



Interpreter

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State grants-in-aid awarded

insert

**Spring local history workshops
schedule and registration form**

Published by the Minnesota Historical Society for county and local historical organizations and heritage preservation commissions

A word to the wise: Diversify Varied funding sources build solid base of support

Many of us have heard the advice from our financial planners: "Diversify your portfolio."

The same advice holds true when planning for your organization's future. The more diversified your funding base, the better positioned you'll be to weather any losses.

That's a lesson many of Minnesota's historical organizations learned in recent years as government support - federal, state, county and local - grew scarce. Some organizations have gotten by with a little belt-tightening. Others retrenched after deep public funding cuts. A lucky few, well protected by their already diversified funding sources, have thrived despite the economic downturn.

Strategies tried and true

In 2004, as counties across Minnesota suffered cuts in their state allocations, the Beltrami County Historical Society lost its \$20,000 county appropriation - 20 percent of its \$100,000 budget. To fill the gap, executive director Wanda Hoyum scrambled to launch the organization's first-ever annual fund drive.

"We brought in \$4,000 that first year," says Hoyum, "not nearly enough to replace the lost county funds. In 2005 the county reinstated \$10,000 of

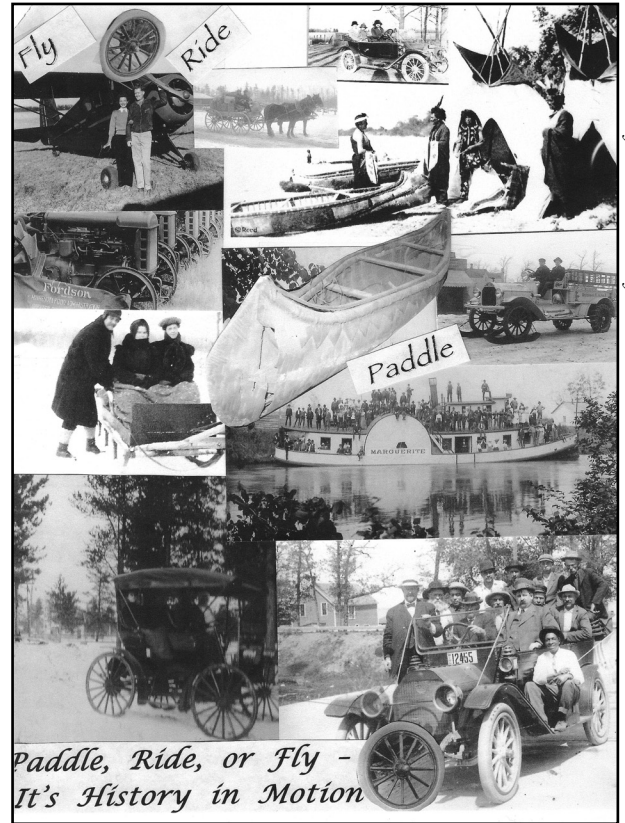
our appropriation and we increased our annual fund goal to \$5,000. But that still left us short so we got creative about how to make up the difference."

One strategy: soliciting exhibit sponsorships from local businesses and foundations. "I sent board members out with a portfolio promoting our new exhibit on transportation," Hoyum explains. "We offered various levels of sponsorship so that businesses and civic groups could contribute individually or band together for a joint sponsorship."

Coming soon is the BCBS winter fundraiser - northern Minnesota's first-ever lefsa cook-off. "I've been making a 40-mile round-trip commute to work for 10 years now," says Hoyum. "That gives me a lot of time to think up ideas. Not all of them work but we keep trying. Every bit helps to build community awareness and increase our revenue."

Building an endowment

Good fortune reigns at the Winona



Beltrami County Historical Society

To solicit sponsorships for its new transportation exhibit, Beltrami County Historical Society's Wanda Hoyum prepared a portfolio outlining levels of support.

County Historical Society, where county support has held steady at 20 to 25 percent of the society's budget. "At the same time that we gratefully

Diversify continued on page 2

Diversify *continued from page 1*

welcome the support, we've also assumed it would never go up," says executive director Mark Peterson, "so we went about looking for other ways to grow." In addition to an annual fund drive and corporate sponsorships, they count on such revenue generators as a step-on guide program, gift shop sales, publications, bus tours and other events. "Events are time-consuming," Peterson admits, "but they build visibility. We're perceived as doing good things for the community and that helps maintain our government funding."

