

**SAR PRESIDENT'S REPORT
WINTER BOARD MEETING, 2015**

MICHAEL F. BROWN, PRESIDENT

1. OVERVIEW. After eight months as SAR's president, I can report encouraging institutional advances as well as troubling weaknesses in SAR's financial situation. This report outlines good news and bad in broad terms. The main message, however, is threefold: (1) SAR needs to do a better job of making a case for the importance of its scholarly and artistic programs to various stakeholder communities; (2) SAR must grow, presumably through joint ventures up to and including a full merger, so that it can get out from under the crushing overhead burden that is the single greatest obstacle to financial stability; and (3) these goals are realizable within a 2-3 year period if the SAR board and staff pull together.

2. MOST IMPORTANT EVENTS SINCE THE AUGUST 2014 MEETING OF THE SAR BOARD OF DIRECTORS

Personnel. Staffing changes, mostly voluntary, have taken place at the Indian Arts Research Center, SAR Press, Development, and Executive Services. Some of the most recent hires are interim positions that will need to be regularized in FY16—most notably, the directorship of the IARC, currently held by Brian Vallo. I'm pleased to report that Lisa Hsu Barrera, a former Anne Ray intern, has been promoted to Collections Manager of the IARC. By and large, these changes have been cost-neutral, and SAR's salary costs remain close to their FY 2013 level. (Nearly all of the modest upward tilt of salaries occurred in the Scholar Program via raises and an additional hire approved by the board before my arrival in June 2014.)

Construction. The Work Plaza project is nearing completion. The project remains on budget, and we expect it to be completed by the time of the board meeting. By mutual agreement of SAR and the contractor, application of the final color coat of exterior walls has been postponed until summer, which will give the concrete time to cure and thus limit cracking.

Physical plant. Under the energetic leadership of Leon Harms, the campus has experienced significant aesthetic and functional improvement, including repaired walkways (with more yet to come), greater attention to landscaping, and reduced response time when maintenance problems arise. That said, Leon's systematic survey of deferred maintenance issues has revealed such problems as failing roofs, substandard wiring, aging furnaces, and security systems in need of updating. We are prioritizing these projects now and will be folding them into development plans for the coming months. Although needed renovations have not yet been fully priced, there is little question that in the aggregate they will cost considerably more than \$100,000.

Scholar programs. SAR has reapplied for NEH fellowship support after being denied renewal a year ago. Notification is expected in April 2015; if awarded, funds would land on our FY17 budget. The selection process for next year's resident scholars has gone well, and we hope to be able to announce the final lineup of scholars soon, perhaps by the board meeting. The Lannan Foundation has awarded us support for a Native American Writer residency to begin this summer, a welcome addition to our summer scholar program. Some opportunities have arisen to reduce the cost of supporting next year's scholar contingent, and we will pursue those cost-savings when possible. I have taken action to curtail high entertainment costs associated with SAR's presence at professional meetings.

SAR Press. The voluntary departure of the press's two most senior full-time employees, including the director, Lynn Baca, presents us with an opportunity to rethink its operation, which in recent years has realized an annual loss in the \$330,000 range, including salaries and other overhead costs, against net earnings of approximately \$235,000. These losses do not reflect management failures but instead the challenge of revolutionary change in the publishing industry. (Many large university presses confront comparable losses.) They have been exacerbated by a marked decline in subvention support—most notably, the loss of annual funding by the Brown Foundation. For now, an interim managing editor has been contracted to deal with book projects in the pipeline. Acquisition of new projects has been slowed until we decide on a new strategy for the Press. Obvious possibilities include partnership with a larger university press or a significant scaling down of production complemented by outsourcing of editing and production design. We also have to continue the aggressive reduction of back-stock inventory, currently 58,000 units, a significant percentage of which have negligible market value.

IARC. The IARC has adapted well to recent personnel changes, and its curatorial and outreach activities continue undiminished. The ongoing support of the Anne Ray Charitable Trust partially insulates the IARC from the financial challenges facing the rest of SAR. Over the past eight months I have come to understand and admire the originality of the IARC's efforts to collaborate with indigenous communities on the accurate identification and conservation of IARC's collections. The methods of co-curation and consultation developed at the IARC set new standards for the museum world in general and should be more widely publicized.

