

Star Island Corporation
Chief Executive Officer's Report
April 16, 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.*

COMMUNITY

- CrossCurrent Communications is putting the finishing touches on our new, overarching communications plan, which we expect to receive this week. We will review the communications plan with our Outreach and Engagement Committee on May 15, and it will inform our future marketing efforts.
- We have nearly finalized the 2014 Pelican team, with less than five positions yet to fill from interested waitlist candidates. We are excited to have an excellent group of employees again this year.
- The spring newsletter is in production, and people should be receiving their copies in advance of the Annual Meeting on April 26.
- Planning continues for our booth at the 2014 General Assembly (GA) of the Unitarian Universalist Association, which takes place June 25-29 in Providence, RI. Some All Star 2 volunteers (the same group that upgraded the Art Barn last year) are building a Star Island-themed booth for this year's GA. We intend to have a staff member present throughout, supplemented by volunteers (including Board members). We are actively looking for volunteers ~ people who are interested in this experience should email me directly (jwatts@starisland.org).
- Our professionally facilitated spring staff retreat, which took place on March 26, was very successful. In addition to team-building and communications strategy development, we focused on developing work plans for many of the tactics staff has identified to help us reach our strategic objectives. We are in the process of synthesizing the work we did at the retreat... there is a lot to organize, as is evident in this photograph.
- Working with our HR consultant, we are formulating a timeline for our Director of Development search. We will run this timeline by the Personnel Committee for input. Also, with input from development professionals, we are in the process of revising the job description, selecting advertising venues, deciding upon interview questions, establishing an interview evaluation grid, and more to ensure that we are ready to launch an effective search and selection process, with the goal of hiring our next Director of Development in December.



- As requested at the February Board meeting, please find attached a list of events that Board members should or could attend throughout the year. This list is designed to assist with the Board's goal of improving Board collaboration and communication with constituencies.
- I attended the spring meeting of the Isles of Shoals Historical Research Association (ISHRA) on April 8, where I expressed our appreciation of all that they do for Star Island and the Isles of Shoals. Alex De Steiguer, our Winter Caretaker, gave an excellent presentation on her work, in which she explained how being on Star Island helps her to see the bigger picture, which reminded me of our Vision Statement.

ECONOMIC

- We have received 1,897 total registrations for 2014 conferences to date, representing 12,184 bed nights (63% of our 19,250 bed night goal). Please see attached bed night report for more details. 1,765 of these registrations (93%) came via the online registration portal. Registration has generated \$506,286 thus far ~ \$308,576 in room and board deposits and \$197,710 in conference programming fees (the latter of which are disseminated to conferences). Two weeks (All Star 1 and Star Gathering 2/IRAS) are already full with waitlists, and the attached bed night report does not include bed nights from waitlisted registrants. Last year at this time, we had registrations for 10,036 bed nights (54% of our 2013 goal). While we are pleased to have reached a higher percentage of our budgeted goal at this point of time this year compared to last year, we are mindful that due to early registration and other factors, meaningful comparisons are still premature.
- Our 2013 audited financial statements are in the final stages of being prepared and will be presented to the Board by Melanie Bunker, CPA of Cummings, Lamont & McNamee, PA on April 22. The audit confirms, among other things, that our net 2013 operating gain was \$331,478. Board members can expect to receive our audited financial statements, as well as our Form 990 for 2013, prior to April 22.
- We are pleased that our audited operating gain of \$331K is nearly double our original 2013 budget goal of \$173K, and we recognize that our success with grants accounts for most of this surplus. If we had not received any grants (\$123K of grant income credited to 2013), our operating gain for 2013 would have been \$208K, exceeding our bottom line goal for the year by \$35K.
- As a best practice, and in order to ensure that we have as accurate a sense of changes to our financials in as timely a fashion as possible, we have been working on a rigorous review of our internal financial controls and procedures. Since our meeting with John Bush and Russ Peterson on November 18, staff has met several times to review our 2013 controls and, where there is room for improvement, implemented new processes to increase efficiency and reduce the chance for error. We look forward to presenting a final report on this effort at the May Board meeting.
- It has been about six months since we paid off the full balance on our revolving credit line, and we will not need to borrow again until May. Last year, we went about five months without borrowing, and this year we expect to go about seven months ~ this is a major improvement upon the one month or so we've gone in previous years.
- To date, we have sold 25 gift certificates for 2014, worth \$4,550.
- Sharon Kennedy, John Bush and I attended a good meeting of the Star Island Permanent Trust on April 8 when, among other things, we reviewed potential revisions to the Permanent Trust Agreement. The Trust will be investing up to \$7,000 in our new planned giving efforts (see below). The Trust was valued at \$3,499,358 as of April 4 (please see attached overview for more information).

- We had a productive meeting of the Finance Committee on March 19, where we discussed various topics, including our audit and audit process, the status of our solar energy project, bed nights to date, and an update from the subcommittee working on a proposed reserve policy. The committee meets again tonight.
- We are working with Phil Sears, Council of Conferences (CoC) President, on better defining the CoC dues process, with the hope of implementing something more effective for this year.
- On April 7, staff and Board liaisons to the Finance, Fund Development and Strategic Facilities Planning Committees met to discuss the development of a long-range integrated financial plan. We established overarching goals for this effort, identified others who should participate in the process and determined next steps to advance our work. We are hoping to have a draft long-range integrated financial plan ready to present at the June or August Board meeting.
- The Historic Preservation's Conservation Assessment Program (CAP) will fund \$7,190 to cover the cost of two professional assessors, who will visit Star Island this season to assess the Vaughn Cottage and Thaxter Museum's structure and artifacts. We had applied for a grant for \$3,500 to support one assessor, so we are pleased with this outcome. The assessments will provide valuable information, and will be used as a foundation for future grant applications. The assessors will submit invoices directly to CAP for payment, so we are not including this grant in our financials.

