

Museums Late To Impact Investing Party

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Only 13% of museums are engaged in impact investing compared to 47% of colleges and 51% of foundations, according to data from a survey of 61 independent U.S. art and design museums that hold a combined nearly \$10 billion in endowment assets.

A majority of respondents (80%) said the investment committees have discussed impact investments but only one-third of the respondents have progressed beyond talking and moved to action. A top concern of museum boards and investment committees is whether impact investing will sacrifice financial performance, according to data in Upstart Co-Lab's survey "*Cultural Capital: The State of Museums and Their Investing.*"

Action on aligning the capital controlled through their endowments with the museum's values and mission is critical, the survey's authors suggest, as museums are under increased public scrutiny for any gifts they accept that might be tainted or contrary to diversity, equity and inclusion (DEI) values — perhaps from major donors whose wealth is linked to opioids, racial injustice, fossil fuels, weapons or authoritarian regimes.

Upstart Co-Lab, a sponsored project of Rockefeller Philanthropy Advisors, conducted the online survey from February 15 to March 31, 2022 with the Black Trustee Alliance for Art Museums and the Association of Art Museum Directors, whose members were targeted in the outreach.

Younger generations are paying attention to how endowments are spent as their awareness of environmental, social and corporate governance (ESG) grows. The survey analysts predicted that during the next 25 years, “We will see a major shift in financial power which museums and charitable institutions reliant on philanthropic support ignore at their peril,” they wrote.

Key findings of the survey include:

- Important stakeholders are lagging behind in the discussion on impact investing. Only 31% of respondents said their boards were driving the conversation. Artists, the public and donors are not engaged on the subject of aligning museum endowments with values and mission.
- Impact investing is connected to the larger vision of how cultural institutions positively support communities.
- One-third of assets under professional management in the U.S. (about \$17.1 trillion) is invested following impact investing strategies, with many endowed institutions, including universities and foundations, fully embracing the practice.

The survey’s authors advise that stakeholders move toward aligning museum investments with values and mission by taking steps that include:

- Recruiting new board and investment committee members
- Using the services of investment advisors experienced in impact investment and gather facts about impact investment financial performances.
- Speaking to trustees of universities, foundations and other cultural institutions that already are impact-investing.