Development. Under the direction of VP for Development Elizabeth Brando, SAR's development unit has been reorganized. There has been progress in our use of electronic messaging to members and in speeding the pace at which the SAR website is updated; nevertheless, there remains considerable room for improvement on this front. Development records are being updated and corrected. We have hired a development employee focused on institutional giving. Membership revenues are stable. Thanks to the efforts of the indefatigable Susan Foote, membership in the President's Council has roughly doubled. Our systematic efforts to solicit donations from SAR alumni have doubled the response rate in comparison to FY13, although these contributions are small in comparison to our overall needs. In most other respects, however, the fundraising picture to date is bleak.

3. MOVING FORWARD. To navigate successfully the rough waters in which SAR finds itself, we need to improve SAR's situation markedly on two interrelated fronts, financial and reputational.

Financial needs. As with most non-profits, SAR's most pressing need is for unrestricted donations that can cover operating expenses. (Sharon Tison and Eric Dobkin's report to the board will provide detailed information on the magnitude of the looming shortfall. A best-case scenario puts the deficit at more than \$500,000.) Aside from possible changes to SAR Press, we see no obvious cost-cutting strategies that can close this gap significantly without damaging the programs that justify our institutional existence. Even if we were to discontinue Press operations completely, a decision that I would not support, it would likely take more than a year to complete projects currently underway or under contract and liquidate our considerable inventory.

Key point: Foundation support, although desirable and worth pursuing, will not solve this problem. Most foundations support new initiatives (thus incurring new costs), and many grants provide little or no overhead support.

To secure these unrestricted donations and restricted gifts that support existing programs, SAR must (1) roll out a professional development operation that can identify, cultivate, solicit, and steward donors with significant giving capacity; (2) solicit increased levels of support from alumni; (3) dramatically improve its communications resources directed toward donors and members; and (4) recruit additional board members with the financial capacity and commitment to move SAR forward.

Key point: "Board giving" is not exclusively a matter of financial support, although board members are expected to treat SAR as one of the primary recipients of their philanthropic giving during their term of service. SAR also needs board members' professional expertise and their access to networks and new donors who can keep SAR at the forefront of anthropology and Native American Studies.

The reputational imperative. Securing a stable funding base is not just a matter of development technique. SAR has to offer exciting programs and a compelling mission to its members and donors. Our present difficult circumstances tell me that SAR has failed to make strong a case for itself in recent years. *We* believe in and care about SAR's history and mission, but why should others, especially when so many other cultural institutions in Santa Fe are doing a better job of making their programs known? To mention one example, the Southwest Seminars organization offers 50 regionally themed lectures a year, and audience members can choose among this impressive roster of speakers by paying \$12 for each talk (and less if they prepay for a series), whereas our entry-level members pay \$40 per year for five lectures and a free IARC tour. Our principal edge, to the extent that we have one, is the national/international reputation of our seminars, scholars, resident artists, and publications.

Key point: SAR's local programs and global aspirations create an inherent tension. We need to offer appealing cultural resources to our membership, which is mostly local, while sponsoring important scholarly and artistic projects that inspire supporters beyond Santa Fe. These two goals are not entirely opposed: national attention helps to drive local interest. The opposite is less true. This simple fact argues for leaning in the direction of national/international reputation to the extent that we can do so without shortchanging local programs.