For a long time now the WCHS has focused on membership. "Ten years ago we undertook a capital campaign," says Peterson. "It was one of the best things we ever did. From that point on, many of our members thought about us differently. They became more a part of the organization once they *invested* in it."

Strategies followed to build on those relationships. "We jump-started an endowment fund by soliciting charter members for our Oren Smith Fund, named after the steamboat captain that founded Winona," explains Peterson. "Recently we created the 1935 Society, named for the year we started. It's a club for

current and past board members - there are more than 100 still living. We hope a deeper relationship with them will translate into planned gifts for our endowment.

"I know that other county societies have struggled in the past few years," he adds, "but those years have been among our best."

Foundations fill a void

The political climate in Washington County has been decidedly chillier. In 2000, the Washington County Historical Society's county appropriation stood at \$40,000 - half of the organization's total budget. Then the ax fell: county commissioners voted to cut operating funds to all activities deemed "not a core function of government." After five years of graduated cuts, county funding for the society's general operations ceased in December 2005.

"It took a while for reality to sink in when the cuts started," recalls executive director Brent Peterson. "But eventually we decided to go after support from the corporate and family foundations that serve our area. We've managed to replace our public general-operating funds but there's no room for growth there. So we're doing what



Mark Peterson generates extra income for the Winona County Historical Society as a step-on guide. Here he meets a group from the *Mississippi Queen* for a bus tour of Winona sites, including the history museum.

we can to build our endowment. We also decided to sell some land to the City of Stillwater that we had purchased back in the 1970s."

As that money comes in over the next seven years, the WCHS board will decide how to allocate it among capital projects, operations and the endowment. "Meanwhile," says Peterson, "we had a board retreat to revisit our mission, goals and priorities. The facilitator helped us come up with a vision - building a history center for the county. It may not be realized for five to 10 years but we came out of the retreat with a game plan. We're thinking big."

A leap forward

As in Winona County, the Richfield Historical Society in suburban Hennepin County counts on its members. To build a base of financial support, the Richfield society parlayed its membership list into a Founder's Club roster, now made up of local corporations, community



The Washington County Historical Society currently operates the Warden's House Museum in Stillwater (left) and Hay Lake School in Scandia. Out of a recent board retreat emerged a vision for a history center that will tell the whole county's story.



Cutting the ribbon last May at the new Richfield History Center are (l-r) director Lisa Plank, Richfield mayor Martin Kirsch and historical society board president Gertrude Ulrich.

organizations and foundations as well as individuals. A twice-yearly fund drive adds to the organization's coffers. "We've just begun promoting automatic monthly deposits as a way people can contribute," says director Lisa Plank. "We want to make it easy for them to increase their donation."

The society, which operates an 1850s farmhouse museum, took a big leap forward last May with the dedication of its new Richfield History Center. A mix of membership dues, event income, service fees, sales, room rentals and grants makes up the \$50,000 budget.

So far, the organization has gotten by largely with private rather than public support. "We did get a one-time appropriation from the City of Richfield for collections care," says Plank. "Now that we have higher visibility in the community, we're looking for ways to work more closely with the city."

Cultivating donors

Few county societies have a luxury enjoyed by the Stearns History Museum since 2002: a development director on staff devoted solely to running a comprehensive fundraising campaign - from membership and the

money to raise money. They also outsource some of the routine work of fundraising - envelope stuffing, bulk mailings - instead of using staff or volunteers. "It's all about using the right people for the right tasks," Ebnet notes. "Our development director concentrates only on fundraising - not grant-writing, not marketing - just fundraising."

Having someone on hand to manage fundraising activities frees Ebnet to cultivate individual donors. "They're your best source for future funding," he says. "And you'll be most successful if you make face-to-face requests for money rather than sending letters or running telephone campaigns."

To help Ebnet call on potential donors, the SHM trains its board in fundraising techniques - how to make a call, what to talk about. Those with experience act as mentors to the others. "We recently increased our board size from nine to 11 to get broader representation from the community," explains Ebnet. "That will also ensure better continuity from year to year. Building donor relationships takes time."

As the Stearns History Museum is proving, it's worth the investment.

Find contact information for all the organizations featured here in the Minnesota Historical Society's online directory of county and local historical organizations at www.mnhs.org/preserve/mho/chscllo.html.

annual fund to planned giving, capital campaigns and special-event fundraising. It's a big job at an organization with a budget of nearly \$1 million. "For a couple of years we funded the position with IMLS grants," says SHM director David Ebnet. "Now it's built into our general

operating budget."

