

Star Island Corporation
Chief Executive Officer's Report
January 22, 2014

Our Mission: *To own and maintain Star Island and such other property as the Corporation may hold or acquire, as a center for religious, educational, and kindred purposes consistent with the principles of the Unitarian Universalist Association and the United Church of Christ.*

Our Vision: *To create on Star Island an environment that frees all who come to renew spiritually, explore matters of consequence, and gain knowledge about the world as it might ideally be.*

Special Note: This is the first CEO report submitted under the guidance of our new Three Year Strategic Map, 2014-2016. Our map has four strategic goals – Community, Economic, Environment and Stewardship – which “share the common purpose of achieving the Sustainability and enhancing the Vitality of Star Island” and are chosen as areas of emphasis because they are “particularly important and timely in furthering this purpose.” Each of our strategic goals has a number of objectives, upon which this report is organized. Please see our attached strategic map for more information.

COMMUNITY

- We have over 65 conferences and groups lined up for 2014. Please see the attached 2014 Conference Calendar for the schedule as it currently stands. We expect a few more additions of small groups in the coming months. We are also looking ahead to 2015, as we further develop the Star Island Experience Week and continue to foster the partnership between IRAS and Star Gathering 2 Family & Youth.
- We are pleased to have signed an agreement with a new professional marketing firm for marketing work pertaining to this year and as we look ahead to our 100th birthday celebration in 2015. We will be working with CrossCurrent Communications (www.crosscurrentcommunications.com), in partnership with Lyn Rosoff (an independent marketing professional who has provided us with valuable insights over the years). Please see Kyle Belmont's Communications Report (attached) for more information on this and many of our other outreach and engagement efforts.
- Our February 1 Chairs and Registrars meeting is shaping us nicely, under the oversight of Justina Maji. We are structuring this meeting with our new strategic map in mind.
- The Personnel Committee met on January 14 to discuss the Pelican hiring process, with a special focus on responding to non-applicants who express concerns when their loved ones are not offered a position. Typically, as many as 200 applicants apply for around 100 positions each year, and a handful of non-applicants will express and pursue their concerns. We are committed to responding to these concerns in a professional and sincere fashion.
- We have received 177 Pelican applications to date, approximately ten less than last year at this time and on pace with what we received in 2012. Though word of mouth continues to be the most popular way applicants hear about Star, we sent an announcement about jobs on Star to our email lists and approximately 500 UU and UCC churches. We also placed free ads with the NH Center for Nonprofits and the Johnson and Wales College of Hospitality.

- We have now officially filled six of our seven senior seasonal staff positions for the 2014 season. We have a great group of people who are returning from last year, which goes a long way towards overall leadership continuity and stability: John Bynum (Food Service Manager), Pat Ford (part-time Island Nurse), Marshall Frye (Island Engineer), Tim O'Connor (Logistics Manager), Dave Scheuneman (Minister of Community & Hospitality) and Kristen Simard (Environmental Services Manager). The only position we have left to fill is our IT Technician position (as, unfortunately, Brian Winters is unable to return for the 2014 season).
- We have signed our annual agreement with the Isles of Shoals Association UU (ISAUU). This agreement is largely the same as in previous years, though we have further clarified the manner in which Star Island Corporation, as the employer of record of Shops employees, gets involved in certain employment matters.
- We have signed our annual agreement with Island Cruises, Inc. (M/V Uncle Oscar).

