

# President's Report on the State of the Association January 2008

The purpose of this report is to provide information that allows the ANA membership to understand my administration's accomplishments, and the direction we are taking to move the Association forward. I hope this report will encourage a healthy exchange of ideas and opinions, and that members understand this is their Association, and that their involvement will create a better future for us all.

While preparing this, I found inspiration in the ANA's Mission Statement: "To encourage and educate people to study and collect money and related items by promoting, preserving and protecting the interests of those who desire to 'Discover and Explore the World of Money." I also recalled an important quote attributed to ANA Past President Matt Rothert and heartily endorsed by ANA Treasurer, Parliamentarian and Past President Adna G. Wilde Jr.: "Always remember the member."

# The ANA Today

After 117 years, the ANA remains one of the premier numismatic organizations in the world. Over the past few years, however, the Association has had to rely too much on income from the endowment, and members have voiced concerns that communications from headquarters and the Board of Governors have been inadequate.

The new Board of Governors, which was sworn into office in August, is taking responsibility for carefully reviewing the Association's finances and strategic plan, and ensuring that the ANA focuses on activities considered most important to the membership.

In spring 2007, the ANA announced a grand vision to raise \$40 million to build new museums on both coasts and expand the one at headquarters in Colorado Springs. While appealing and inspiring for some, that vision appeared too risky to this Board. The museum projects were not well planned and would have committed resources that the ANA did not have.

At the same time the ANA was moving its focus toward these massive projects, finances were becoming strained due to exorbitant legal costs which exceeded budget outlays by about \$500,000, overstated revenue projections and understated expenses. As a result, the newly elected ANA Board of Governors was forced to make several difficult yet necessary decisions:

- The museum project in Washington, D.C. was cancelled
- The museum project in San Francisco has been put on hold, pending further study
- \$2.225 million had to be pulled from the endowment to pay off a bank credit line and cover a budget shortfall created by unrealistic revenue projections.

Former Executive Director Christopher Cipoletti's employment was terminated in October 2007 (Additional information on Mr. Cipoletti's termination and arbitration is provided under legal below). He was replaced by Acting Executive Director Ken Hallenbeck, a well-known Colorado Springs numismatist. Thanks to Mr. Hallenbeck's and Chief Operations Officer Kim Kiick's efforts, each staff member now has a job description and,



for the first time in several years, there is a publicly distributed organizational chart that clearly defines responsibilities and reporting relationships.

These are challenging times, but we have several reasons to be optimistic about the future. The ANA remains a great organization with a well-deserved reputation for providing great educational programs, publishing an impressive magazine, developing entertaining and thought-provoking museum exhibits and hosting outstanding conventions that attract broad audiences to bustling bourse floors, remarkable exhibits and family activities.

We have about 32,000 members and 506 clubs. Interest in collecting coins has been growing, and there is heightened interest in paper money, medals and tokens. This ANA Board of Governors has worked hard to improve communications and give a voice back to the membership. Placing Board minutes, agendas and video meeting coverage on the website gives members, who cannot attend the conventions, a real look at the Board's activities. The next important step was to reestablish the committee structure. More than 20 committees comprised of volunteers – collectors, dealers and Board members – now work with staff liaisons under a model that served the Association well for decades. By meeting regularly via phone conference, committees and staff are able to share and evaluate ideas and, most importantly, build trust. Members are given a voice in ANA operations, while staff benefits from the varied backgrounds and experiences of accomplished numismatists. The result: fresh ideas and a can-do attitude.

Next on our list is finding a new leader to implement the Board's policies and lead the team at headquarters. We are currently accepting resumes for the position of ANA executive director. We hope to have him/her in place by the end of March.

The ANA also is engaged in three important legal matters, which are being handled by the Board and our new general counsel, A. Ronald Sirna Jr. These legal matters are the three-year-old litigation with John Nebel and other defendants, new litigation with the law firm of Davis Graham & Stubbs LLP, and a pending arbitration with Mr. Cipoletti. More information and an update from our general counsel are provided below under "legal."

This is a challenging and exciting time to be President of the ANA. My goal is to ensure that you, as members, are given reasons to feel good about your ANA and the hobby. After all, if you're not having fun with numismatics, then something is terribly wrong. And if we're not helping to make collecting a joyful experience, then we need to do our job better.

# Priorities and Challenges, 2008-09

### **FINANCES**

- Work on developing a balanced budget
- Clearly communicate all financials to the membership
- Ensure that the budget is realistic
- Protect and build the endowment.