Paying a development director isn't the only way the SHM spends



Two recognition walls at the Stearns History Museum honor donors - one for endowment gifts and this one for capital campaign gifts that built the museum.

Money, money, money

2005 survey compares income, expenses for historical organizations large and small

by David Grabitske and Tim Glines

Consultant Peter Brinckerhoff contends that not-for-profit organizations are essentially mission-based businesses. Without a strong mission, he argues, resources will not follow. And without financial resources, accomplishing any mission will be difficult.¹

That notion of a link between sound finances and missions accomplished led us to focus our 2005 survey of Minnesota's historical organizations on the varied sources of your financial support and the ways you allocate those resources.

Like the year before, we received 178 responses - a return rate of 56 percent. While that's a fairly good rate of response, it's not enough to get the full picture. We need to hear from *all* of you in order to successfully track trends, identify issues and plan programs to help you meet your needs.

The big picture

What does the information we collected tell us? Though the picture is incomplete, it is representative.

The budgets of reporting organizations reflect the range of organizational size, from those well over \$200,000 in annual expenses to those under \$10,000.

Organizations that reported annual expenses above \$100,000 - a group of 35, or less than 20 percent of the 178 respondents - account for half of the total expenses reported. Thirty-eight groups reported annual expenses between \$30,000 and \$100,000; thirty-one had annual expenses between \$10,000 and \$30,000; and 48 had expenses of less than \$10,000. This last group represents 27 percent of the organizations reporting but accounts for only 1.5 percent of collective expenses.

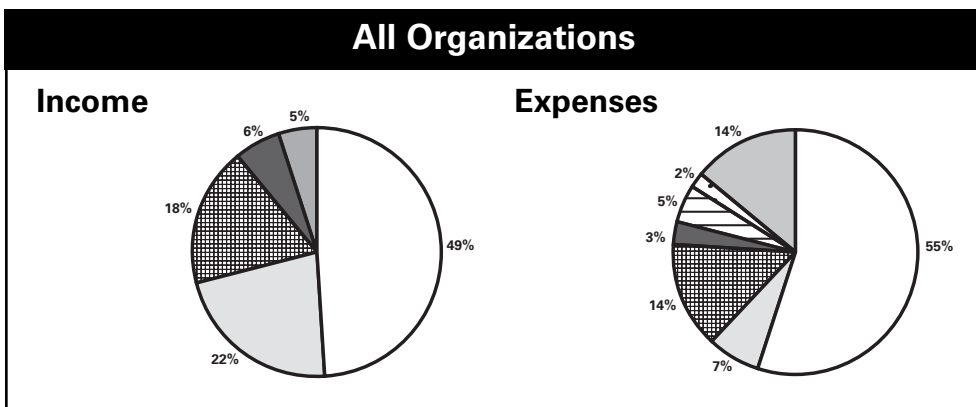
Income sources

Government support: Despite recent cutbacks, roughly half of all income for Minnesota's historical organizations comes from county and local governments. The organizations with expenses above \$200,000 receive

slightly more than half of their income from governments; the percentage of income from government support diminishes as budgets decrease in size.

Earned income: Nearly one quarter of all income comes from earned income - membership fees, admissions, fundraisers, gift shop sales, rentals, copy research fees and so on. The group of historical organizations with less than \$10,000 in annual expenses gets a larger percentage of their income from earned income than any other group. In particular, membership income plays a much larger role for smaller organizations.

Gifts: The third largest source of income is gifts, including annual fund contributions, memorials and bequests. Survey results show that relatively few organizations make use of annual fund campaigns to increase income: less than 7 percent of those returning surveys report soliciting this kind of gift. For this group, annual fund campaigns are an important source of extra funding. (Read about some examples in "A word to the wise" on page one.)



Key	
Income	Expenses
Government	Wages
Earned	Programs
Gifts	Plant
Investments	Insurance
Other	Supplies
	Member benefits
	Other

