



american
institute for
conservation

**Preserving Cultural
Heritage**

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September 3, 2024

Dear AIC members,

I am writing to you on behalf of the AIC Board to convey some challenging news about AIC's financial health. We have shared this same information with FAIC's board and with AIC's Internal Advisory Group, which is composed of volunteer leaders from across the organization. We are committed to transparency and ensuring that all members are fully informed about the current situation and our proposed solutions. Some of this came up during the AIC business meeting, but I wanted to share more details about the current financial state, areas of concern, and potential solutions under exploration.

AIC is expecting to run a deficit in 2024 for the third consecutive year. Running an occasional deficit in the past has not been a problem because AIC has been able to dip into reserves and take advantage of subsequent years in which AIC turned a small profit. The dedication and talent of AIC staff and volunteers have contributed to this resiliency. However, the size of the current deficits and their consistent, systematic nature now give cause for concern. Current revenue streams have not kept pace with inflation and higher, unpredictable expenses. In light of these developments, the AIC Board and executive staff are exploring different options to cut expenses and raise revenue to ensure the organization can move forward with confidence toward the future.

Background

Historically, AIC finances showed a small deficit or small gain by the end of the fiscal year. During 2020 and 2021, AIC benefitted from a forgiven, federal Paycheck Protection Program (PPP) loan for payroll as well as from a member community willing to support an online conference. Coming out of those two outlier years, AIC ran a deficit of \$233K in 2022, a deficit of \$255K in 2023, and in 2024 the deficit is projected to be \$300K. Rising costs are the main reason for these deficits. AIC's revenue has not increased and remains at about \$1.5M, whereas the costs of doing business have increased to a projected \$1.9M in 2024. Figure 1, below, shows revenue and expenses over the past ten years.

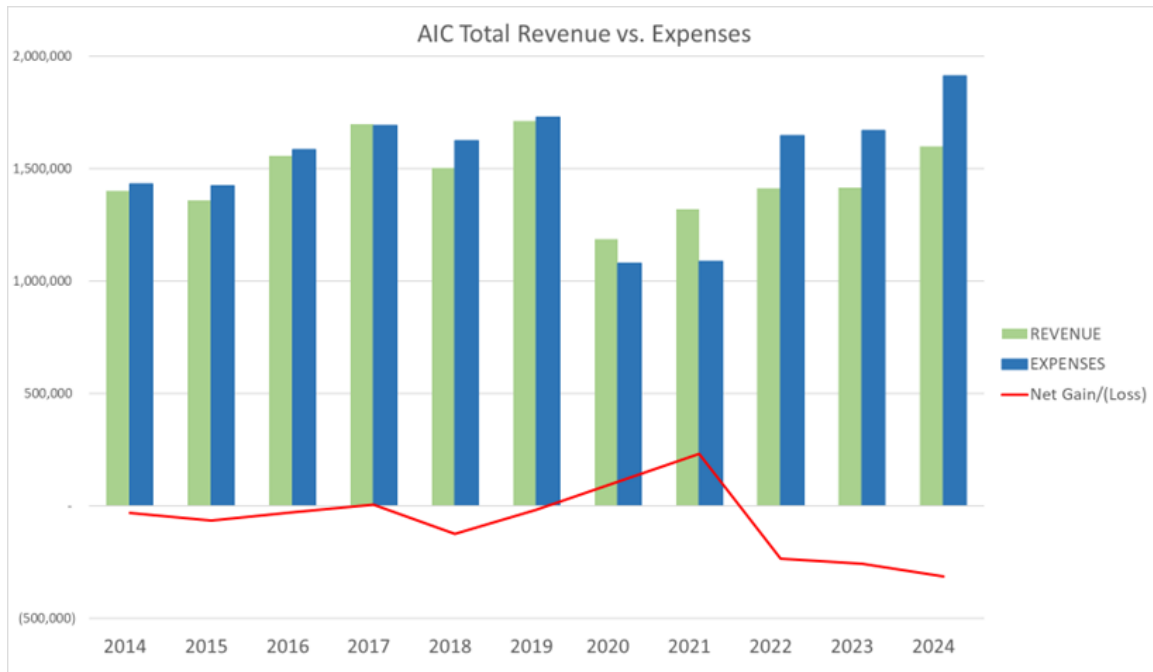


Figure 1: AIC Total Revenue and Expenses with Net gain/loss as a red line

Areas of Concern

Figure 1 shows the impact of the pandemic on AIC finances. Revenue (green bars) comes from membership dues, annual meeting registrations, and sponsorships. Expenses (blue bars) consist of fees and costs related to member services; the annual meeting, including food & beverages and audio-visual support; and operating costs, including payroll. Since 2022, there is a consistent and concerning trend that revenue is failing to meet increasing costs. For the past three years, instead of passing along the increased costs to members, attendees, and customers, AIC has used reserves to cover this gap and now needs to shift strategy.