The following data shows actual operating deficits, cash withdrawals from the endowment funds and the increase in the value of the Ben E. Keith endowment since fiscal year 1994-95.



1996	- \$738,	941	2003	-\$998,521
1997 - \$500,054		2004	-\$1,277,679	
1998	- \$190,	084	2005	-\$634,054
1999 - \$929,975		2006	-\$536,766	
2000 - \$328,683		2007	-\$1,729,770	
2001 +\$42,796		2008	-\$1,400,000 Estimate	
2002	-\$1,18	5,035		
Endowment funds (Stocks and cash) Balances				Ben E. Keith Endowment Value
	End value	\$6,051,969	(Withdraw \$ 870,000)	\$ 5,748,374
1997 Year	End value	\$7,157,269	(Withdraw \$ 500,000)	\$ 6,043,614
1998 Year	End value	\$11,418,875		\$ 3,563,143
1999 Year	End value	\$11,121,270	(Withdraw \$ 500,000)	\$ 4,110,410
2000 Year	End value	\$11,670,958		\$ 4,838,530
	End value	\$ 9,925,811	(Withdraw \$1,000,000)	\$ 5,564,598
2002 Year	End value	\$11,872,180		\$ 5,966,202
	End value	\$5,983,807	(Withdraw \$ 600,000)	\$ 7,608,306
2004 Year	End value	\$7,491,282	(Withdraw \$0)	\$ 9,503,212
2004			Withdraw \$300,000 from lin	
	End value	\$7,563,955	(Withdraw \$ 435,000)	\$10,619,913
2005			Withdraw \$484,422 from lin	ne of Credit
	End value	\$7,421,381	(Withdraw \$ 933,343)	\$12,420,644
2006			Withdraw \$65,578 from line	e of Credit
2007 Year	End value	\$6,853,178	(Withdraw \$1,050,000)	\$14,715,070
2007			Withdraw \$75,000 from line	e of Credit
2008 As C	of 11-30-07	\$5,955,384	(Withdraw \$2,225,000)*	\$14,715,070
			*Paid off \$925,000 line of C	redit

Budgets have not been realistic. Revenue figures were inflated and some expenses understated in an attempt to balance or reduce the deficit. In this year's budget, for example, sponsorship and donation revenues are examples of unattainable goals while legal fees and fund-raising contract labor expenses are significantly understated.

The 2008-09 budget will be based on realistic and attainable targets. While it's true that the endowment has been impacted by adjustments required in this year's budget, such reliance on the endowment should not be continued in the future.

#### **MEMBERSHIP**

By working closely with clubs, dealers and numismatic companies, we can aggressively build membership through cost-effective, cooperative outreach programs. The new ANA Internet Collector of the Year Award, I believe, will encourage PCGS and NGC registry members and collectors, who display their collections on the Internet, to join the ANA. Plus, the consumer protection and education programs funded by the Francisco vs. NGC settlement (see page 4 under "Education") should make many potential members aware of the various benefits and services offered by the ANA. Lastly, improving retention is vital, and efforts will be made to meet and respond to the needs of our members. We will:

- Increase membership to 35,000 by summer 2009
- Build membership through ANA clubs
- Improve member loyalty by encouraging involvement
- Increase retention through improved customer service
- Use cost-effective marketing techniques
- Leverage relationships with numismatic companies.



The ANA's reputation has been impacted by negative publicity during the past three years. Much of the controversy involved unpopular decisions and a general sense among many members that critically important information was not being communicated. During this period, membership remained flat despite the loss of several hundred members who chose to leave the Association in protest.

The Board firmly believes that a commitment to open communications and transparency will help heal the ANA's reputation. This, combined with ongoing efforts to emphasize educational programs and become more involved with our clubs, should yield renewed interest among collectors to join the Association. While budgetary issues will limit our ability to market through advertising, a creative approach to building membership through grassroots efforts should prove cost effective and productive.

### **COMMUNICATIONS**

By empowering committee chairpersons to seek five to eight volunteers to join their teams, we will significantly improve channels of communication. These teams and ANA staff managers will review programs, procedures and policies, and post minutes and agendas on the website to ensure they are membership friendly and effective. We will:

- Establish through actions and communications that the ANA is indispensable to the hobby
- Distribute ANA news in a timely manner
- Create strategies to engage our members
- Maximize online communication efforts
- Reestablish quality working relationships with the numismatic press
- Continue to build the national news media program.