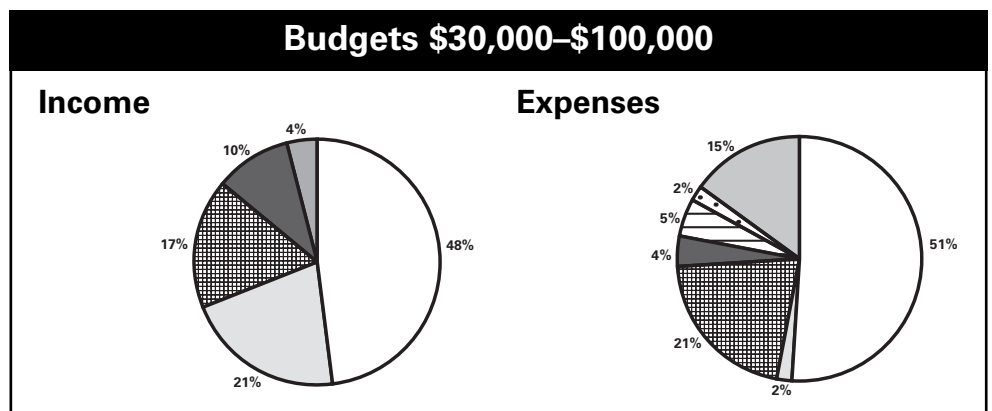
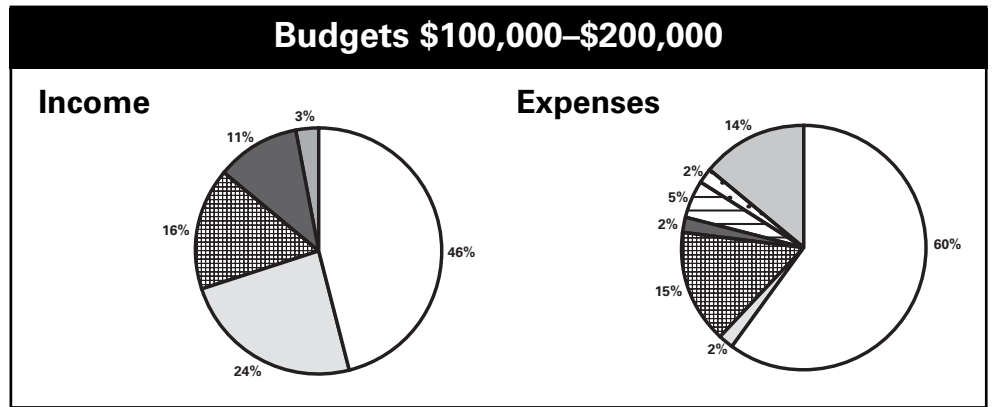
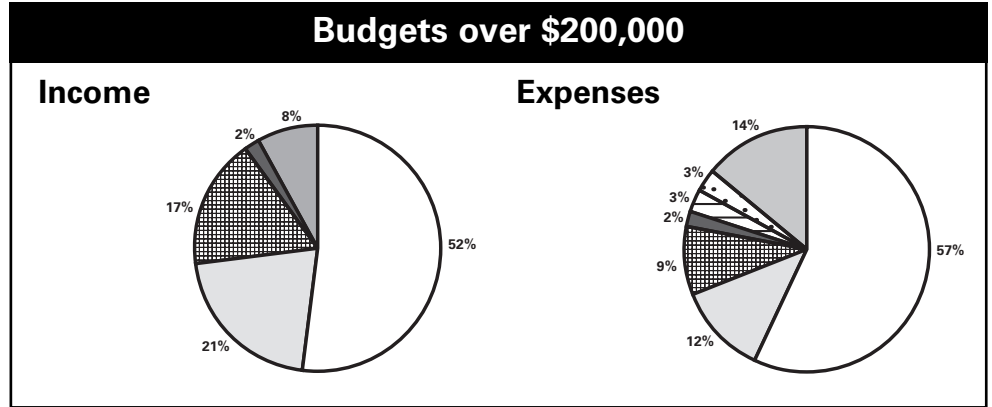
Investments: The remaining sources of income are special-project grants and investments such as endowments and bank accounts. Generally, investment income is a smaller part of total income for smaller organizations. The group that draws the largest share of its income from investments is organizations with budgets between \$100,000 and \$200,000.

Expenses

Except for the smallest groups, the single greatest expense for Minnesota's county and local historical organizations is employee wages. The percentage that wages represent of total expenses varies with the size of the organization. Smaller groups may employ only one person on a part-time or seasonal basis. To pay their wages, some of the smallest organizations in rural areas partner with Experience Works, a federal program that trains and places low-income older workers in jobs with nonprofit community organizations. (For more information about this program, go to www.experienceworks.org.)

Another sizable set of expenses (labeled "Other" in the accompanying pie charts) is a mix of professional fees paid to auditors and museum specialists, along with advertising, restoration, book publishing, depreciation and other miscellaneous expenses. Advertising accounted for nearly one fifth of this mix, though it makes up a relatively small part of total expenses reported.

The remaining categories of expenses cover public programs, building maintenance, insurance, supplies and collections care, and member benefits. Smaller organizations spend a larger portion of expenses on physical plant.



