

## **Executive director's annual report (April 17, 2010)**

### **Fiscal update.**

While we ended FY2009 with a deficit, we are on track to have a balanced budget for FY2010. In spite of this situation, FY2010 has been a challenging year for ASOR fiscally. We raised more money than last fiscal year (I think that we'll end up around \$80,000 or \$82,000 total, but we are well below the averages from previous years (when we raised between \$150,000 and \$240,000 per year). The major reason for the decline in the annual fund and other giving is that some of our major donors have stopped giving or reduced their giving. We used to have 4 or 5 donors who gave five-figure gifts annually, and we now have one such donor. In light of this situation, Treasurer Sheldon Fox and I have proposed a budget that reduces that amount of annual donations that we expect.

The good news from a fiscal standpoint is that memberships are up about 8-10% over last year, and subscriptions appear to have stabilized. It is still too early to know for sure about subscriptions, but the worst reductions appear to be over. We have transitioned to an online option, and we will aggressively seek to recruit new institutional subscribers this summer. If our memberships and subscriptions remain at the same levels where they were December 31, 2009, we should have about \$362,000 of revenue from these areas in FY2010. We have proposed a budget with \$355,000 of revenues in these areas, so we should avoid the problems that we had in FY09 and FY10 in estimating revenues that were too low.

In spite of greatly reduced revenues in memberships and subscriptions and in donations, I project that we will be able to achieve a balanced budget this year by managing our expenses. We were able to achieve dramatic savings by negotiating new contracts for printing and journals services (see my publications overview report for details), and these savings went a long way towards helping us have a balanced budget. We also once again cut back on expenditures for equipment and computers. Finally, we did not replace a second full-time employee (Sara Deon). Sara's resignation, while hard in terms of the workload, was timely in that we would have likely had to lay off an employee or reduce hours if we had not had a resignation. The reduction of hours would have been difficult to achieve because of contractual obligations. The effects of the cut in equipment will not be felt immediately, but our computers are growing outdated and will need to be replaced in the near future. The staffing cut has been difficult on the staff and has affected our ability to support some program areas (e.g., CAP has not received the support that it should have because of these reductions). The staffing reduction has been hard on me personally because I have had to take over even more of the publications and fulfillment responsibilities without taking much off my own plate.

During the time that we have been short-staffed, we have prioritized the production of services that are tied to memberships and subscriptions (i.e., those services that are tied to our revenues) and the annual meeting (our other major revenue source). As mentioned above, we have been able to expand our membership levels modestly, and we have initiated online subscriptions for our journals. As we see donations decrease, ASOR must

move aggressively to grow memberships and subscriptions if we are to be able to have sustainable programs in the future.

The NEH grant has been a great benefit to ASOR in terms of our programming, our relations with Boston University, and our finances. The grant has paid for 100% of Cynthia's salary, 50% of Sophie's pay, and 10% of Kelley's and Andy's salaries. In addition, we have managed our expenses in terms of travel and other services so that we have had to spend less of ASOR's budget funds than anticipated. Cynthia deserves much of the credit for managing expenses and finding economical ways to accomplish the various components of the grant. We are slightly ahead of schedule, and we have accomplished more than proposed in the grant. The NEH grant will continue to benefit the ASOR budget in FY2010, but we will need to look for ways to continue these programs without the grant in FY2011. The position of the archivist has proven to one of vital importance to our programming, and I recommend that we find ways to support it permanently.

The annual meeting was a success in spite of a challenging economy and a location that has not experienced high registrations in the past. Because Kelley has helped us manage expenses and generated some increased revenues from exhibitors, we were able to meet our net revenue goals for FY2010 (the 2009 AM). The FY2010 budget has an increase in net revenues that is consistent with the goals set for the program and for Kelley before the economic problems. This is ambitious but yet doable. The challenging economy helped ASOR negotiate an excellent contract for the annual meeting in 2013 in Baltimore—we received great incentives and a room rate that is lower than that offered by SBL and AAR. As I think everyone will agree, Kelley has done an excellent job of working with Elise Friedland and Andrew Smith and the program committee to put on a very professional annual meeting.

FY2010 has been an excellent year for ASOR in terms of our restricted accounts and endowments. Last fiscal year was unprecedented in terms of losses and balances that were "under water." Fortunately, we mitigated the losses by having a diversified portfolio, and then we have expenses a positive reversal in FY2010. Accounts are not back to their previous levels, but many of our accounting losses from last year will be reversed this fiscal year.

In summary and conclusion, I am very pleased and proud that ASOR will likely have a balanced budget for FY2010. Many other learned societies experienced higher deficits than ASOR last year (FY09), and I suspect that most peer societies will not have a balanced budget this year. We have avoided such losses because we put plans in plans to avoid prolonged deficit spending, and we are committed to living within our means (i.e., our revenues). At the same time, the ASOR staff (and me personally) cannot continue to support its current programs without increases in revenues. We will be able to hire a full-time person in subscriptions, memberships, and publications because of slightly higher revenues and dramatic savings in the production costs of the journals; however, we need other increase in our revenues if we are to be able to achieve the goals laid out in the strategic plan (see below for my suggestions for the most likely ways that we can achieve these increases).