4. STRATEGIES (SHORT TERM)

- Raise public visibility of SAR using press releases, a revamped website, and improved electronic communication to multiple constituencies; offer occasional high-profile public lectures outside of current membership structure; increase capacity of our fieldtrips, which are an effective means of donor recruitment.
- When possible, turn the SAR campus from a financial liability to an asset via occasional use by destination planners and other fee-paying groups or financial sponsors. (Contact with a prominent destination planner, Marcia Skillman, Destination Services of Santa Fe, has already been made, and she has worked us into her portfolio of available sites.)
- Expansion of current efforts to cultivate interest that leads to high-level membership and leadership gifts (e.g., recent successful program at Las Campanas).
- Help SAR Press make a cost-effective transition to post-paper publishing; foreground SAR's national/international profile through circulation of working papers and digital-only seminar reports. Consider partnering with a university press.
- Develop one or more fundraising events that make our presence known to visitors during the summer, a time when SAR's public outreach activities traditionally decline.
- Temporarily scale back those advanced seminars and short seminars paid for from our operating budget rather than restricted funds (Paloheimo and Annenberg).
- Actively pursue corporate funding that has lapsed or been reduced in recent years, largely because of SAR's failure to publicize such support adequately (example: Thornburg Investments).

5. STRATEGIES (LONGER TERM)

- Continue to expand fundraising efforts among alumni and regional scholars, with particular focus on senior scholars in the planned-giving demographic.

With modest efforts on our part, SAR can be recognized as a focal institution for working and retired anthropologists and archaeologists in Northern New Mexico, of which there are several hundred.

- Identify and co-develop one or more multi-year research projects whose arc will help to give the institution a clearer public identity. In the past SAR had Doug Schwartz's Arroyo Hondo project. Ideally, SAR would administer a project or two for Principal Investigators based in New Mexico or at least committed to regular presence on our campus. I have already announced our willingness to host such projects and have begun conversations with scholars interested in proposing them. We would support only projects that provided significant overhead support. Putting together such projects and raising money to fund them is likely to take two years or more.
- Work to increase the number of resident scholar positions to seven, which will give us higher professional visibility and a scholarly critical mass. (Requires additional residence capacity on or off campus.)
- Expand efforts to raise SAR's public profile in the region. Resources: website, social media, story placement in print and digital media, high-profile public lectures.
- Proactively seek advanced seminars with themes potentially attractive to corporate underwriters. This may require format changes so that the seminars have a more public dimension (e.g., public panel discussions or a keynote speaker).
- Partner with local museums to develop exhibits drawing on the IARC collection. Longer term, seek funding to develop and support a national traveling exhibit of IARC treasures.
- Pursue foundation grants more systematically than in recent years provided that they don't lead us into the money-chasing trap (new expenses, little overhead support).

6. FINAL THOUGHTS.

Since my arrival I have come to one conclusion that merits immediate board discussion: *SAR needs to get bigger – and as quickly as possible – if the institution is to survive and prosper.* The logic of this is driven by our substantial fixed costs. To compete effectively in the philanthropic marketplace, both regional and national, we need world-class development, marketing, and communications units. *Yet the costs of achieving this necessary goal – costs that we are already bearing to some extent – are nearly equivalent to the projected budget deficit for FY16.* That tells me that we must aggressively pursue joint ventures, up to and including a full merger, to gain the necessary economy of scale.

Inescapable economies of scale are driving mergers of non-profit organizations across the nation. We are no different.

With whom might we partner and under what terms? The range of suitable local partners is limited, and my first instinct is to consider potential partners elsewhere who might desire a foothold in the Southwest's most interesting city. A minimal partnership might involve occasional access to SAR's seminar house, office space, and campus, in exchange for overhead support and co-branded events. A maximal partnership would consist of a full merger.

It is easy to imagine obstacles, the most obvious being concerns about financial equity and the compatibility of each institution's mission. The status of our support from the Anne Ray Charitable Trust might also be affected by institutional change. But the obstacles shouldn't deter us from exploring such possibilities.

Before I can even broach this subject with other institutions, I need board authorization and a clear sense of the negotiating latitude at my disposal. Given the presence on the SAR board of members with considerable expertise in the area of mergers and acquisitions, I would be happy to consult regularly with any members whom the board wishes to designate as advisors in this matter.

SAR did not arrive at its present dire situation overnight. It has been a gradual downhill slide whose effects were masked for years by good fortune (in the form of unexpected bequests) and long-term philanthropic relationships that eventually lapsed, in part because of inadequate stewardship on our part. This state of affairs can't be remedied instantly. But I remain confident that it can be reversed if we work together, examine critically every aspect of SAR's operations, and open ourselves to the prospect of new alliances.