Expenses for insurance and member benefits tend to account for relatively similar percentages of total expenses in both large and small organizations.

Information about collections care proved somewhat difficult to interpret. It is a question that deserves further examination.

Key	
Income	Expenses
Government	Wages
Earned	Programs
Gifts	Plant
Investments	Insurance
Other	Supplies
	Member benefits
	Other

Room for improvement

Results of the 2005 survey demonstrate that, for the most part, Minnesota's historical organizations have diversified sources of income. We'll continue to track these results to determine how the percentages change over time.

Meanwhile, here are a few observations that we hope will serve to strengthen your financial position:

- In these uncertain economic times, it is best not to be too dependent on a single source of income. In particular, larger county historical societies, which count most heavily on government funding, need to broaden their financial base.
- The income-generating potential of annual fund drives, endowment funds and planned gifts is too often


overlooked. If you haven't already done so, think about launching an annual fund drive, establishing an endowment and introducing a planned giving program. You may be surprised at the willingness of your members to deepen their commitment to your organization.

- As your balanced budgets demonstrate, most of you are doing a great job of managing on limited resources and spending wisely. However, a number of organizations reported expenses in excess of income. In some cases, this was due to a major capital expense. But for others who spend more than they bring in, it may be a sign of trouble.
- Among the smaller organizations that responded to the survey, some reported no budget information.

Even though your operation may be a very bare-bones one, having a budget will aid your planning.

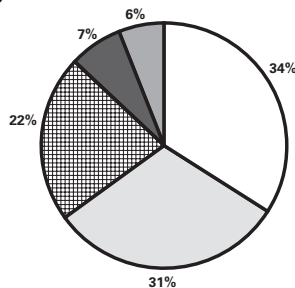
Carry on!

A final word of thanks to all who responded to our 2005 survey. This snapshot of the financial resources of Minnesota's historical organizations helps us gauge your fiscal health. All in all, we see a strong and vibrant community focused on your public mission while paying attention to the bottom line. As Peter Brinckerhoff reminds us in his book *Mission-Based Management*, "Your organization is a business, and the more businesslike you are, the better it will be for your clientele."

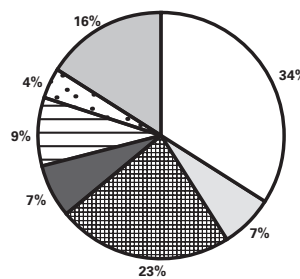
Watch your mailboxes in May for the 2006 annual survey. It will focus on another aspect of your operations. We look forward to hearing from you. 

Budgets \$10,000–\$30,000

Income

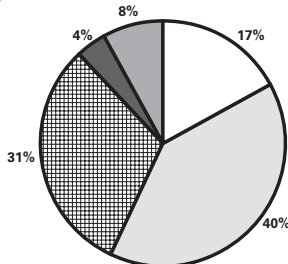


Expenses

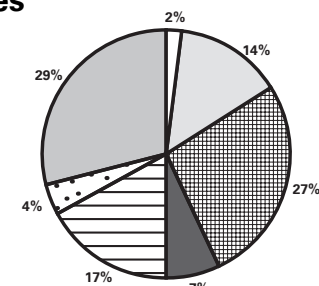


Budgets under \$10,000

Income



Expenses



Key

Income		Expenses	
Government		Wages	
Earned		Programs	
Gifts		Plant	
Investments		Insurance	
Other		Supplies	
		Member benefits	
		Other	

Notes

1. Peter C. Brinckerhoff, *Mission-Based Management: Leading Your Not-for-Profit in the 21st Century, second edition* (New York: John Wiley & Sons, 2000).

Didn't return your 2005 survey? It's never too late to get your organization counted in the results tally. For more information about the annual survey of Minnesota's historical organizations and the 2005 survey results, call David Grabitske (651-297-4416 or e-mail david.grabitske@mnhs.org) or Tim Glines (651-296-5460 or e-mail timothy.glines@mnhs.org).

State grants-in-aid awarded

Nineteen applicants to the Minnesota Historical Society's State Grants-in-Aid program received a total of \$58,000 in the fall cycle of fiscal year 2006. This was the first of two cycles for the 2006-07 biennium.

Grants were awarded in the categories of historic properties, artifact collections, interpretive programs, microform copies, oral history, manuscript collections, museum environments and technology.

Brown County: Brown County Historical Society, \$1,480, to purchase PastPerfect museum cataloging software.