Over the past three years, some numismatic press reporters and editors have expressed concern that the Association has not been open and forthright; this has changed. The new Board has been and will continue to be as open as possible, and pledges to be timely in its communications with reporters and editors. While many members have been critical in letters to the editor and guest commentaries, we hope this will change with our efforts to be more open and communicative.

The website is developing e-communities to allow members to connect and share their hobby interests. New interactive areas also are being created to enhance the online experience of members and nonmembers. An online calendar has been introduced for club shows, regional shows and Board meetings.

#### **EDUCATION**

By creating educational programs that target existing and emerging numismatic collectors of all ages, we can provide essential educational programming & collector protection information to a broader more diverse audience. We will:

- Expand student opportunities at Summer Seminar
- Provide educational programming at state and regional coin shows
- Create programs for younger collectors, ages 6-13
- Develop "train the trainer" courses.

Education is our core value and is reinforced in the Association's Congressional charter. Until recently, most ANA learning opportunities were available through Summer Seminar or through Numismatic Theatre at the two annual conventions. New programs such as pre-convention courses have been added. The ANA's "Coins in the



Classroom" program is expanding, but its growth is restricted somewhat by limited staff resources to teach the seminar at multiple off-site locations. Training trainers, however, would allow Coins in the Classroom to be taught in off-site locations.

Education must be made more accessible to members who can not conveniently attend Summer Seminar or a convention. Classes and seminars are now offered at the Whitman Coin and Collectibles conventions, with plans to look into providing education at select state and regional coin shows and conventions. It's also possible more classes could be delivered online via webinars. Accomplishing this, however, will stretch the capacity of a two-person staff and require more volunteers to step forward and teach.

Enrollment in Young Numismatist programs has been disappointingly low, and many younger collectors seem disinterested in completing the requirements of the Ancient Coin or Early American Copper Coin projects. By creating new programs for a younger demographic and updating the current ones using today's technology, new activities can be developed that will seem more entertaining and appealing to younger collectors. More research may be necessary to help the ANA find better ways to connect with youth.

An expected donation of approximately \$400,000 from the Francisco v. NGC Settlement funds will support education. NGC settled a class action lawsuit concerning the First Strikes designation. While admitting no wrongdoing or liability, NGC elected to settle and discontinue use of First Strikes, believing that controversy and law suit would not be in the best interests of the coin hobby. Under the terms of the settlement, NGC was able to direct the lion's share of the proceeds to the ANA to further support its mission of collector education. This would allow the ANA to implement new strategies as well as enhance its delivery of numismatic education to a vastly larger audience. Some of these funds would be used to create a much-needed consumer awareness booklet with helpful information on coin collecting.

### **CONVENTIONS**

By providing new, exciting and innovative benefits and services for exhibitors and attendees, we will make our semiannual conventions the ultimate destination for all numismatists. We will:

- Enhance the visitor experience
- Develop automated, online bourse applications
- Attract the best-possible numismatic and world mint exhibits
- Create exciting new activities that appeal to numismatists of all ages.

Generally, conventions have been successful, although it is still problematic when some larger dealers with prime booth positions at the front of the bourse leave early, leaving only a skeletal crew with minimal inventories or displays on the final day of shows. This problem has been largely addressed at the World's Fair of Money® by the success of the Mint Promenade, which is a major attraction for the general public. We hope to enhance our ANA Scouting programs with more collecting classes hosted by ANA member counselors. Plus, we will add an "Artists and Authors Alley" in Baltimore, which will create additional interest for visitors.

The Artists and Authors Alley also will feature a conversation corner where authors and artists can hold informal talks and book signings. In addition, beginning at this year's Baltimore show, a stage will be placed in the popular Mint Promenade area for special presentations by world mints – again enhancing the experience for anyone interested in learning more about world mint issues. Changing the exhibit area's name to the Collector Gallery also may increase general interest in the shows.



Comments and feedback forms are being developed for distribution at conventions to gain valuable insight from dealers and visitors on ways to improve conventions, and staff will continue to look at the feasibility of a "luxury box" area on the bourse, which will free up more front tables and help solve the early departure problem.

ANA Meeting Services will continue to look at ways to reduce expenses and increase revenue by providing new and improved benefits and services. An enhanced sponsorship program, along with increased convention program advertising sales, will play an important role in making conventions more successful.

## **PUBLICATIONS**

By creating a full, online edition of our popular magazine, *The Numismatist*, we will bring more members to our website and make them more aware of the many free benefits and services offered by the ANA. We will:

- Focus editorial staff attention on The Numismatist
- Conduct a readership survey
- Emphasize the value of *The Numismatist* as a member benefit
- Work to increase advertising sales by 10 percent
- Include articles with broad appeal for beginning as well as advanced collectors
- Give more recognition to volunteers and ANA club achievements.

