

Star Island Corporation
Chief Executive Officer's Report
May 21, 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

- The Annual Meeting of the Star Island Corporation took place on April 26, at the First Parish Unitarian Universalist church in Lexington, MA. 168 Shoalers were in attendance, marking the highest attended Annual Meeting in at least the last five years. Many people have commented that the meeting was both enjoyable and successful.
- The spring Council of Conferences (CoC) meeting also took place on April 26. In addition to general updates from the Star Island Corporation and CoC governance matters, delegates participated in two breakout sessions, one focusing on conference rate structures and budgets and the other focusing on conference social hour best practices.
- Last weekend, we welcomed twenty-seven guests to the Spring Birding Conference. As a pre-season conference, guests understood that we were still in open-up mode, accommodations were in the outbuildings, and services were limited. Feedback from conferees was positive, and we understand that the Summer Tanager, rare for our area, was the bird of note spotted over the weekend.
- We are in receipt of our final Strategic Marketing and Communications Plan from CrossCurrent Communications, which is attached to this report. Please also find attached our May Communications Report from Kyle Belmont, which highlights where and how we are focusing our marketing efforts as we approach the 2014 regular conference season. We are looking forward to reviewing our plans with the Outreach & Engagement Committee tomorrow evening.
- We are gearing up for a strong Star Island presence at the 2014 General Assembly of the Unitarian Universalist Association, which takes place June 25-29 in Providence, RI. Our volunteers have built a lovely Star Island-themed booth, which will be run by Kyle Belmont, Program & Outreach Coordinator, with help from volunteers. We still have a few spots open for volunteers on Wednesday, June 25 and Friday, June 27 – people who are interested in this experience should email me directly (jwatts@starisland.org).
- In addition to our wonderful year-round and senior seasonal staff, we have an excellent group of Pelicans lined up for the 2014 season. Due to last minute withdrawals, we have two unfilled Pelican positions, which we expect to fill soon. Demographically, we have 72 returning and 31 new Pelicans, including 58 women and 45 men ranging in age from 18 to 67.
- Also on the hiring front, we have recently completed our search for a seasonal Administrative Assistant to support our mainland office functions during the summer. We had a strong applicant pool, and we are pleased to announce that Henry Bowen, a recent graduate of the University of New Hampshire, has been chosen to fill this role starting in early June. We have also launched our search for a seasonal, mainland-based Messenger, with an application deadline of May 26.

ECONOMIC

- As of May 15, we received 2,428 total registrations for 2014 conferences, representing 14,662 bed nights (76% of our 19,250 bed night goal). Please see the attached bed night report for more details. 2,178 of these registrations (90%) came via online registration. Registration has generated \$561,256 thus far – \$340,701 in room and board deposits and \$220,555 in conference programming fees. Last year at this time, we had registrations for 12,610 bed nights (68% of our 2013 goal). We are pleased with how registrations are trending this year, and we are also mindful that, as of May 15, we still needed to achieve 4,588 (net of cancelations) bed nights to reach our budgeted goal.
- During the course of our Oceanic rehabilitation and Gosport front porch projects, it became evident that two major support structures were in need of replacement this season – a support beam in the Dining Hall and the Gosport corner post closest to Cottage A (see below for details). Informed by a structural engineer, we have proceeded with these essential repairs. It is too soon to report the precise cost of this unbudgeted work, and we are working hard to cover as much of this cost as possible within the footprint of the overall capital budget (plus relevant grants received). Within two weeks, we will know more and, if needed, take additional steps to mitigate any overage.
- Kristi Vazifdar, our Finance Director, attended the annual Not-For-Profit Educational Seminar offered by Berry Dunn, a regional accounting firm, on May 19. The daylong seminar focused on nonprofit accounting updates from the Financial Accounting Standards Board, accounting for sponsorships and advertising and legal risks facing nonprofits.
- Please find attached a memo from Kristi on our income related controls review, which was initiated last fall. We are pleased that our review identified some key strengths, as well as some areas for growth. The memo outlines some additional controls we are implementing this season.
- We are in the process of reaching out to Eastern Bank in connection with our decision to proceed with our solar power project (see below for more details). We are projecting a year-end cash position enabling us to cover the \$110,000 cash requirement (due in June) and the first \$58,750 payment (due October 1). However, we will need to ensure that our cash flow is sufficient to cover the payment due in June. I spoke with our banker yesterday about this issue and, working with Kristi, John Bush is crafting a memo to follow up with Eastern Bank by the end of this week. In addition to requesting a temporary increase to our credit line, it is possible that these payments will cause us to push up against our debt service coverage ratio with the bank, which is something that will be addressed in John's memo. We have a good relationship with Eastern Bank and have been keeping them apprised of our intentions to enter a power purchase agreement for solar power for quite some time, so we are optimistic that they will respond favorably to our requests.
- We have been contacted by the State of New Hampshire Film & Television Office about serving as a site location for *Haunted*, a short film which would be entered in the New Hampshire Film Festival (of which we are a sponsor). I have discussed some possibilities with agents representing the film, and they are scheduled to conduct a site visit over Memorial Day Weekend.
- The Finance Committee met on April 17, and numerous issues were discussed including recommending a reserve policy for Board approval, bed nights to date, our five year financial plan and preliminary work on our long range integrated financial plan, the status of our solar energy project, our 2013 audit results and our 2014 audit process. The committee meets again tonight.
- We are grateful to the Isles of Shoals Historical Research Association (ISHRA) for a grant for \$1,000 for the purchase of kayaks, to be enjoyed by Star Island guests and staff starting this summer.