Cass County: City of Cass Lake in cooperation with the Leech Lake Tribal Historic Preservation Office, \$1,500, to purchase PastPerfect museum cataloging software.

Faribault County: Wells Historical Society, \$2,500, to repoint chimneys on the Milwaukee Road Depot. The depot is listed on the National Register of Historic Places.

Goodhue County: Goodhue Area Historical Society, \$1,050, to purchase PastPerfect museum cataloging software.

Goodhue County: Goodhue County Historical Society, \$1,393, to purchase PastPerfect museum cataloging software.

Hennepin County: American Indian Neighborhood Development Corporation, \$3,500, for "City Indians," an oral history project.

Hennepin County: Westonka Historical Society, \$1,252, to purchase PastPerfect museum cataloging software.

Martin County: Martin County Historical Society, \$6,000, to install an elevator for museum accessibility.

Mower County: Austin Area



Pope County's Terrace Mill Historic District, clustered around this 1903 water-powered flour mill, will be the subject of a video funded in part by a state grant-in-aid.

Commission for the Arts, \$6,000, to restore the spire on the Paramount Theater. The theater is listed on the National Register of Historic Places.

Otter Tail County: Friends of the History Museum of East Otter Tail County, \$1,780, to purchase Finnish-language newspapers on microfilm.

Pope County: Terrace Mill Foundation, \$470, to produce a video, "Welcome to Terrace Mill Historic District." The district is listed on the National Register of Historic Places.

Ramsey County: North Star Museum of Boy Scouting and Girl Scouting, \$3,651, to inventory and catalog its scouting patch collection.

Renville County: Renville County Historical Society, \$2,000, to purchase newspapers on microfilm.

St. Louis County: St. Louis County Historical Society, \$2,595, to purchase environmental monitoring equipment for its museum.

Sibley County: Sibley County Historical Society, \$5,953, to restore storm windows on the August F. Poehler House. The Poehler House is listed on the National Register of Historic Places.

Stearns County: Stearns History Museum, \$6,000, to inventory and catalog architectural records.

Watonwan County: St. James Opera House Restoration Project, \$6,000, to restore the building's west entrance. The St. James Opera House has been determined eligible for the National Register of Historic Places.

Winona County: Winona County Historical Society, \$4,465, to repoint the Winona Armory, a contributing building in the Winona Commercial Historic District. The district is listed on the National Register of Historic Places.

Wright County: Cokato Historical Society, \$411, to purchase newspapers on microfilm.

AASLH seeks award nominations

Process streamlined for 2006

How does your history organization stack up against others across the country? Each year the American Association for State and Local History gives you an opportunity to find out.

The AASLH is now accepting nominations for its annual awards program, which recognizes excellence in the collection, preservation and interpretation of state and local history. This year the process has been streamlined to one category:

- Awards of Merit, recognizing performance deemed excellent compared with similar activities nationwide.

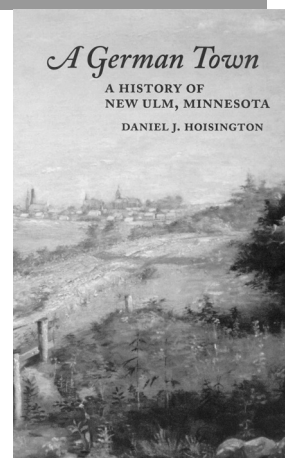
That category will cover all

eligible projects in the following areas: exhibits, public programming, special projects, media/publications, preservation/restoration projects and individual achievement.

As always, judges are looking for new and promising ideas and approaches, says AASLH state co-chair Ben Leonard, executive director of the Nicollet County Historical Society.

“By eliminating Certificates of Commendation, which were perceived as kind of an honorable mention,” he explains, “the AASLH has leveled the playing field. All awards given this year will be Awards of Merit.”

Deadline: If you wish to nominate your own or another historical organization, submit a



Daniel J. Hoisington's book *A German Town: A History of New Ulm, Minnesota*, published to mark the city's sesquicentennial, won an AASLH award in 2005.

nomination form by **March 1** to Ben Leonard, Nicollet County Historical Society, 1851 N. Minnesota Ave., St. Peter, MN 56082.

For more information, call Leonard at 507-934-2160 or e-mail him at ben@nchsmn.org. Nomination forms are available at www.aaslh.org/cgi-bin/awards.cgi. For a list of last year's winners, see the Interpreter, September-October 2005, at www.mnhs.org/about/publications/interpreter/sept_oct2005.pdf.



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