In the past year, the Publications staff also produced the quarterly *ANA Journal*. Publication of the *Journal* has ceased due to a lack of support, but the Maynard Sundman/Littleton Coin Company Lecture Series manuscripts will continue to be published.

Conducting a readership survey is crucial to ensure that *The Numismatist* offers the greatest possible service to readers and advertisers. Results of the survey will help us determine editorial content, as well as the best way to serve our advertisers' needs. Increasing ad sales is important to generate revenue and to fund the important move to an online edition.

Successful completion of projects, such as the American Numismatic Association Dictionary of Numismatics with Random House Publishing and the Paper Money Grading Guide, will reinforce the ANA's reputation as the leading organization in the hobby.

### EDWARD C. ROCHETTE MONEY MUSEUM

By making a major commitment and dedicating substantial resources to cataloging our donations, and by making security procedures and inventory management our highest priority, we will make our museum a state-of-the-art facility. We will:

- Focus on cataloging, managing and securing our collections
- Increase the number of school groups visiting the museum
- Develop a Civil War exhibit for the main gallery
- Create a permanent exhibit on the history of money.

The Museum attracts between 25,000 and 30,000 visitors annually, but the number of school groups is declining because Colorado Springs-area school districts have significantly reduced their field-trip budgets. In addition, the Museum attracts a few thousand visitors each year, thanks to the U.S. Mint's 50 State Quarters® program, which ends in 2009. The museum must find new, cost-effective ways to increase school visitations and to replace those visitors who may not come once the state quarter program ends.



New signage will be created on the south side of the Museum, which is visible to the 100,000 annual visitors to the neighboring Fine Arts Center, as well as the 9,000 vehicles that drive by the Museum each day. Cross-promotions will also be developed with other local museums and libraries. Most significantly, the new Civil War exhibit should be an enormous draw and the history of money exhibit will likely be a solid attraction for years to come.

Cataloguing and managing the collection is critical to preserving the collection. This important project will demand the full attention of the museum staff, plus additional personnel, volunteers and member support.

# DWIGHT N. MANLEY NUMISMATIC LIBRARY

By dedicating the necessary resources to cataloging a backlog of donated collections, books and materials, and updating the inventory, we will make our Library the primary source for numismatic research. We will:

- Support the highest level of numismatic research
- Provide membership with the best-possible service
- Complete the inventory process
- Accession the backlog of donations
- Batch and barcode auction catalogs.

The ANA Library, the largest numismatic lending library in the world, is staffed by one full-time librarian and a part-time employee. As a result, accessioning the backlog of donations, as well as other immediate priorities, will be difficult unless library staffing is increased. Yet, all cataloging and inventory of the entire collection needs to be completed before many of the initiatives in the current strategic plan can be accomplished.

Progress, however, is being made on two critically important projects: the transfer of audio-visual programs from VHS to DVD and converting the slide sets to a digital format.

Efforts also will be made to increase member use of the library, including an advertising campaign highlighting the library as a valuable member benefit.

### SPONSORSHIP AND NEW ENDOWMENTS

By creating sponsorship programs that are mutually beneficial to both the ANA and its sponsors and by enhancing the endowment program, we will increase revenue, which can be used to offset operating costs or support new member benefits. We will:

- Create new sponsorship opportunities
- Create a new Volunteer Appreciation Fund
- Customize sponsorship packages
- Look for sponsors outside the numismatic community.

In each of the past two years, the sponsorship revenue goal has been set at unrealistic levels. For example, prior to the 2006-07 budget, the greatest sponsorship revenue ever generated in a fiscal year with two conventions was approximately \$150,000. Yet, the goal for 2006-07 was set at \$380,000. A similarly high and unrealistic goal was also set for 2007-08.

The good news is that sponsorship sales in the last two fiscal years have exceeded past performance, and new sponsorship opportunities have been identified at conventions (the Mint Promenade and pre-convention seminars, for example) as well as at Summer Seminar. A realistic goal of about \$200,000 for 2008-09 can be reached by



finding new opportunities at conventions, enhancing the Summer Seminar sponsorship program, and by procuring sponsors for museum exhibits.

Sponsorship sales also have been brought in-house, which should be beneficial to the Association as it targets greater revenues in the future. An emphasis will be placed on making sponsorship opportunities available to all members.