Inflationary impact on membership dues revenue. Figure 2, right, sets out the actual membership rates versus the rate adjusted for inflation. As you can see, over the past five years, the revenue from membership dues has failed to keep up with inflation-related cost increases. Current individual membership is \$159 (green line) where inflation since 2019 would suggest it should be at \$182 (blue line). A \$23 individual



Figure 2: AIC Individual Membership Dues

increase to meet inflation would not solve the structural deficit problem outlined in this letter but would certainly help reduce it. (Note: Dues at AIC's founding in 1972 were \$55, which is \$265 in today's dollars.)

Membership dues are a core part of AIC revenue (~40% of AIC's annual income). Figure 3, right, shows that membership revenue has, for the past ten years, consistently hovered at around \$475K annually (green line). This flat number results from a fluctuating number of members combined with a failure to sufficiently adjust for inflation. Had membership revenue kept up with inflation over the past decade, AIC could expect to see \$619K in revenue in 2023 (\$475K in 2014 dollars would equal \$619K in 2023). This is a difference of \$144K.

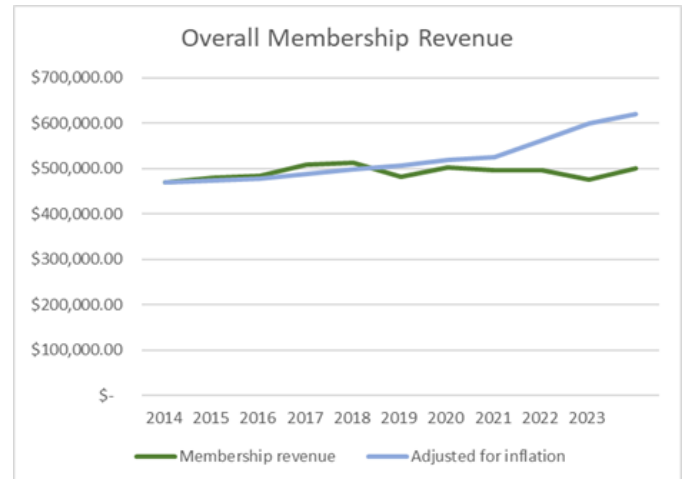


Figure 3: AIC Overall Membership Revenue

There are individual and institutional membership types, with different annual dues rates for each. Figure 4, below, shows individual membership numbers over the last ten years. Individual membership numbers trend (dotted line) lower from 3,320 in 2014, to 3,571 in 2017 (peak), to 3,258 in 2024. (We recognize this downward trend and will further analyze it in the near future.)