ENVIRONMENT

- On April 7, a small open-up staff and some contractors moved out to the island, greeted by good weather.
- Our interim generator, which we are borrowing free of charge, is online and working well. Our new generator was ordered in mid-March and should be online by mid-June.
- The rehabilitation of the Oceanic north and east walls and windows is underway. We are on track, and the weather has been cooperative overall. With a project of this scope, we expect the unexpected ~ so far, we have only run into one issue, a leaky parapet on the north wall just below the mansards. We will redo the area with new metal work and flashing to stop the problem, and we expect the cost of this work will be covered by the contingency factored into our overall project budget.
- The Gosport front porch project is underway. As suspected, we found extensive rot in some of the joists, so we are pleased to be making this much needed repair. As we repair the porch, we are also installing a new railing ~ once completed, the approved railing will run from the east end of the front porch, connecting to the east end of the railing section that was installed last year.
- With the help of various IT professionals, we are further refining the scope of work for our IT upgrade project, to ensure that our primary objectives, and possibly some secondary objectives, are achieved this season. Over time, we will be working with the Council of Conferences and others on the broader cultural issues associated with offering more internet access to more people, with the goal of refining our policies for the 2015 season. This is a perfect example of how we can work



together to balance change and tradition on Star Island, and we look forward to coming to the right solution, consistent with our values.

- We are working with the Isles of Shoals Steamship Company (ISSCo) on medium and long-range opportunities for increased collaboration, including exploring ISSCo carrying more of our freight. Also, we signed our biennial contract addendum with the Pease Development Authority for use of the Burge Dock, which is the dock used by our work boats.
- Jennifer Seavey began her work as Executive Director of the Shoals Marine Lab on April 1. Jennifer and I had a positive introductory conversation on April 8, and I attended a welcome reception for her at the University of New Hampshire on April 11. Jennifer has expressed her commitment to working collaboratively, and I look forward to engaging with her on a regular basis moving forward.
- We continue to maintain good focus on regulatory compliance. One example is the timely submission of our annual report to the Air Resources Division of the New Hampshire Department of Environmental Services.
- On March 24, we had a planning meeting with SFC, Inc, our professional fire safety consultant. Our annual planning meeting with the Rye Fire Department and the Rye Building Inspector is scheduled for Friday. We believe these important relationships are strong, and that we are in a good place.
- On the renewable energy project front, our April 15 extended deadline with Revolution Energy has passed. As has been previously reported, Revolution has been trying to confirm that the financing package outlined in their mid-December proposal is still on the table, which would require the FDIC to permit Revolution's bank to serve as an equity investor in the project. This has not yet occurred, so we have communicated to Revolution that effective today, we are no longer bound by the terms of our January 31, 2013 Letter of Understanding with them. It is conceivable that Revolution will have some role to play in the future, though there is no longer any expectation that this will occur.
- We have a technical plan for the renewable energy project, and financing is the only remaining issue. Thus, we are working on additional financing possibilities, including a power purchase agreement, a capital lease, traditional financing and some hybrid options. We have prepared the attached memo describing some of these financing options (those that preserve the benefits of the Investment Tax Credit (ITC) and depreciation through a third party), which we intend to disseminate to potential financing agents in the near future. We have already conducted some preliminary research of additional financing possibilities, and as of today we can enter a full research mode with the goal of coming up with one or more viable financing options for our project. In the months ahead, we anticipate bringing these options before relevant committees and the Board, with a goal of approving a financing plan and installing the system no later than spring 2015.
- Since 2012, we have accomplished a great deal on the energy efficiency front, including installing new hot water heaters for the showers, ordering a new dish machine, and fabricating water tanks for the Perseverance ~ these measures and others we have taken reduce our dependence on fossil fuel and help our bottom line. Russ Peterson's Annual Meeting presentation on our renewable energy project will include these accomplishments.

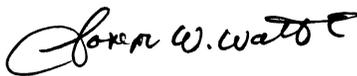
STEWARDSHIP

- We have made good progress on our stewardship installation project, including deciding upon panel design, bringing the contractor out to the island to gather needed information, and deciding to replace the plaster in the Gosport Hallway to provide a better foundation for the installation. Please see attached report from Director of Development Angela Matthew for more details.

- Robert's Maine Grill (Kittery, ME) is hosting two Star Island community dinners, tonight and next Wednesday, April 23. We hope to see many Shoalers in attendance.
- Planning for our spring volunteer program is in full gear, and we are looking forward to another productive open-up. I will provide a spring volunteer report to the Board on April 22.
- Our new Star Island Legacy Society brochure will be mailed to coincide with the launch of our new planned giving web tools later this spring. We are grateful to the Star Island Permanent Trust for investing in these important efforts, which will help grow the Trust and ensure that Star Island is vibrant for generations to come.
- Our spring Annual Fund appeal went in the mail at the end of March, and we have received a favorable response thus far.
- Planning is ramping up for our three interactive history days on Star Island in connection with the 400th anniversary of John Smith's mapping of the Isles of Shoals. These three Wednesdays, June 25, July 23 and August 27, are being promoted in a number of venues, including by Captain John Smith himself at Market Square Day in Portsmouth on June 14.

It's becoming increasingly easy to believe that our first conferences take place in less than two months (one month in the case of the May birding weekend) ~ we are very excited about the possibilities another season will bring!

Sincerely,

A handwritten signature in black ink that reads "Joe W. Watts". The signature is written in a cursive style with a large, stylized initial "J".

Joe Watts
Chief Executive Officer