

**Star Island Corporation (SIC)  
Chief Executive Officer's Report  
August 24, 2020**

**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.*

For the last few months, I have not submitted written CEO reports, as has been my practice over the last eight years, in order to free up additional time to respond to the COVID-19 pandemic's impact on Star Island. Needless to say, there have been many meetings, emails, and other reporting that has taken place as our community has grappled with this crisis, including a weekly log (March 27-June 5) of COVID-19 related considerations, events, and other information. I am pleased to be resuming submitting written reports at this time.

To introduce this report, I would like to offer my deep appreciation to our intrepid year-round and professional seasonal staff members, who have done amazing work on behalf of our Spirit's Home – under pressure and with grace – over the last few months. I would also like to thank our dedicated Board of Directors, which has convened many times, offering wisdom and steadfast leadership. I am also deeply grateful for the volunteers who served on the subgroups of our Crisis Response Team, as well as many others who have stepped up in various ways, including volunteering, donating, sharing wisdom, and offering support.

## COMMUNITY

- It is fitting that in this moment, Community is the first goal of our strategic plan.
- Even though we were unable to open this season, we have put together an impressive array of virtual offerings, some produced by SIC and some produced by individual conferences. Many people have shared their gratitude for these virtual offerings, during a year when we cannot gather safely in person (see [www.starisland.org/programs](http://www.starisland.org/programs) for more information). Our programming has enabled long-time attendees of specific conferences to see what other conferences have to offer, and it has also provided new Shoalers with the opportunity to gain a glimpse of what Star Island is all about. We received some good press about our virtual programming, including [www.seacoastonline.com/news/20200629/star-island-offers-free-programs-online-for-summer-2020?fbclid=IwAR1Vsg-7B\\_o1nAn1HtV3o1X9k3V5MTUVfE0Cy72OvwAe4REumMbrbVJODg](http://www.seacoastonline.com/news/20200629/star-island-offers-free-programs-online-for-summer-2020?fbclid=IwAR1Vsg-7B_o1nAn1HtV3o1X9k3V5MTUVfE0Cy72OvwAe4REumMbrbVJODg). Please see Community Relations Manager Ally Miner's Communications Report, attached, for a summary of our collective virtual programming efforts.
- Our Beloved Community Project Task Force has been meeting regularly for several months to tackle the important and difficult issues associated with anti-racism and anti-oppression efforts. We have made some progress, and at the same time we know we have a lot of work to do. The murder of George Floyd on May 25 has led to a national reckoning, and has further motivated us to take action to ensure that Star Island is as welcoming as possible to all people. Our task force is recommending

that we focus on two tracks (education and inclusion), that we hire a professional consultant to further inform our efforts, and that we produce a guidebook for conference leaders. We look forward to the August Board Retreat, when task force members will offer a summary of their work thus far, share questions and challenges they've identified, and hear from board members about their perspectives on the way(s) forward.

- Our work with Mary Ellen Jackson continues, focusing on various issues relating to how we are functioning as an effective nonprofit organization.
- We were pleased to support the Star Island United Church of Christ (SIUCC) in hosting a session with Rev. Traci Blackmon, the Associate General Minister of Justice & Local Church Ministries for The United Church of Christ, Senior Pastor of Christ The King United Church of Christ in Florissant, MO, and the Speaker for the 2020 Star Gathering 2/Family Festival Week. We are grateful to SIUCC and Rev. Blackmon for this valuable offering, and we are encouraging those who were unable to participate live to view the recording which, along with additional biographical information about Rev. Blackmon, can be found at [www.starisland.org/program/story-matters-an-offering-from-rev-traci-blackmon](http://www.starisland.org/program/story-matters-an-offering-from-rev-traci-blackmon).
- We are looking at the 2021 conference calendar with an eye to maximizing efficiency and registrations, while working collaboratively with individual conferences we are considering moving to a different time in the calendar. At this time, assuming relatively normal operations next year, we only anticipate a few tweaks to the schedule. If we need to modify our maximum capacity significantly for next year, it's likely we will need to reposition some conferences and/or offer half-week attendance options.
- While we had to postpone our September overnight educational program with Traip Academy (Kittery, Maine's public high school) this year due to the pandemic, we are pleased to confirm our mutual intention to offer this program in 2021. This educational experience falls under the umbrella of our SEA Star educational program.
- We hosted a successful SIC Annual Meeting on May 2 via a Zoom webinar, with over 300 people in attendance. A recording of the meeting, as well as meeting materials, can be found at [www.starisland.org/annualmeeting](http://www.starisland.org/annualmeeting).

