

The State of the Institute - 2010

Fellow Members of the U.S. Naval Institute:

Challenging times continue for the nation, the Sea Services, and for many members of the Naval Institute. It is thus particularly important that the Institute continues its unique role as the only non-profit, professional military association offering an independent, nonpartisan forum on national security. Especially during difficult economic times like the present, we advocate for a strong national defense; and we educate the public on the enduring and vital role that sea power plays in maintaining it. We also promote the sacred obligation America owes to the men and women of the all-volunteer force who serve.

This letter comes as the nation continues to grapple with severe economic distress. Although the Dow Jones Industrial average rose 11 percent in 2010, unemployment hung tenaciously around 10 percent. Most importantly, U.S. military forces entered the tenth year prosecuting two wars with the prospect of looming significant defense cuts amid new military powers and civil disorder in the Middle East.

Fortunately for the Institute, with thanks to the USNI team and you, our members, the Naval Institute had its strongest financial performance in over 20 years. In 2010 we continued and expanded the significant financial and operational successes of 2009.

The Institute met or exceeded every financial goal for 2010 and reported a positive net operating margin of \$613K. Our traditional business lines—membership, periodicals, books, and conferences—showed positive operating margins. The Foundation raised \$2.3M, due in no small measure to almost 5,000 member gifts and pledges, including some of which were quite large.

The Naval Institute Foundation portfolio gained an additional 15 percent over the 29 percent growth in 2009. The combined impact for USNI was a positive consolidated margin of \$1.8M with a net positive cash flow of \$522K.

On the operational side, our modest budget together with economic uncertainties produced a relatively flat member count, with a slight loss of just over 2 percent. With our marketing partner MGI, we added 1,900 new members last year and continued recording high—and stable—retention rates. Three events stand out: first, our USNI Blog site, together with USNI.org, enjoyed a record year of member engagement; second, we placed our team of authors and national defense experts on radio and TV over 400 times; and, with our partner MOAA, we conducted the fourth and best to date Defense Forum Washington conference series on military and veterans health care. The conference was a critical success, covered by national media with outstanding speakers, including Senator Jim Webb, Army Chief of Staff General George Casey and Mrs. Casey, and The Honorable Tammy Duckworth, herself a combat veteran and Wounded Warrior. We also conducted our first Naval History Conference focused on piracy in the Middle East, drawing over 250 attendees including Midshipmen from the Naval Academy.

Again, all of this would not have been possible without you, our members, through your enduring strong commitments to the mission of the Institute. There should be no doubt that you played a critical role in our 2010 financial and operational success.

This was also another strong year for awards and recognition for USNI authors and publications.

At 2010 USNI Honors Night we celebrated the 137th birthday of the Institute and honored those who helped to making it happen. Among them:

The General Prize Essay Contest: 1st Place to Captain Victor G. Addison, USN, for a series of four essays pushing the envelope of conventional wisdom on the next naval strategies.

The Naval History Author-of-the-Year: Colonel Joseph H. Alexander, USMC (Ret), for his essay on the 1944 Battle of Peleliu.

The Naval Institute Press Authors-of-the-Year: Admiral and Mrs. James G. Stavridis, for their extensive and continuing contributions in multiple books on naval leadership and training/helping naval families.

Other recognition for Naval Institute authors, speakers, and commentators included:

* Kenny Wayne Fields, *The Rescue of Streetcar 304: A Navy Pilot's Forty Hours on the Run in Laos*

“2010 Eagle,” Gathering of Eagles Honor, c/o Air Command and Staff College,

* Dennis Giangreco, *Hell to Pay: Operation DOWNFALL and the Invasion of Japan, 194-1947*“

Arthur Goodzeit Award for Best Military History Book of 2009” as presented by the New York Military Affairs Symposium

* RADM Joseph Callo, USNR (Ret.), *John Paul Jones: America's First Sea Warrior*

“Lee Wayland Douglas Award for Literary Achievement” as awarded by the Association of the United States Navy

* Gannon McHale, *Stealth Boat: Fighting the Cold War in a Fast Attack Submarine*
3rd Place – Memoirs other than Vietnam based - “2010 Branson Stars and Flags Book Award”

* Lynne Joiner, *Honorable Survivor: Mao's China, McCarthy's America, and the Persecution of John S. Service*

The American Academy of Diplomacy Douglas Dillon Award for a book of distinction on the practice of American diplomacy.

* Toshi Yoshihara and James R. Holmes, *Red Star Over the Pacific: China's Rise and the Challenge to U.S. Maritime Strategy*

The Atlantic's 2010 Best Books of the Year: Foreign Affairs Edition

During 2011, we will continue to “live within our means” and to keep our professional staff together, engaged and productive. Our 2011 objective is to continue the two-year trend of strong financial and operational performance. Only in this manner, can we protect our “national treasure” and see it safely through this economic downturn.

With your continued strong support, we want the Institute to remain “the independent forum of the Sea Services advocating the necessity of global sea power for national security and economic prosperity.” The Sea Services and the nation need to hear our and your voices.

Finally, we announce that the Board has begun the search for the next CEO of the Naval Institute. Tom Wilkerson has served honorably and well for eight years; and will officially leave the Institute at Honors Night 2011. The Board is providing for an orderly transition to a new CEO to ensure that the mission of the Institute is continued and placed in good hands for the future. We appreciate your continued loyalty and advice.

Stephen M. Waters
Chairman of the Board

Thomas L. Wilkerson
Major General, USMC (Ret)
Chief Executive Officer

(Note: You will find the full 2010 Annual Report, together with the 2010 Financial Statement, on the USNI web site (www.usni.org) no later than April 1, 2011. We will also provide a hard copy of the Annual Report to members who request it.