## **The strategic plan, the ASOR central office, and a strategy for supporting the plan**

While I was not directly involved in the development of the strategic plan, it is one that I support. I hope and recommend that the board will support the plan and adopt it. My comments below outline some of the things that I see the executive director and the ASOR central office will need to do to support the plan. Stated another way, my comments below outline one way that I think ASOR can pay for the modest budget increases needed to support the plan without increasing annual giving.

As I see it, the strategic plan proposes that ASOR be a “player” in historical and archaeological research of the eastern Mediterranean rather than treading water or scaling back our mission to focus on maintaining our journals and the annual meeting. My feeling that what is being proposed might best be understood by a comparison with what was not proposed—that is, a minimalist model of ASOR was not proposed.

I have been involved in a leadership role in ASOR for almost five years now, and I served on COP for six years before that. During all of that time ASOR has never had enough money to do everything that it does. We have been a society that has accomplished more than we should have given our relatively small budget because of the generosity of many members and donors who make donations (both of time and money). As described in the publications overview that I have written for the board’s review, this situation resulted in a financial crisis about 5 years ago. I have read through many of the minutes of ASOR going back 50+ years, and one can see that ASOR has had several financial crises. Each time, ASOR was saved by generous donors.

In light of this history, it is reasonable for ASOR to consider what I might term a “minimalist” agenda and strategic goals. In this scenario, ASOR could outsource the production of our journals and books to a publisher like Maney Press or Oxford University Press. Many learned societies have gone this route (e.g., AAR), and universities such as Boston University (archaeology department) and Tel Aviv University have made this choice for their journals (*Journal of Field Archaeology* and *Tel Aviv* respectively). This is not a bad choice as these publishers can provide excellent service for the production of the journals, and they can even provide fulfillment services. The drawback is that ASOR would lose control of our publications, and our members and subscribers would contact a fulfillment office rather than the ASOR office for membership and subscription questions. Such an arrangement would guarantee ASOR with royalties without the risk of expenditures, but it would also necessitate a drastic reduction in our staffing and the services that our staff provides to our members.

Similarly, the minimalist approach would necessitate cutting back on the annual meeting by outsourcing it. We would save staffing costs and almost immediately reduce the annual expenditures that exceed designated revenues—our annual meeting “makes money” until we take into account staffing and office costs. Once these expenses are included, the annual meeting currently necessitates that ASOR spend \$90,000 in undesignated revenue to support this program area.

My reading of the strategic plan is that it proposes 1) that ASOR be a publisher of journals and books and not merely an outsourcer of these resources; 2) that ASOR organize and directly manage (and not outsource) an annual meeting that is the central event for our field; 3) that the ASOR office serve as a research destination rather than a collection of cubicles where bills are mailed out and payments are processed; 4) that ASOR once again be a “player” in near Eastern archaeological and historical research. Admittedly, there is more to the strategic plan than these four items, but these areas have helped me understand the scope of what is being proposed.

In order to accomplish these goals as set forth in the strategic plan, ASOR will need more revenue than we currently have. I estimate that we will need an additional \$160,000 in annual revenue to support everything that is set forth in the plan. In making this estimate, I have also reduced the estimate of annual donations to \$50,000 to \$60,000 per year. While this is a large amount of money, I think that ASOR can achieve these increased levels in the following ways:

1. Increase membership from 1350 to 2000 by December 31, 2015. We have grown about 10% over the last year, and I think that this level of growth is sustainable. In order to achieve this growth we must continue to promote our online options, and we must recruit and retain lay members.
2. Increase subscriptions by 15-20% by December 31, 2015. We have a much larger potential with institutional subscriptions and with individual subscriptions to NEA. I think that ASOR can dramatically exceed these goals, but such increases combined with very modest increases in subscription rates would allow us to generate the revenue that we need.
3. Increase paid attendance to the annual meeting from about 650 per year to 1,000 per year by the 2015 annual meeting. These levels would allow ASOR to come close to supporting the annual meeting (including staff salaries) with registration fees. There would also be a direct relationship with membership levels because many people join ASOR in order to attend the annual meeting.
4. Rethink what we mean by development and how we approach development. We need to recruit and develop lay trustees who can partner with us in our mission (cf. the strategic plan for reducing the size of the board while increasing lay involvement). At the same time, we can increase participation levels by our members by giving people designated opportunities to support programs and/or areas that they care about. If we are able to accomplish nos. 1-3 above, then we can encourage people to make designated gifts rather than gifts to support our operations. Finally, we must continue to recruit members for the Legacy Circle (those people who make planned gifts to ASOR). In the past year we have seen two or three new people make such a gift, and we need to add 3-5 people a year to this “circle.”

**In summary,** the four fiscal goals mentioned above are consistent with the strategic goals outlined in the strategic plan. If we are able to meet these fiscal goals, ASOR can generate more than enough revenue to pay for the staffing and other items listed in the plan. I also think that these are obtainable goals that will allow ASOR to have a sustainable future. I recommend that our first priority is to hire a subscriptions, membership, and publications coordinator because most of the revenues mentioned above involve these areas. We have already hired Kelley as the director of meetings and events, and she will continue to oversee the expansion and growth of the annual meeting. Finally, if we are not able to achieve these goals (or similar revenue goals), we will need to adjust our strategic goals. I am confident that we can accomplish the above four goals (or similar goals), but we will need to have to have volunteers work with the ASOR staff to achieve these goals.