

NAVAL HISTORICAL FOUNDATION 2014 ANNUAL REPORT



On behalf of the Naval Historical Foundation's (NHF) board of directors and staff, I want to add my congratulations to Rear Adm. Sam Cox on his selection as Director of Naval History. We look forward to working with him and his staff at the Naval History and Heritage Command.

At the December board of directors meeting, Vice President Martin J. Bollinger provided our board with an insightful analysis of NHF mission and funding shifts over the past decade. A summary of that presentation on the following two pages constitutes the core of this annual report.

As discussed in Mr. Bollinger's presentation, 2014 proved transitional as we shifted to broaden our activities beyond the walls of the Washington Navy Yard. Indeed, 2014 could be dubbed "NHF on the waterfront" as we were involved in three events in Norfolk and another in San

Diego. Working with Nauticus and the Hampton Roads Naval Museum, we supported the Brick-by-Brick Lego Ship program in February that engaged hundreds of youth; we hosted a program in May to celebrate the 50th anniversary of Operation Sea Orbit—the circumnavigation of the globe by Nuclear Task Force One; and in September we co-chaired the 10th Maritime Heritage Conference that attracted hundreds of maritime and naval history professionals. On the West Coast in San Diego last August, we facilitated the award of two Vietnam War Air Medals on the flight deck of retired aircraft carrier *Midway*. To stage these events, we appreciate the support of our members and donors, who sustain our mission to *preserve and honor the legacy of those who came before us as well as educate and inspire the generations who will follow.*

During our annual meeting in June we saluted Ambassador J. William Middendorf for his four decades of service on the board and elevated him to "Director Emeritus." Our Holloway Society continues to grow as we welcomed aboard a total of 15 members during the inaugural year of this prestigious donor group.

During my third year as president, the NHF continued its success by working with organizations with like-minded objectives. For example, NHF partnered with the Naval Submarine League to cohost its annual submarine

history seminar at the Navy Museum that reviewed the history and development of torpedoes. The seminar was capably moderated by NHF director, Dr. David A. Rosenberg. In 2015 the seminar will be titled "Mutual Defense: A Half Century of US-UK Submarine Cooperation."

The Navy itself remains one of our most important areas of mission emphasis. The NHF supports the Navy's historical needs in a myriad of ways, assisting numerous veterans and active-duty Sailors with historical questions, providing recognition for outstanding scholarship, and acquiring artifacts, papers, art, and manuscripts for the Navy's various historical repositories. With the centennial of the Navy Reserve upon us, we were pleased to take a lead role in publishing *Ready Then, Ready Now, Ready Always: More Than a Century of Service by Citizen Sailors*. We also look forward to honoring Adm. Jonathan Greenert and the centennial of the office of CNO at our Spring 2015 Washington Awards dinner held in partnership with the National Maritime Historical Society.

As president of NHF, I look forward to hearing from you and getting your feedback as we move ahead.

Sincerely,

John T. Mitchell
President

Naval Historical Foundation: Our Financial Evolution

By Martin J. Bollinger

Vice President, Naval Historical Foundation

Introduction

For almost 90 years the NHF has preserved and honored the legacy of those who came before us in order to educate and inspire the generations to follow. While our mission has remained constant, the activities of the NHF have progressed to meet the evolving needs of the communities engaged in naval history.

No recent period has seen more such evolution than the past decade, during which the NHF advanced its approach to serving naval history not just once but twice. How we raised funds—and where we spent them—shifted considerably during this period.

To better understand this evolution, and to ensure continued success as the NHF approaches its second century, the NHF's Executive Working Group and board of directors recently commissioned a detailed review of the NHF's financial evolution over the past decade. We thought our members should have an opportunity to share the insights that emerged.

NHF Activities through 2006

As the NHF passed the year 2000 it remained focused on its traditional core missions. These included artifact acquisition, manuscript writing, community outreach, conference participation, collections management, provision of photographic services, and collection of oral histories. It also encompassed direct support

to the Naval Historical Center (now the Naval History and Heritage Command) and the National Museum of the U.S. Navy. Finally, the NHF also served as a valued clearinghouse for inquiries from historians, academics, journalists, and the general public related to naval history. The services were provided by a small NHF team supplemented by numerous volunteers. The total annual budget was in the vicinity of \$500,000 to \$750,000.