## ECONOMIC

- Economic considerations have been at the forefront of our work for several months, as we work to ensure we have a pathway to long-term economic sustainability for our organization in the face of the COVID-19 pandemic. Even as we were still speculating about the pandemic's possible impacts on Star, we created a number of accrual-based and cash flow models for the remainder of this fiscal year, as well as next. With the input and assistance of the Finance Subgroup of the Crisis Response Team, the Finance Committee, Treasurer Jeff Loewer, and others, we refined these models over time, which resulted in approval of the 2020 Revised Budget and a draft 5-Year Financial Plan (see attached).
- Prior to the pandemic, our 2020 Original Budget (approved in January) included Net Income of \$202,699, adjusted YE cash of \$518,441, capital expenditures of \$575,540, and a Debt Service Coverage Ratio (DCSR) of 3.54 (vs. minimum of 1.05 required by our bank).
- The 2020 Revised Budget (approved in June) includes Net Loss of (\$762,878), adjusted YE cash of \$424,744, capital expenditures of \$411,039, and a DCSR of (4.93) (well short of the 1.05 minimum requirement).
- We have been in regular communication with Cambridge Bank & Trust over the last several months. The bank understands that given the pandemic and resulting closure of the island this year, we will not be in a position to meet our DSCR for 2020, and they've encouraged us to apply for a waiver after our

2020 audit is completed in the spring. Additionally, the bank deferred principal and interest payments on our existing term loan for a three-month period (April-June). Furthermore, our bank has indicated that they would loan us additional funds (as a term loan) should we need them, an offer we have not taken them up on at this time. This is an option that could come into play in 2021, depending on what unfolds next year.

- We applied for (in April) and received (in May) a Paycheck Protection Program (PPP) Loan in the amount of \$299,898, and we are currently working through our bank's online portal to submit our loan forgiveness application to the SBA (we anticipate that the entirety of this loan will be forgiven).
- We are grateful for the PPP Loan, which makes a big difference for our nonprofit organization in a historically challenging year (consistent with the intent of the program). We applied for (in July) and received (in August) a NH Nonprofit Emergency Relief Fund (NERF) grant – this resulted in a \$547,101 grant to support Star, largely to offset lost net revenue, in the period of March-December of this year. This is an historic grant award for SIC, and makes a huge difference for us – again, consistent with the intent of the program.
- Despite receiving \$846,999 in relief assistance (PPP Loan and NERF grant combined total), we are still in a financially challenging position, especially when we consider uncertainty surrounding our 2021 season – we simply do not know what will happen next year. We still need to reach our \$800,000 Annual Fund goal this year (see below), and ideally we will surpass that goal in order to put us into an improved position heading into next year.
- The Finance Committee has been meeting monthly for the last several months. At its most recent meeting on July 15, the committee focused on 2021 financial considerations and recommended the attached Capitalization Policy revision for approval by the SIC Board. In a prior meeting, the committee recommended for approval the attached revision of the committee's charge. The committee meets again Wednesday night, when it will focus on the 5-Year Financial Plan as well as the 2021 Budget process (which will likely be different this year). This plan will also be discussed at the upcoming board retreat, and will serve as a central component of our Long-range Integrated Financial Tool (LIFT), which will be presented next month.
- The 5-Year Financial Plan primarily focuses on four scenarios for 2021, mapping out what things might look like financially next year if (1) we open safely, largely as normal; (2) we open safely with less people and more health and safety protocols; (3) we open safely with even less people and even more protocols; and (4) we cannot open safely for the entire season. Please see the plan for more details.
- Our June Financials indicate a projected net income of (\$746,592) (vs. 2020 Revised Budget of (\$762,878)). The June Financials were prepared prior to us receiving word of our NERF grant award, so the July Financials (due out soon), will show a significantly more favorable (though still less than ideal) bottom line.
- We had an excellent 2019 audit, and the 2019 audited financial statements were recommended by both the Finance Subcommittee and Finance Committee, and accepted by the SIC Board as presented at its April 7 meeting. Berry Dunn, our auditors, presented an unmodified/clean opinion, noting that they did not detect any weaknesses in our internal controls, and that they did not make any significant audit adjustments. Our audited financial statements note a Change in Net Assets for 2019 of \$422,667 (our unaudited 2019 YE preliminary financials indicated Net Income of \$422,671, an exceptionally small difference).
- Additionally, SIC's and the Star Island Permanent Trust's Form 990s were reviewed, approved, and submitted to the IRS and State of NH in advance of the May 15 filing deadline. Our A-9 (real estate exemption) and A-12 Forms (charitable organization financial statement) were also filed with the Town of Rye.

