

Treasurer & Investment Committee Report

Given the extraordinary nature of 2020 and the worldwide dislocation caused by the Covid-19 pandemic, it would be natural for members to be more than normally curious about the museum's finances. Well, I am pleased to report that the museum came through the first year of the pandemic unscathed and in strong financial condition. In fact, our unaudited financials showed a tiny surplus for 2020. (Our audited financials are expected from accountants, BlumShapiro, very shortly.)

How did we manage to end up on an even keel? This highly satisfactory result was due to a combination of factors, not least of which was the creativity and ingenuity of the museum's leadership and staff, the generosity of members and sponsors who really stepped up to the plate with additional support, the planned annual contribution of \$863,000 from the endowment, and assistance from the government in the form of a \$263,000 PPP loan, repayment of which is expected to be waived. This loan was to compensate the museum for retaining a full complement of staff.

As would be expected, with the museum being shut for a period, subsequent visitations being restricted and the main annual gatherings needing to be cancelled, revenue sources such as admissions, shop sales, educational programs and special events suffered most, although the creativity of the Auction and Benefit Committees raised heroic sums from virtual substitutions of the Garden Lunch and the Benefit. Membership subscriptions held up well and the museum continued to benefit from the loyal and generous support of its members and business sponsors.

Most significantly, in 2020, the museum did not require any additional support from the endowment over and above its regular draw. This is quite unusual in the museum world these days and an accomplishment for which all the staff deserve credit.

2021 is likely to be a bridge year between the COVID environment and, hopefully, a more complete resumption of activities. The museum has already received a second waivable PPP loan from the government and has been tracking very close to budget so far this year.

Now, a few words about the endowment...

Buoyed by record high US equity markets, the museum's endowment totaled [\$22.5] million as of [April 30] of this year. I am happy to report that this is an all-time peak and compares with a balance of \$18 million at the same time last year.

It is worthwhile recalling that last year was a roller coaster for equity markets, with the S&P 500 Index declining by 35% at the outset of the pandemic in March, only to recover all of that ground and more by year end as the effects of government stimulus packages kicked in and progress was made to design and test efficacious vaccines. Ultimately,

our portfolio returned 10% during that topsy-turvy year, with all of this return coming in the last quarter. This year has, so far, produced a further progression in equity returns.

While government stimulus plans and the Federal Reserve's accommodative monetary policies encourage the potential for further investment gains this year, we are sensitive to the fact that stock price multiples are elevated by historical standards and that a market pullback could occur at any time in the next 24 months. Consequently, the equity portfolio has been positioned with some additional defensive characteristics.