ENVIRONMENT

- Open-up is in full swing, things are going well, and people are in good spirits. A tremendous amount of work is getting done by volunteers, staff and contractors. Good weather has helped to keep projects on or ahead of schedule.
- While sunny weather has helped with our project schedule, our 70,000 gallon cistern is far from full. This has necessitated delaying final testing of our fire pump and sprinkler system to this week, and we have intentionally shifted our inspection by the Rye Fire Department from May 19 to next week. We are hoping for ample rain over the next few days, but should this not occur, we have a plan to increase our cistern to acceptable levels via a combination of the use of our reverse osmosis drinking water system and imported drinking water from the mainland. We have already been bringing out about 600 gallons/trip aboard the Perseverance.
- Rehabilitation of the Oceanic north and east walls and windows is proceeding on schedule. The east wall has been completed with the exception of storm window installation and painting. Work on the north wall begins this week. The dining hall support beam, discovered to be rotted and in need of replacement during this project, has been replaced (as informed by a structural engineer) – this was an unexpected and essential repair. We can feel good not only that this major support beam has been replaced, but also that the cause of the water infiltration that led to this problem over time has now been removed.
- The Gosport front porch replacement is nearly complete, with excellent results. Rotted joists and floorboards have been replaced, and the result is a solid, attractive porch connecting to the porch replacement work done last year in front of the Dining Hall and Lobby. The railing posts have been installed, and we will have a safe, interim railing solution in place until the final railing is installed, which is expected by July 1 (the customized railing parts are constructed off island by a professional). During work on this project, we discovered rot in the Gosport corner post closest to Cottage A, as well as in a ten foot section of the wall heading back towards the Oceanic. With the guidance of a structural engineer, we have been able to stabilize this section adequately for this year. We will need to look carefully at this again for next season, and should expect to include related repairs/replacement in our Capital Improvement Plan.
- Our dining hall upgrade project is going well. The ceiling has been painted, and the soundproofing panels recommended by our acoustical engineer have been ordered. We are finishing up with plastering/patching repairs this week, and will move to final painting and other finish work next week – the Boynton Volunteer Paint Crew is coordinating this major prepping and painting effort. The soundproofing panels will be installed during the first week of June by the Allshouse family and other dedicated volunteers.
- Our new, energy efficient dish machine is in place, and the dish room itself has been renovated. The dish machine will be fully installed and tested soon and, in addition to being better for the environment, will save us money and help to ensure that we remain in compliance with relevant food service regulations. We are hoping that the new dish room will “wow” people during behind the scenes tours this summer.
- On May 16, we signed a contract with Day Systems to proceed with our IT infrastructure upgrade project, in general accordance with the scope of work and project parameters we developed with the assistance of Jordan Young. When completed, this project will increase overall bandwidth delivered to the island, provide internet use in conference meeting spaces, and accomplish various other goals.
- The Blue Ocean Society organized another island clean up on May 14. Students from Spaulding High School in Rochester, NH, removed 3,856 pieces of litter from the island. This effort serves as a

good example of environmental stewardship, as many of these items (e.g. ropes, plastic bags) are hazardous to marine life due to entanglement and/or ingestion.

