

**STAR ISLAND CORPORATION  
BOARD OF DIRECTORS MEETING**

Tuesday, April 23, 2013  
Federal Reserve Building  
600 Atlantic Avenue, Boston

**MINUTES**

Members in attendance:

John Bush, Treasurer  
Erik Cordes \*  
Josh Davis  
Sharon Kennedy, Vice President  
Karen Mathiasen, Clerk  
Suellen Peluso  
Russell Peterson, President  
Sally Russell  
Tom Smurzynski (Pres., ISAUU)  
Charlie Stauffacher (Pres., SIUCC)

Absent:

Nick Dembsey  
Gary Kunz  
Jordan Young

Others attending the meeting

Joe Watts, CEO  
Melanie Bunker/audit firm of Cummings,  
Lamont & McNamee \*

\* part of meeting

For opening words, Sharon Kennedy read “HOW TO BE A POET” (to remind myself) by Wendell Berry, from *Poetry* magazine (January 2001):

i

Make a place to sit down.  
Sit down. Be quiet.  
You must depend upon  
affection, reading, knowledge,  
skill—more of each  
than you have—inspiration,  
work, growing older, patience,  
for patience joins time  
to eternity. Any readers  
who like your poems,  
doubt their judgment.

ii

Breathe with unconditional breath  
the unconditioned air.  
Shun electric wire.  
Communicate slowly. Live  
a three-dimensioned life;

stay away from screens.  
Stay away from anything  
that obscures the place it is in.  
There are no unsacred places;  
there are only sacred places  
and desecrated places.

iii

Accept what comes from silence.  
Make the best you can of it.  
Of the little words that come  
out of the silence, like prayers  
prayed back to the one who prays,  
make a poem that does not disturb  
the silence from which it came.

Russ Peterson called the meeting to order at 1:05 p.m. We began with a general check-in as to how each of us was doing, especially in view of the Boston Marathon bombings on April 15, and the aftermath.

**Consent Agenda.** It was unanimously

**VOTED:** To approve the minutes of the March 26, 2013, meeting of Directors.

**CEO Report.** Joe Watts, CEO of the Star Island Corporation, presented some highlights from the report, including some items pertaining to the included Director of Development report.

- **Gosport Regatta.** Joe distributed copies of the Regatta sponsor packet to the Board. We might have one or two tables for Board members to sit at with their guests. The Regatta is June 8.
- **Bed Night Report.** We currently have registrations for 10,615 bed nights (compared to 10,628 at this time last year). We need to make up for the loss of bed nights associated with Southern New Hampshire University and then bring in close to 400 bed nights more as a result of new marketing efforts and discounts. The Outreach and Engagement Committee will be meeting shortly to address this issue. It was noted that some historically full conferences, such as International Affairs, are no longer full. We are working carefully with conferences with lower enrollments to register more conferees. Some conferences are ahead of where they were this time last year.
- **Eastern Bank.** Our meeting with them went well. John Bush and Joe Watts attended on behalf of The Star Island Corporation. The participants discussed a variety of topics including the SIC Permanent Trust, the solar power project, and our long-term banking relationship. The SIC representatives gave Eastern Bank a sponsorship packet for the Regatta.

**Treasurer's Report.** John Bush, Treasurer, gave the report, first introducing Melanie Bunker of the CPA firm of Cummings, Lamont & McNamee, P.A., who serve as the SIC auditors. John noted that Melanie has many years of experience working with not-for-profit entities. She accepted our invitation, on behalf of Cummings, Lamont & McNamee, to join the meeting, as we prepared for the Annual Meeting, in order to discuss with us procedures and particulars. This was scheduled to take place later in the meeting.

- **Deferral of Certain Income.** Our auditors and our SIC Audit Committee have differing views as to the handling of \$22,431 in capital funds that we collected but did not spend in 2012. Our choice would be to designate them as temporarily restricted and allocated for use in 2013 or beyond. While the auditors would have preferred to have shown the \$22,431 as income in 2012, the auditors felt no need to qualify the audit over this issue.
- **Income and Expense Summaries.** John noted that for our 2013 YTD, we were ahead of plan, but this is largely a timing question for payments and receipts, and would even out during the year. Looking at a ten-year bottom line summary, we first showed a surplus, then we had six years of losses. In fact, over the whole ten years, we had a dramatic increase in losses. We have made many improvements towards controlling expenses, and will make more. Our losses from the 2007 closing were over one million dollars. Further, in many of these years, expenses have been growing faster than revenues. When we think of possibly establishing new bank relationships, this is not a good picture to present to a lender. Fortunately, Eastern Bank is in a more forgiving position as (i) we have a collateral account with Eastern that is in compliance, (ii) we have an established relationship with them, and (iii) we had a good year in 2012 and are forecasting another good year for 2013. There are bank rules dictating how much we can move out of a collateral account, and we must be careful not to violate those rules.
- **Gift Contribution Policy.** This particularly concerns the handling of contributions that are permanently restricted for a specific purpose, and includes such issues as valuing the principal over time. A useful approach is to have the permanent restriction only on the historic dollar value (HDV) of the contribution (i.e., its value when the original gift is made, noting, however, that all subsequent contributions to that corpus, whether made by the original donor or others, would also be treated in the same way as the original gift). Subjecting the HDV corpus to the annual draw down (say, 5%), will of course shrink the size of the corpus over time. There is also the issue of dealing with an investment or other loss of sufficient magnitude to put the HDV “under water.” If the loss is slight, we will need to build the corpus back up. If it is substantial, however, we will be unable to take anything more out of the restricted funds until they have been built back up. With restricted funds, it is important to be careful how much we draw out. This also brings up the importance of working with potential bequesters in order to assist them in achieving their goals without unduly circumscribing actions by the SIC.