Without our national and Summer Seminar volunteers, the ANA could not function as successfully as we have; we must show them how much they are appreciated. I would like to see a new endowment to help offset costs such as airfare, hotel rooms, recognition awards and special appreciation lunches or dinners.

## **BOARD OF GOVERNORS AND STAFF LEADERSHIP**

By working together as a team, the Board, ANA staff and volunteers will be responsive to membership needs and ensure that regardless of numismatic interests, members will be provided with the guidance and assistance they need in meeting their goals – whether they are collectors, dealers or investors. To meet our commitment to the membership, ANA leadership will:

- Empower staff and volunteers to maximize their contributions
- Present a clear vision
- Provide measurable and achievable goals
- Recognize staff and volunteer contributions
- Demonstrate the highest possible fiduciary duty
- Provide strong oversight on policy setting, strategic development and long-term planning
- Reestablish member, volunteer and committee involvement with ANA staff
- Improve and preserve ANA historic records.

The new leadership at the ANA must guide the organization in identifying priorities so that the limited staff at headquarters can accomplish goals and objectives that are important to the membership and attainable based on the budget and resources available.

The Board has accomplished a great deal since taking office. Issues of transparency and confidentiality have been addressed, and the Association's financial picture is being sorted out. A search for a new executive director is under way, and staff resources are being refocused to ensure that the core mission of the Association is a priority.

Member input is being sought, and that input will be used to identify future priorities; no longer will grand visions and major initiatives be developed without first seeking the collective thoughts of the membership. The ANA is a member-based Association. As your elected Board, we pledge that you – our members – will determine the future of this organization and that we, as your Board, will provide the leadership necessary to create a realistic and achievable vision.

# LEGAL ISSUE UPDATE FROM THE ANA GENERAL COUNSEL, RONALD SIRNA

### 1. Christopher Cipoletti and the American Numismatic Association v John Nebel, et al.

Because the former attorneys who represented the ANA and Mr. Cipoletti realized that after two years of joint representation there was a conflict by representing both parties, they withdrew and the ANA hired its own separate attorneys to represent the ANA. Currently, Lance Sears is reviewing the more than 17,000 pages of documents



pertaining to that litigation to determine the best course of action to resolve that pending lawsuit. It is anticipated that after a thorough review of the file is completed, the ANA will make every reasonable effort to determine whether there is a common ground to resolve the litigation without the necessity of a jury trail.

#### 2. Davis Graham & Stubbs LLP v American Numismatic Association

The former law firm that represented the ANA and Mr. Cipoletti has filed suit for the balance of its fees and costs in an amount in excess of \$375,000. The ANA has already paid well over \$300,000 to its former Attorneys, Davis Graham & Stubbs LLP. The ANA is reviewing the lawsuit and is considering asserting a counterclaim.

#### 3. Cipoletti v American Numismatic Association

Based on Mr. Cipoletti's contract we must resolve any dispute with the ANA and pay for mandatory arbitration. Since Mr. Cipoletti was terminated for cause in October 2007, he has requested arbitration against the ANA. We will be starting discovery in January 2008 and believe it will be arbitrated sometime after June 2008. The ANA intends to vigorously defend its termination of Mr. Cipoletti, and as there was a valid basis to terminate Mr. Cipoletti, the ANA will not make any payment to Mr. Cipoletti unless ordered to do so by the arbitrator.

## **IN CONCLUSION**

I've spent a lifetime in this fascinating and rewarding hobby, and I can think of no greater legacy than to play a leadership role in preserving and perpetuating numismatics and this Association for centuries to come. This State of the Association Report summarizes my position on the status of the ANA and its immediate future. However, nothing in this report is final or sacrosanct. Instead, this document was produced as a blueprint for discussion. Am I, as your president and are we, as your Board, moving your Association in the right direction? Your comments, questions and opinions will give us the answers we need to put into place the policies and strategic plan that reflect your hopes and dreams for the ANA.

We'll discuss this report in an open forum in January at the FUN Show in Orlando and continue that discussion at a Town Hall meeting at the National Money Show<sup>TM</sup> in Phoenix at 6 p.m. on March 8. It's your Association; as elected officials, our job is to listen to you and formulate, to the best of our ability, a policy and vision that best reflects the desires of the majority of ANA members. I will produce another State of the Association Report in 2009, and hope that encouraging an honest and open discussion of ideas will continue to rebuild the trust that is so necessary in any world-class organization.

I greatly look forward to our discussions.

Sincerely, Barry Stuppler President, American Numismatic Association 5855 Topanga Canyon Blvd. Suite 330 Woodland Hills, CA 91367 <u>barry@stuppler.com</u>