- Also on the topic of protecting our environment, we met with representatives from the Seacoast Science Center on May 6 to collaborate on their newly launched marine mammal rescue program, with a particular focus on the seal population. In the past, issues with marine mammals were reported to the New England Aquarium. The Seacoast Science Center (Rye, NH) is taking on this function now, and Star Island is collaborating with them on this program.
- Conversations with Jenn Seavey, Shoals Marine Lab's Executive Director, continue. We are now meeting on a monthly basis, further developing the already strong relationship between our organizations. Our collaboration has already led to tangible results. Working together, both organizations are stronger, will cost less to run and will increase interest in the Isles of Shoals experience.
- On May 7, we received a proposal from Ayer Electric for a 13 year power purchase agreement, which would meet approximately 53% of our annual energy needs with a 130kW solar/600kWh battery bank system based on the engineering work completed by Revolution Energy. Our ad hoc committee generally agrees that the framework of the Ayer proposal is favorable to Star. However, we did not come to consensus on whether the pricing was too high and, therefore, whether or not we should proceed with the proposal. Our Board of Directors met on May 15 to discuss the legitimate cases to proceed and to defer. Acknowledging that there will be numerous benefits of having a solar power system in place this year, and also that the proposed pricing will increase our annual expenses for the contract term (after which it will cost less/year), the Board of Directors voted to provide Ayer with a notice to proceed with this project, subject to final agreement on a contract.
- The Ayer proposal stipulates that the project must begin in June and that the system must be commissioned by October 1. Thus, we are working diligently and expeditiously with SIC counsel on a contract draft, using the ad hoc committee recommended contract with Revolution Energy as our template. We expect to finish a contract draft today and to send it to Ayer Electric for review and comment. Shortly thereafter, we expect to send the contract to the ad hoc committee for review, and ultimately bring a contract before the Board for a vote. An update on timing and other aspects of this project will be presented at the May 27 Board meeting.
- Many other components of this project are underway, ranging from launching an expedited permitting process to securing Property Standards Committee approval tomorrow night. We are working hard to line up everything as much as possible so that should we approve a contract, Ayer can begin installation shortly thereafter.

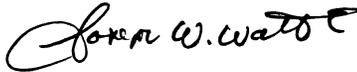
STEWARDSHIP

- On April 23, we had an excellent orientation and training meeting for our 2014 Annual Fund conference representatives. It was inspiring to hear from our volunteers the many reasons why they give to Star Island, and to work together to develop strategies for inspiring others to give throughout the summer.
- We are pleased to announce that we now have a "gold level" GuideStar Exchange Participant rating (www.guidestar.org). Please see the attached Development Report from Angela Matthews for more information.
- We are grateful to Robert's Maine Grill and Bob's Clam Hut of Kittery, ME, for hosting two Star Island community dinners last month. We received over \$900 as a result of this effort, and broadened awareness of Star Island in the process.

- Our stewardship installation project is proceeding nicely. The Gosport hallway has been redone and is ready to receive the installation, which we expect will occur before the start of the regular conference season. Please see Angela Matthews' Development Report for more details.
- Our Star Island Legacy Society brochure is in its final form, and we are ready to send it out when our new planned giving web tools are ready later this spring.
- We have benefited from two exceptionally productive volunteer weekends so far, with three more yet to come.
- We are excited 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. Our wigwam has been constructed, Captain John Smith (and other personalities) are ready to go, and tickets are available through the Isles of Shoals Steamship Company's web site at www.islesofshoals.com/cruise-details/14a32b9a-7713-451c-a721-f3b4324726e3. The events are scheduled for three Wednesdays – June 25, July 23 and August 27.
- After seeking input from the Personnel Committee and numerous development experts, we have finalized the timeline for our Director of Development search (please see attached). We have also finalized our search committee, and are in the process of drafting the final job description. We are on track with our plan to hire our next Director of Development in December.

May the Summer Tanager spotted last weekend be a positive sign that rare and precious moments await all who come to Star Island this summer!

Sincerely,



Joe Watts
Chief Executive Officer