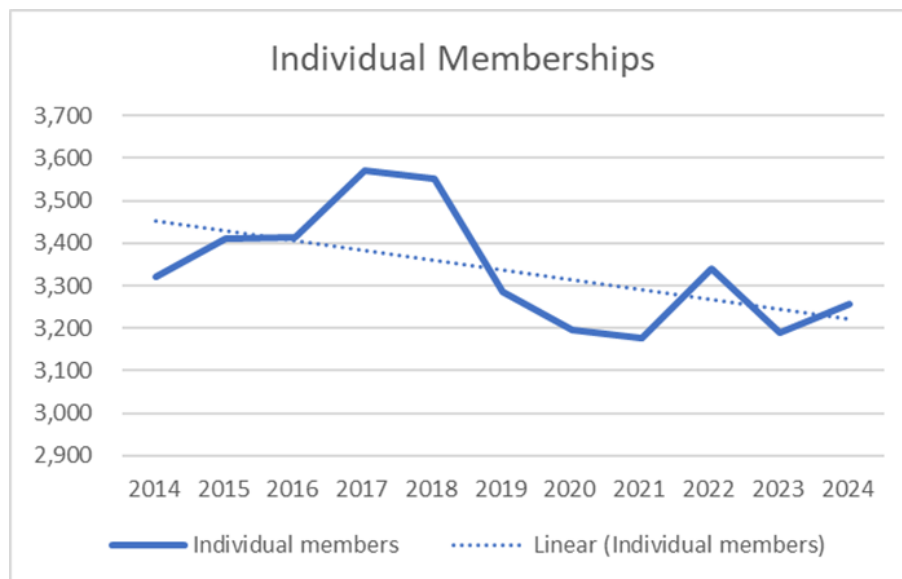


Figure 4: AIC Individual Membership Numbers

AIC's Institutional Membership dues structure has additional problems, because it has not evolved over the years. For example, a single institutional membership at the 2024 rate is \$280, and benefits can be shared by two or more people (one discount per event); this is currently less expensive than two individual memberships at the 2024 rate of \$159. This structure is causing economic harm to AIC, as large conservation departments may opt for a single institutional membership instead of supporting individual memberships for their conservation, preservation, and scientific staff. As a result, beginning in 2025, institutional membership dues will increase at a higher rate to adequately reflect all the benefits an institutional membership provides, and the additional cost of journal subscriptions for those members.

Annual meeting costs and revenue are inconsistent. Figure 5, below, shows the annual meeting net profits or losses from 2014 to 2024. For most years, AIC's Annual Meeting revenue has historically been sufficient to cover meeting expenses (note that Annual Meeting expenses include a portion of AIC overhead costs and portions of many staff salaries). This includes the years in which AIC held its meeting through a virtual platform. However, there have been outliers that showed more significant losses. In 2024, AIC projects a \$25K profit, which is in keeping with historic results.

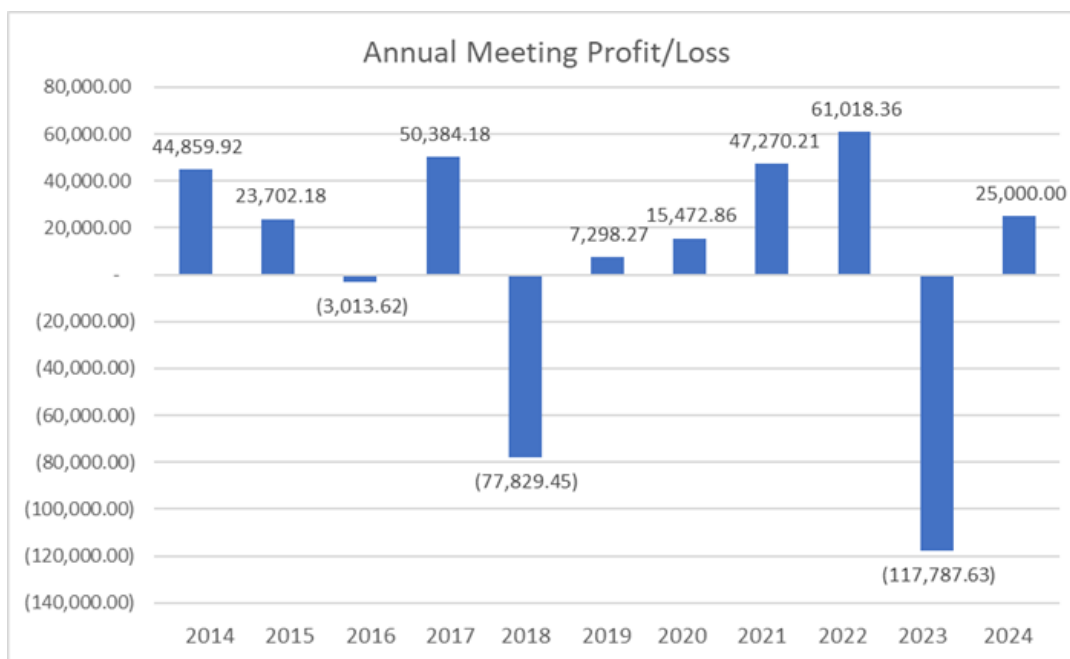


Figure 5: AIC Annual Meeting Profit/Loss from 2014 to 2024

Annual meetings with live streaming and full access to recordings have a significant financial impact. In 2019, AIC held its last pre-pandemic, in-person annual meeting. In 2020 and 2021, AIC held two virtual meetings; the AIC staff successfully navigated this turbulent financial period and achieved small profits despite the unpredictability of virtual meeting revenue and expenses. The decreased revenue in 2020 and 2021 primarily stemmed from fewer individual registrations, decreased exhibitor booth fees, and fewer participating exhibitors. However, expenses were also temporarily reduced due to the absence of costs for food and beverages, audio visuals (A/V), and room rentals. In 2022, registration showed a modest uptick with the resumption of in-person meetings, but that profit reflected past (pre-pandemic) pricing in food and beverage. In the future, this revenue will not keep up with increasing costs of food, beverages, and A/V for hybrid meetings.