We funded these core activities through membership fees, unrestricted donations, and income from the museum store operations and provision of photographic reproduction services. Over time, as the scope of activities expanded, the annual cost for these core activities generally exceeded the annual intake. We chose consciously to draw down excess balances from our investment account to make up the difference.

Era of the Cold War Gallery: 2007 to 2013

Around 2007, at the request of Navy leadership, the NHF accepted a bold challenge: to expand the Navy Museum to recognize the history of the U.S. Navy in the post-WWII period. Though we continued to meet our core missions, these were soon overtaken by major fund-raising initiatives and spending on what became the Cold War Gallery (CWG). The total budget of the NHF increased by over 300% in a few short years. New categories of expenditures became promi-

nent, especially those related to fund-raising for and outfitting of the CWG. There was a slight increase in the size of the NHF staff to accommodate this new mission but almost all of the increase in costs went directly to support the CWG.

With the support of both government and industry, we simultaneously embarked on a major STEM-H (science, technology, engineering, math, and history) initiative, enabling teachers to create curricula leveraging the proud tradition of technical advancement within the U.S. Navy, and thus reinforcing the relevance of naval history to a new generation.

The sources of funding for the CWG and STEM-H were fundamentally different from our legacy sources. We targeted major *restricted* donations from individuals and corporations, specifically targeted to the CWG and STEM-H. We also contracted directly with the U.S. Navy.

Together, these sources contributed well over \$7 million, swamping our traditional income sources such as membership fees, income from services, and unrestricted donations. As a practical matter, the large inflows of funds from these sources also helped offset our modest continuing deficit around the provision of our core services to the naval history community.

Transition from the CWG Era
The Naval History and Heritage Command formally ac-

cepted the final CWG exhibits in 2014, honoring the NHF for its central role in making this happen. With this task completed, the focus of the NHF shifted away from the CWG. The major sources of income and expenses associated with the CWG no longer figured in the NHF's finances. Recognizing that this was going to happen, the NHF's Executive Working Group had committed in 2012 to build a new financial strategy for the Foundation. We also wanted to avoid the need to withdraw monies from our investment account to fund normal operations.

The urgency around this mission intensified with the horrific events of September 16, 2013: the mass shooting in the Washington Navy Yard that effectively closed the Museum Store and photographic archives to most users. This had a major negative impact on two of our most important sources of income.

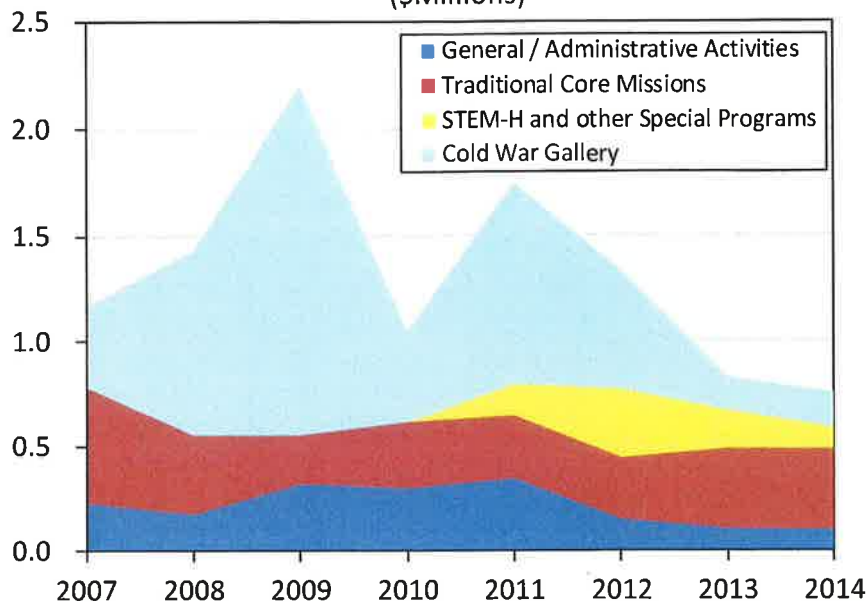
Looking Forward

With the success of the CWG, the NHF has now gone "back to the future"—returned to a world in which our core missions become once again the center of gravity of the Foundation's activities. Supplementing this will be our ongoing STEM-H work as well as new objectives in support of naval history, such as digitization of the Navy's huge art collection and assistance to institutions and corporations in managing their own collections related to naval history. Budgets have returned to the norm, in the vicinity of \$750,000, and the NHF staff has been restructured to reflect this new model.