ECONOMIC

- As usual, the year-end financials will not be available to present at the January Board meeting, so they will be included in the February Board meeting materials. While it is prudent to withhold firm conclusions until the financials are prepared, we are comfortable stating now that we had another successful year financially.
- To date, we have received 265 registrations representing 1,739 bed nights. Online registration was available for most conferences by early January, marking the earliest registration opening in decades (if ever). One Shoaler reported that our online system "...worked beautifully! It's very nicely put together, and even remembered our address and phone. This is such an important step into the modern age for Star! The value of have an easy-to-use, intelligent on-line presence cannot be overestimated."
- At its Winter Council Meeting on January 9-12, which took place in our Portsmouth office, the Institute on Religion in an Age of Science (IRAS) Council voted to return to Star Island in 2015, sharing the island with the Star Gathering 2 Family & Youth Conferences (as they will do this year). The IRAS Council tackled a number of important topics at their meeting, ranging from venue discussions to long-range conference planning. There is a spirit of collaboration between Star and IRAS, and our hope is that after a successful 2014 conference, IRAS will express its interest in returning to Star Island indefinitely. Should this occur, we would work deliberately and collaboratively with IRAS and the Council of Conferences to look at the 2016 calendar to come to the best solution for 2016 and beyond.
- We had a successful audit walkthrough on January 14. The in-house portion of the audit will take place the week of March 3.
- We have signed a lease agreement with the Portsmouth Historical Society (PHS) to continue to use our existing office space through the end of 2018. The City of Portsmouth is taking another look at our lease agreement to ensure that the terms are consistent with the master lease agreement between the City and PHS, so it is possible that our lease agreement may be modified slightly in the months ahead. We do not anticipate this review posing any challenges for Star.
- Star Island Corporation joined the New Hampshire Center for Nonprofits and numerous others in expressing its formal opposition to New Hampshire House Bill 1509, which would have subjected Star Island Corporation and many other nonprofits in the state to a business tax. It is expected that

the House Ways and Means Committee will vote to recommend HB 1509 to be “Inexpedient to Legislate.”

- The ISAUU granted our wish list request by committing \$2,000 for the purchase of chair caning materials, rowboat repairs and supplies, garden carts and shower towels. They have also volunteered to replenish our collection of children’s books by coordinating in-kind donations.
- Since the end of the 2013 summer season, Shoalers have purchased 19 room and board gift certificates – 18 during this past holiday season – totaling \$3,650.

ENVIRONMENT

- We continue to make substantial progress with our comprehensive alternative energy project. On the technical side, we are comfortable with the project plans overall, and extensive review and refinement of these plans is ongoing. The proposal submitted by Revolution Energy on December 16 realizes our strategic goals and objectives, and provides a realistic pathway to financing over \$1 million of the \$1.25 million project cost.

Revolution’s proposal as it currently stands requires an upfront expense of \$232K. Recognizing that this does not fully comply with the conditions stipulated in our original Letter of Understanding with Revolution, we are actively working on a number of ways by which we could reduce this cash requirement and/or recover some of the upfront expense within a reasonable timeframe. Our hope is that a successful combination of modifications on both Revolution’s and Star’s part will result in a deal with which we feel comfortable proceeding. Also in the balance are some sizeable grants we could apply for this spring, but wouldn’t know the results of until after we would want to sign the contract.

Once we understand more fully the ways in which we could minimize the \$232K cash requirement included in Revolution’s December 16 proposal, our ad hoc contract review committee will meet again with the goal of bringing a recommendation before the Board at its February Board retreat. If we decide then to proceed, there will be time for Revolution to secure final financing, and for Revolution and Star to finalize the contract, prior to the April 15 project deadline.

We have been following a long and complex road, which is as to be expected given the magnitude of this endeavor. It has taken time to understand fully the challenges and benefits of this project, and early on we were skeptical about Revolution’s ability to find financing through a bank. After investing a great deal of time and energy on this process, we have a firm grasp of its technical aspects, and have identified a pathway towards financing the majority of the project. As we prepare to make a decision on how to proceed for the next twenty years, it is essential for us to take a step back and look at a number of guiding principles which pertain to this project, including our mission, vision and values; our strategic goals and objectives (as expressed in our last plan and our current map); what our constituency desires; and what income this project might generate over time in terms of increased donations, conference attendance, grant income and other possibilities.

We are grateful to all those involved in this significant undertaking to move us toward a comprehensive alternative energy solution for Star Island.

- Work continues on planning for the pier repair and mitigation project, for which we received \$199,898 to cover 75% of the project expense. In order to utilize the full amount of the award, we are working to identify at least an additional \$66,632 in total contributions from Star, which can be funded through a combination of capital and indirect costs (e.g. labor, fuel usage). Our request for an

extension has been officially granted, and the new deadline is March 19, 2016. Our current plan is to begin this project in the fall.