It has become clear that in-person meeting attendance directly relates to AIC financial health. The exception in this break-even and modest-loss/gain cycle is the 2023 meeting in Jacksonville, Florida. This meeting was attended by fewer people than projected and resulted in a net loss of almost \$120K (when factoring in overhead and staff salaries). This was the largest factor in that year's deficit of \$255K. Unless meetings are well attended, ideally with a minimum of 900 participants, these gatherings could result in losses to AIC if changes to meeting structure and/or registration costs are not made. The board has considered other options, such as switching to a biennial meeting schedule, but concluded that such an approach would be detrimental to AIC's fiscal health.

Contracts and fees are increasingly bundled and not negotiable. In 2024, increased costs like those associated with food and beverages, A/V and streaming support, and IT services are impacting AIC's bottom line. The graph below shows those costs since 2019. In 2020 and 2021, those costs were low to non-existent as a function of the pandemic and wholly virtual meetings. However, starting in 2022, the rates have increased steadily and there is every indication that this will continue. Hotels and other conference venues are facing higher food and AV costs, and discounts that AIC used to receive on these services are no longer available.

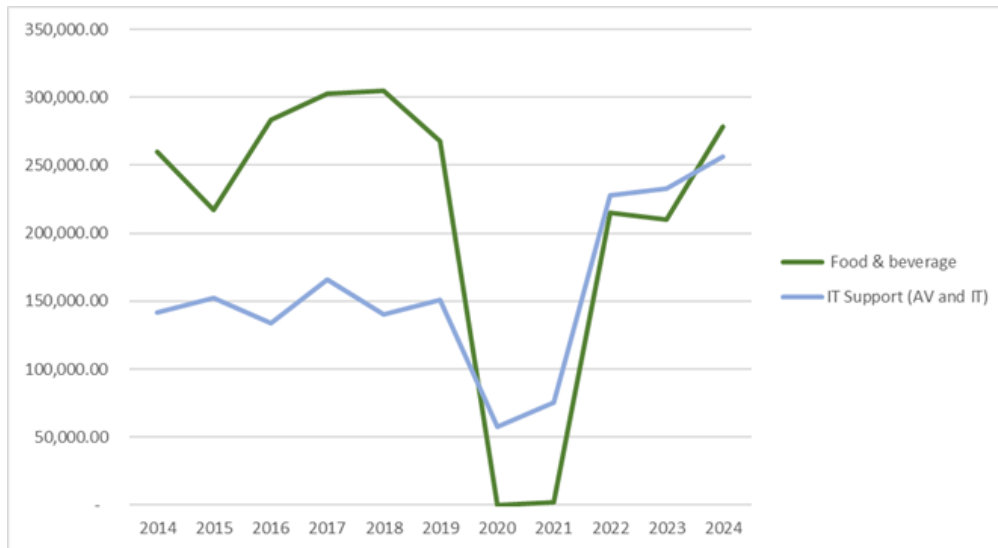


Figure 6: Food & Beverage cost and IT Support Costs including A/V support) from 2014 to 2024

Expenses associated with organizational operations are increasing steadily. In 2023 and 2024, costs for salaries and benefits for AIC staff have gone up, but it is important to note that this increase followed a 5-year period (between 2018 and 2022) where staff salaries were stagnant. The lack of salary increases, including any cost-of-living increases, and significant inflation rates during this period meant AIC staff salaries were behind industry norms. IT and office automation costs have also risen and continue to do so.

Finally, a portion of AIC financial resources is tied to market performance. In 2022, the AIC budget was adversely impacted by poor performance of the stock market. Although this did not have an impact on cash flow, it did have a negative effect on the final balance sheet, showing a deficit of \$233K. In 2023, the markets performed better.

Exploring Solutions: Cutting Costs and Increasing Revenue

In 2022 and 2023, the AIC and FAIC boards worked together to use financial reserves to address the budget shortfalls. This was possible because FAIC owed AIC funds as payment for use of AIC's office space and some staff assistance, as FAIC had sufficient funds to reimburse most overdue expenses. (It is important to remember that FAIC and AIC are separate entities and supporting FAIC is important to our organization and to our field.) Therefore, in 2024 and going forward, other measures must be taken to balance the budget.