**VOTED:** To approve the Gift Contribution Policy, covering all contributions, as presented to the Board.

- Form 990. As a 501(c)(3) entity, SIC is required to file annually an IRS Form 990 with the Internal Revenue Service. The Form 990 for 2012 was earlier made available to Board members for their review. Upon motion duly made and seconded, following discussion, it was

**VOTED:** To accept for filing the Form 990 for 2012 as presented to the Board.

**VOTED:** To accept the CEO report, including the report of the Director of Development, and the Treasurer's report.

**Pel Report**. In the absence of the Pel Representative, there was no report. The Board took advantage of this time slot to discuss the role of Pel Representatives. Having Pel Reps is a way for the Board to reach out to the Pel community. Pel Reps are selected by the Pels. We need to impress on the Pels the importance of the Pel representation. A Pelican Liaison job description was approved in 2010. We will present this at the next Board meeting.

**Presentation by Our Audit Firm**. John Bush now called upon Melanie Bunker to make a presentation on behalf of SIC's auditors, Cummings, Lamont & McNamee, P.A. Melanie began by noting that our auditor gets to know our procedures, which helps make the review process go more smoothly. The standard of review for a positive audit report is "no significant deficiencies or weaknesses" in the statements provided by the client. Melanie commented that she was very impressed with our processes and results, commenting that – unlike The Star Island Corporation – most non-profits she works with have some issues. Melanie also discussed the role of Form 990, in particular that it is concerned with governance of the organization. Melanie and we agreed that it was very helpful to have the auditor's presentation to the Board before the Annual Meeting. Russ thanked John Bush and Kristi Vazifdar for enabling the audit to go so well. Russ thanked Melanie for the very helpful presentation. Melanie then left the meeting.

**2013 Annual Meeting-Related Items**. Online registration, while a great convenience to some, poses challenges to others due to the costs of paying room and board deposits and programming fees upfront. This is another instance of financial accessibility of the island. It was also noted that these costs are due upfront regardless of whether somebody registers online or via paper registration and check. The room and board deposit increase that went into effect two years ago has caused hardship for some. Also, it was noted that though there was initial concern that some of our larger and fuller conferences had issues with the centralization required for online registration, it has turned out that conference registrars have either generally accepted this system or have fully embraced it. It was noted that several corporation members did not contribute to the capital campaign. Our recognition for contributions to the capital campaign will include particularly noteworthy volunteer efforts. We should emphasize that various changes in the name of safety might be inconvenient, but they are very important: "This is what you want your corporation to do." Progress is being made in defining the role of the Council of Conferences.

Eric Cordes joined the meeting.

**Strategic Plan**. Russ and Sharon gave an overview of their planned Annual Meeting presentation.

**Board Goals.** In preparation for the Annual Meeting, Sharon presented the finalized Board Goals. We should review them from time to time to be sure that we are cognizant of the goals.

**Solar Power Purchase Agreement Update.** Joe Watts gave the update, reminding us that one of our guiding principles for this project is that we do it right, not that we do it fast. We are, after all, building for a generation. We are not ready at this point to recommend action, though significant progress has been made. The project has both a technical component and a contractual component, and the technical one must be further along before the contract can be finalized. Revolution Energy continues to work on securing financing, and the project is far enough along for them to present to potential financiers. The ad hoc committee for this project has met many times. When it becomes time to focus on the legal issues and finalize a contract, the ad hoc committee will get back to us. Meanwhile, project principals from several key organizations, including Revolution Energy, met with the New Hampshire Department of Environmental Services in what was described as a very productive, collaborative approach. At our upcoming Annual Meeting, we will be able to describe this collaborative approach and its good results. In any case, it is important for our constituents to be comfortable that we are not racing into this project; however, we are confident that we will ultimately come to a workable solution.

**Shoals Marine Lab (SML) Update.** Joe and Russ recently attended a dinner with several personnel from Cornell and the University of New Hampshire (UNH) regarding SML. There appear to be major changes afoot, perhaps with Cornell and UNH looking at a new, more active way of governing SML, including a consortium approach. There appear to be some opportunities for real synergy between Cornell/UNH and us, such as joint conferences.

**Oceanic Hotel Engineering Project Update.** Work continues on this major project, which includes the new railing. We have been blessed with expert staff, wonderful contractor and volunteer work, and good weather.

**Executive Session.** At 4:20 p.m., the Board voted to go into Executive Session, the minutes of which are kept separately. The purpose of the meeting was to review the CEO evaluation.

The Board meeting was reconvened at 4:55 p.m. for the purpose of evaluating the meeting just held, followed by adjournment.

**Special Meeting of Directors.** The Board will hold a Special Meeting of Directors on Saturday, April 27, 2013, immediately following the close of the Annual Meeting for the purpose of acting on the nominations for President and Vice-President proposed by the Special Nominating Committee.

**Regularly Scheduled Meeting.** Our next regularly scheduled meeting of Directors is on Tuesday, May 28, by conference call.

**Summer Board Retreat.** Our Summer Board retreat has been rescheduled for Saturday, August 24, to Monday, August 26, on island. We will not meet on August 27. We will hold July 23 for a

conference call meeting, and determine on June 29 if this is necessary.

There being no further business, it was

**VOTED:** To adjourn the meeting.

The meeting was adjourned at 4:55 p.m.

Respectfully submitted,

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Karen Mathiasen, Clerk