- YTD, we have borrowed \$200,000 against our revolving line of credit. Given the recent good news about our NERF grant award, we are reconsidering our strategy of borrowing a total of \$325,000 this year. We are also considering paying back the line in full prior to year's end.
- The board has authorized use of the Board Designated Reserve Fund, the balance of which is over \$165K. Our current plan is to hold off on using these funds till 2021.
- The Trustees of the Star Island Permanent Trust Fund met on March 5. As of August 21, the value of the Trust was \$4,817,249, which is far better than we anticipated back in March.
- We have received nineteen Clean Water State Revolving Fund (SRF) loan disbursements to date, totaling \$1,100,760 (\$380,746 in 2018, \$680,793 in 2019, and \$39,222 in 2020). Additionally, we recently submitted SRF Loan Disbursement Request #20 and are in the process of submitting #21. As a reminder, we have the option to borrow up to \$1.3 million of SRF funds, at a fixed interest rate of 2.704% over a 30-year term.
- We are currently in the process of weighing the pros and cons of borrowing the full SRF amount this year as, combined with the NERF grant, it would trigger a federal audit requirement (over \$750,000 in federal funds). We are in communications with our auditor about this, and we have some time to come to a final decision.
- We submitted an SRF loan pre-application for \$500,000 in June, and we are in the process of determining if we will be eligible to apply for an additional loan (should we want to do so) to fund the water reuse components – yet to be identified – of our wastewater treatment/water reclamation facility. If we are eligible, we would have until June 2021 to decide if we want to apply. As previously reported, the Governor and Executive Council of the State of New Hampshire approved \$120,000 of funding to provide expert technical assistance consulting services for our water reuse demonstration project. NH Department of Environmental Services (NHDES) has hired Carollo Engineers Inc. ([www.carollo.com](http://www.carollo.com)), which is among the top water consulting firms in the world. On August 13, SIC staff had a useful introductory meeting with representatives from Carollo, NHDES, and Underwood Engineers. The pilot project will take place over at least two operating seasons.