AIC will continue to explore ways to reduce overhead and operational costs. The largest operational cost outside of staff is the rental of downtown Washington,

DC, office space. The annual lease for this office space comes to about \$150K. Physical space is needed not only for offices, but also to store annual meeting materials, workshop supplies, and physical archives. As a registered non-profit 501(c)6 organization, AIC also needs a physical address for tax purposes. However, with some staff already working remotely for portions of their workweek, AIC staff are re-envisioning physical space needs. There are costs associated with any change, including moving costs, and if AIC were to break its current lease, there would be large penalties. Staff is working on a possible relocation within the current building that could significantly reduce rent expense in 2025. Other cost saving measures are being considered and the harsh realities of the situation mean that all expenses are subject to evaluation.

AIC must gradually increase individual membership dues each year to ensure sustainability. On the revenue side, AIC must increase its membership dues for institutional and regular members in order to become self-sustaining. Although membership rates must be adjusted to follow inflation, AIC recognizes that the same factors impacting AIC are also hurting the economically vulnerable members of its community. AIC remains committed to reduced rate dues for interns, fellows, emerging professionals, and retirees. AIC may also explore a tiered membership fee system based on an individual's annual income, if that is logistically viable.

AIC will increase institutional membership dues and explore a new tiered system based on institutional size. Institutional membership fees lag behind those of similar organizations and they lack the flexibility to reflect relative institutional size. AIC is currently evaluating institutional rates to determine how they should be increased and is exploring the use of a tiered system based on institution size. The rates for 2025 will at minimum reflect the cost of two individual memberships and a print JAIC subscription, with benefits changing as well.

To ensure organizational sustainability, it is inevitable that AIC increases individual and institutional membership dues. For individual memberships, this means that in 2025 dues will increase from \$159 to \$175. Institutional memberships will increase from \$280 to \$500. Although membership rates must be adjusted to follow inflation, AIC recognizes that the same factors impacting AIC are also hurting the economically vulnerable members of its community. Therefore, AIC remains committed to maintaining dues rates reduced by half for interns, fellows, emerging professionals, and retirees. AIC has also decided to reduce its membership rate for members earning less than \$40,000.

Another larger administrative overhead expense for AIC is the JAIC printing costs. Many publishers are moving towards online only publications to increase sustainability (no paper or shipping) and improve general access. We understand that some members may want to retain the option of having hard copies in addition to digital access, but to offset the costs associated with this, AIC will charge an annual fee of \$12. This is also a green measure, aligned with promoting environmental sustainability, and one that will save AIC \$50,000 in printing expenses due to the publisher annually.

AIC will increase virtual registration fees for annual meeting attendees to cover higher technology expenses. The live-streaming and AV support needed for the virtual portion of the Annual Meeting is a significant expense. It includes not only the AV and media needs at the conference center but also the resources and staff time required to manage a concurrent virtual conference. These costs are significant and are likely to increase in unpredictable ways. AIC is therefore increasing virtual registration fees for the 2025 Annual Meeting. (Note that some other comparable organizations have equal registration costs for in-person and virtual attendees.)

AIC board and staff will hold a virtual town hall on Monday, September 16, at 2:00pm ET to walk you through this report and answer questions.

Conclusion

The purpose of this update is to inform you of the serious concerns about AIC's financial well-being and to prepare you for changes in the coming months. AIC's priorities are to: 1) continue to be a vital organization that provides services and opportunities to its members; 2) retain AIC's valued staff; and 3) ensure that AIC is fiscally viable.

I strongly believe AIC is critical in the continued growth of our field. AIC provides advocacy among professional allies, awareness to the general public, makes available peer-reviewed research, facilitates training to our members, and provides guidance to governing bodies. I cannot imagine that the field would be anywhere near its current state if it weren't for the AIC organization, its staff, and the hundreds of volunteers that have made the profession that it is today.

To our volunteer leaders: For us to continue to be successful as your association, we will need your continued engagement and support. You are the best ambassadors for AIC and in the best position to encourage your friends and colleagues to support and become part of our AIC community.

To all members: AIC is all of us; our sustained success relies on your continued engagement and support. Please consider renewing your membership early and planning to attend our upcoming Annual Meeting in Minneapolis. We have special incentives to renew and register now. Please also encourage your fellow members to renew and register and reach out to nonmembers to join AIC and attend our events. Our top priority is to work together with you to find sustainable solutions that ensure our success.

Sincerely,

*Elmer Eusman, AIC Treasurer
on behalf of AIC Board of Directors*