



San Francisco Art Institute
800 Chestnut Street
San Francisco, CA 94133
415.771.7020
sfai.edu

January 17, 2021

SFAI Board Response to January 15, 2021 Statement from the Committee to Reimagine SFAI

Dear SFAI Community,

We want to commend the Reimagine Committee for their dedication and hard work since the Board issued its request for proposal six months ago and which the Committee promised to deliver no later than December 31, 2020. We were looking forward to hearing the Committee's findings and were eager to begin collaborating with Committee members on plans for next year's programs. So, we were deeply disappointed when the Committee chose not to deliver their written report to the Board – as we originally agreed – by December 31, 2020. On Saturday, January 16, 2021, the Board received a notice of resignation of Tom Loughlin, following Karen Topakian's resignation effective January 15, 2021, and dissolution of the Committee. We are still waiting for delivery of the Committee's written report and are open to collaborating with individual Committee members.

We thank San Francisco Artists Alumni (SFAA), an independent non-profit organization run by alumni of SFAI, for hosting the Reimagine Committee's presentation this past week and giving Board members in attendance an opportunity to hear the broad outlines of the Committee's findings, which we had hoped would inform, in part, decisions to be made in the early 2021 regarding the FY21-22 academic year.

Having anticipated the Reimagine Committee's presentations for many months now, the Board was disheartened that so many of the carefully prepared reports were overshadowed by introductory remarks that misrepresented both SFAI's current financial status and plans for the balance of the school year – fueling concern and confusion on the part of students, faculty and staff in attendance that eclipsed the thoughtful insights outlined in the presentations. These misrepresentations were then repeated and amplified in the running commentary in the chat room and on social media, distracting from the presentations themselves, and demonstrating a disregard for the speakers' efforts, the Board's and SFAI's needs, and the serious issues that must be addressed in the coming weeks.

The misunderstandings and/or misrepresentations made in the meeting last week have been repeated in the January 14, 2021 written Statement by the Committee to Reimagine SFAI, which we would like to correct now. Here are the actual facts:

1. SFAI's Spring Semester Will Commence on Tuesday, January 19 as Planned; Commencement Will Be Held on May 15

Contrary to speculation by non-Board members at the SFAA Town Hall on Thursday evening January 14, SFAI's spring 2021 semester will commence on Tuesday, January 19 and proceed as planned. Commencement will be held on May 15, 2021.

2. The Board Has Never Wavered in its Desire to Collaborate with Reimagine Committee

Contrary to what was said at the SFAA meeting and in the January 14, 2021 Statement, the Board wants to publicly and emphatically reiterate its eagerness to partner with the Reimagine Committee and engage with the ideas developed by the Committee. Members of the Board have reached out to



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the Reimagine Committee leadership repeatedly and maintained open channels of communication to arrange a meeting and discuss their presentation, but the Committee never provided a copy of the Reimagine Report that they promised to deliver on December 31, 2020. We still look forward to receiving a copy of the report so that we can address the hard tasks ahead.

3. SFAI's Financial Position is Vastly Improved From One Year Ago

The Reimagine Committee leadership also misled the community about the Board's fundraising efforts and progress, falsely claiming that the Board "has not fulfilled its commitment to SFAI and the school now stands in worse financial shape than it was in January 2020," causing unnecessary distress and anxiety within the community. Here is the fact of the matter: While SFAI still faces significant financial challenges, both short- and long-term, we are also making steady progress toward our goals. Here are just a few areas of significant improvement from last year among many:

Since the news of a possible closure went public in spring 2020, SFAI's institutional and individual supporters have stepped up to make 2020 a record-breaking year for fundraising efforts, with the Board raising over \$4 million during the pandemic. Additionally, the board was able to successfully work with past donors to convert some restricted funds into operational funds. Leadership also secured meaningful funds via government stimulus programs such as the Paycheck Protection Program known as PPP, and the CARES Act.

We have already raised \$1.4 million so far this fiscal year – which is twice as much as we typically raise in the first half of the year – and have a benefit auction with a major international auction house scheduled this spring that is expected to bring in significant revenue. In regards to the postponement of the benefit auction from November to March, this was recommended by our benefactors at the auction house in order to avoid competing with other benefit art auctions targeting the US elections in November 2020.

We did lower our overall FY fundraising goal from \$4.5 million to \$2.5 million, partly due to a slowdown in giving caused by the pandemic that is impacting most arts organizations and arts schools, but we expect to receive a second round of PPP funds this spring which would make up for most of this shortfall. And our efforts at fundraising continue.

Over this last year, the Board also managed a complex negotiation with the University of California to save the school from losing all of its assets in foreclosure. A year ago, the lending bank was threatening to give us just 90 days to pay off our \$19 million long-term debt; now we have six years on more favorable terms including a full year's relief from debt payments as we rebuild our enrollment.

A year ago, we were unable to secure a line of credit to cover payroll because our bank was holding all of our assets as security. Since then, UC has released those assets to us, including the 55-year lease at Fort Mason, which we can now use to help secure funds to cover the cost of operations, giving us the power to more effectively manage our cash flow.

A year ago, Fort Mason was underutilized, costing nearly a million dollars a year in rent and other expenses, with no prospective tenants and no assurances from Fort Mason Center or the National Park



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Service that we could actually sublet the space. The Board and administration brought in a new real estate team who negotiated permission to sublet the space and found a short-term tenant who is now covering all of our expenses there including the rent, security, and utilities. And there are other tenants who are now considering either short-term rental of the balance of the space, or long-term rental of the entire space, making Fort Mason an important revenue channel that will help us cover operations at Chestnut Street.

4. The Board’s Use of Endowment Funds is Consistent With All Applicable Laws

The Reimagine Committee’s allegation that the Board is “now spending restricted funds from the endowment in what we fear may be a violation of California law” is completely false. The Board has been guided every step of the way by experienced nonprofit legal counsel. Our use of endowment funds is consistent with all applicable laws *and* in the best interests of the institution, which is our fiduciary responsibility.

We appreciate the work of the Reimagine Committee. The Board and administration have been working with the long-term financial models prepared by the Finance Subcommittee of the Reimagine Committee and will continue to finetune those models. Our plan now is to thoughtfully and thoroughly review what we know of the Committee’s findings and continue the work of rebuilding SFAI.

Thank you.

SFAI Board of Trustees