Sources of funding have also

Major Expenses of the NHF

(\$Millions)



evolved. Membership dues and small unrestricted donations remain critical to NHF and the generosity of our members is greatly valued. However, income from commercial services such as the Museum Store is likely to remain greatly diminished until at such point the Navy Museum, behind the security perimeter of the Washington Navy Yard, becomes more accessible to the general public. Though restricted corporate and foundation donations remain critical for targeted NHF programs such as STEM-H and digitization of the Navy's art collection, they will not be a primary source of unrestricted funding for our core mission activities.

What has replaced these sources of funding are two new and exciting initiatives. The first is the introduction of the Admiral James L. Holloway III Society, in honor of the former NHF president and chairman. This society recognizes very large personal contributors

to the NHF (over \$100,000) and has achieved remarkable success in its first two years (details at www.navyhistory.org/admiral-james-l-holloway-iii-society). The second is our emerging planned giving program in which all interested parties are able to support the NHF through their wills and estate plans (details at www.navyhistory.planningyourlegacy.org).

With these two new programs, and with continuing support from our members and other individual contributors, we have transitioned our finances to the post-CWG era. The early indications are very encouraging: 2014 was our most successful year in unrestricted fund-raising in a long time and the momentum is strong. On the basis of this continuing membership support, we look forward to approaching our second century in support of this vital mission.



Naval Historical Foundation SUMMARY OF FINANCIAL AND ORGANIZATIONAL INFORMATION

As of 31 December 2014

ASSETS

Cash and Investments \$1,559,057
Accounts Receivable \$383,659
Other Assets \$141,765
TOTAL ASSETS \$2,084,481

LIABILITIES

Accounts Payable and Accrued Expenses \$14,765
Deferred Revenue \$22,981
TOTAL LIABILITIES \$37,746

INCOME

Donor Contributions \$935,253
Interest and Investment Income \$30,264
Other Income \$37,688
TOTAL INCOME \$1,003,205

EXPENSES

Program Expenses \$655,725
Fundraising \$65,084
General and Administration \$79,634
TOTAL EXPENSES \$800,443

NET ASSETS

Unrestricted \$1,785,081
Temporarily Restricted \$261,654

FOUNDATION STAFF

Executive Director: Capt. Charles T. Creekman*
Director of Programs: Dr. David F. Winkler
Education Outreach Coordinator: Capt. John Paulson
Office Manager: YNC Frank Arre
Digital Content Developer: Mr. Matthew Eng
Middendorf Curator: Emily Pearce
Director of Membership: Mr. Michael Drumm
Bookkeeper: Ms. Charo Stewart
Museum Store Manager: Ms. Tiffany Gwynn

2014 FOUNDATION BOARD MEMBERS

Chairman: Adm. Bruce DeMars*
President: RAdm. John T. Mitchell
VPres.: Mr. Martin J. Bollinger
Treasurer: RAdm. Howard W. Dawson, Jr. SC
Secretary: RAdm. Richard C. Gentz

Other Directors

RAdm. John D. Butler
Dr. William S. Dudley
VAdm. Robert F. Dunn
Capt. Maurice A. Gauthier
RAdm. William J. Holland
The Hon. Steven J. Honigman
Dr. J. Phillip London
RAdm. Larry R. Marsh
Hon. Franklin C. Miller
Capt. James A. Noone
RAdm. Kathleen K. Paige
Dr. Barbara Pilling
Dr. David A. Rosenberg
VAdm. William H. Rowden
Ms. Virginia S. Wood
*All naval personnel on the staff
and board are retired.

NHF Advisory Council

Dr. Robert Ballard
Mr. Robert Bellas
Mr. Charles A. Bowsher
Mr. Bran Ferren
The Honorable Thomas F. Hall
Mr. Corbin McNeill
Mr. Robert P. Moltz
Mr. Mandell J. Ourisman
Mr. Michael Petters
Mr. Tom Schievelbein
Dr. David Stanford
Mr. Michael J. Wallace