertise that you shared with us.

[00:28:39] If listeners want to learn more or access resources, where might they go to do that? Sure. Our website is a great resource. It's AAM-US.org. And you can find I'm sure through Googling. There's a range of resources there for both people who work in museums, but also just the museum curious or the [00:29:00] museum lover out there.

[00:29:01] So invite you to check that out. It's terrific. Laura, thank you so much for being on the show. It's been just wonderful. I maybe have one recommendation for when folks ask you about your favorite museum is the, uh, the safe play might be to say your favorite museum is the one that you're at that day.

[00:29:17] Perhaps you try that. Yeah. Thank you so much for being on the show. I like that. Thanks Bob. Thanks for having me. It was really a pleasure to chat with you today. Wonderful. And as always, thank you to our listeners. We know many of you oversee portfolios for your nonprofit organizations. Just a reminder, there is an endowment and foundation section on our website with many useful pieces.

[00:29:38] You can access it all at [fiducient.com](https://fiducient.com). We'll put that and other pieces that Laura mentioned and references in the show notes. And to all your good stewards, thank you for investing time to help your nonprofits process. We'll connect with you soon on the next episode.

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