- We are excited to continue our work with Altus Engineering Inc., signing a contract for civil engineering services in relation to the design and permitting of our next generation wastewater treatment solution.
- This is the time of year where we plan in detail many of the projects we are planning on accomplishing in the year ahead. One such project is our upstairs dining hall upgrade, which includes noise abatement. Because this project intersects with many areas of focus (e.g. facilities, food service), we are forming a small advisory group to help ensure we devise the best project plan. We have approached another large conference with the hopes that they will match the \$5,000 challenge grant offered by Life On A Star (LOAS). We are in the process of identifying an acoustical engineer/designer to inform our work, and we expect to leverage volunteer help in addition to staff time on this important project.
- We are in the final stages of designing two sustainability internship opportunities this summer, one focused on research and development and one focused on education and public relations. We expect both internships to advance our strategic objectives (e.g. the Gosport Green Initiative), and we are also looking at these internships as a possible model to expand to a more formal internship program for the 2015 season.

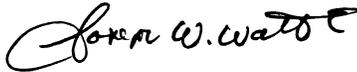
STEWARDSHIP

- We received a grant for \$88,736 from the New Hampshire Land and Community Heritage Investment Program (LCHIP) for the Oceanic east and north wall rehabilitation project. This grant will be matched by what is already funded by our 2014 budget, as well as qualifying indirect costs, and reduces what we would have proposed in our 2015 capital budget. Angela Matthews and I attended the LCHIP press conference at the State House in Concord on January 6.
- We received a grant for \$15,000 from the New Hampshire Charitable Foundation (NHCF) for the design and permitting phases of our next generation wastewater treatment facility. Part of why we received this grant was our position that we can serve as a model for other remote wastewater applications in New Hampshire, and we are looking forward to offering a workshop/forum in collaboration with the NH Department of Environmental Services sometime this year.
- The Permanent Trust had a great year, including a 2013 total return of 20.3% (including an annual total return of 30.0% for the stock component of the portfolio). As of December 31, 2013, the Trust was valued at \$3,439,270, with 72.1% invested in common stocks, 18.4% in fixed income and 9.5% in cash reserves.
- We have signed a contract with The Stelter Company (www.stelter.com) to be the planned giving vendor supporting our web site. See Director of Development's December report for more information.
- We continue to make significant progress on planning for our stewardship installation in the hallway outside of Lawrance and Elliott Hall. Our ad hoc group is unanimous in our support of the concept submitted in the December Board meeting materials. Staff will be sharing our plans with the Property Standards Committee at their upcoming meeting, and we expect to bring a final plan before the Board of Directors at its February Board meeting.

- We received 31 new Corporation member applications this year, which will be forwarded on to the Membership Committee for their review. Membership recruitment efforts appear to be working, as this marks a banner year for applications.
- Work continues with the Outreach and Engagement Committee, as we look ahead to our marketing and outreach plans for the 2014 season and beyond. The committee will meet again on February 6 to go over several items, including further discussion of sponsorship, with the intent of presenting a report on this topic to the Board for its February Board retreat. The Fund Development Committee has also revisited the topic of sponsorship, and their position will also be presented at the Board retreat.
- We are pleased to announce our official winners of the veteran's raffle, Brian Morrow (US Navy) and Melissa Bailey (US Air Force). Brian, Melissa and their respective immediate families, will receive free room and board at one of our selected 2014 conferences.
- We are gearing up for the Star Island block party at South Church, which will take place on the evening of Saturday, February 22. Board members and their families are encouraged to attend, and to promote this event widely. We are also inviting all Shoalers in our database within a 60 mile radius. This informal event, which will include a talent show, deserts and good company, is all about having fun in the name of Star Island.

We are off to a strong start to 2014, and are excited for what is shaping up to be a great year for Star Island.

Sincerely,

A handwritten signature in black ink that reads "Joe W. Watts". The signature is written in a cursive, flowing style.

Joe Watts
Chief Executive Officer