## ENVIRONMENT

- As it became evident we were unable to open safely this season, we worked extensively with the Rye Fire Department, Rye Police Department, the NH Marine Patrol, and others to go over safety and security protocols for very limited occupancy during such an unusual season. We are pleased with how these agencies worked collaboratively with us as we developed our plans for the season, and we are grateful for their cooperation and support.
- Since May, we have had a small and skilled caretaking and security workforce on Star Island. Rather than boarding up the island, we made the strategic choice to take care of and watch over the island this summer, and to work on various projects. Our island team has been dutifully following many health and safety protocols, guided by Sarah Whalen, our Island Nurse. We have been able to work on a variety of important projects, a sampling of which includes:
  - Finishing up Brookfield/Rutledge Marine lab, including adding palings around the foundation, adding cables to the railings, installation of an ADA compliant access ramp, finishing up work in the lab, adding cubbies to Brookfield, finishing the new staff offices, adding a dimmer switch for the porch lights, and more.
  - Installation of new roofs on Marshman, Louise's Barn, and the Parsonage.
  - Restoration of the Chapel steeple, including placement of the refurbished wind vane.

- Installation of a new sludge drying system, including newly constructed sludge drying beds and storage tanks (non-SRF funded project).
- Various work at the wastewater treatment/water reclamation facility, including installation of backwash tanks, new catwalks and railings, and various other finishing touches designed to help improve the process, operational efficiency, and safety (SRF funded projects).
- Installation of a new “winter solution” for off-season use, including a leach field near the EMB (SRF funded project).
- Clean up of the old “dump” area by the Resource Recovery Center and alongside the perimeter road.
- Extensive grounds work, including lawns, poison ivy removal, and tending to the Memorial Courtyard.
- Relocation of three stations from our outdoor exercise course and removal of the original signage (to be replaced by smaller signs), as agreed upon with the Rye Historic District Commission.
- Various “smaller” projects, such as repairing and painting all of the palings on the front porch, fixing railings, refurbishing the east wall of the dish room, painting rowboats, and the like. We are in the process of shifting our focus from exterior projects to interior projects, such as prepping guest rooms for painting next spring.
- We are in discussions with the Isles of Shoals Steamship Company about what the 2021 schedule might look like, with an eye towards efficiency as ISSCO recovers from the financial impacts of the pandemic. We are also working with Jack Farrell on aspects of our professional marine services agreement which apply to this year and next year.
- As previously reported, we have successfully completed Phase I of a three phase process to migrate our Windows Server to the cloud. Phase II, which involves moving our networked drive to the cloud, will take approximately three months, and we expect to begin this process next month.
- On June 12, the Rye Fire Department visited Star Island to go over priorities for the season. Recently, we were able to install a new radio link at the EMB, which enables us to be in direct contact with emergency services personnel during an emergency – this was one of RFD’s higher priority projects for this year. We are also working with SFC Engineering and RFD on propane system upgrades we hope to implement prior to the 2021 season.
- As we look ahead to 2021, our intention is to reduce the number of capital projects for a couple of reasons – one, obviously, is to help us save cash in these uncertain times. Another is to ensure that we have the time we need to work through various refinements to our operations, which we expect in any scenario in which we can safely open the island next year. Thus, the 5-Year Financial Plan models only \$150,000 of capital expenditures in all four scenarios. We are in the process of updating the 5-Year Capital Improvement Plan, which will be included in the LIFT due out next month.

## **STEWARDSHIP**

*(NOTE: Director of Development Peter Squires and I have co-written this part of my report.)*

- Our original 2020 Annual Fund (AF) goal was \$555,000, and we increased this goal to \$800,000 in response to the pandemic’s impact on our 2020 conference season. While a three year comparison is included below for informational purposes, it is important to highlight that what is happening this year is unique, and we don’t really have relevant past performance indicators to consider as we track progress this year.
- As of July 31, the 2020 Annual Fund (AF) had realized \$595,562 in gifts, with a pledge balance of \$10,518, for a total of \$606,080 (76% of our 2020 revised goal of \$800,000). Please see the attached

July AF Comparison Report for more information. The following chart compares our progress this year to the previous two years (with the caveat noted above):

<i>Year</i>	<i>Realized Gifts</i>	<i>Pledge Balance</i>	<i>Total</i>	<i>% to Goal</i>	<i>Total Donors</i>
<b>2020</b>	\$595,562	\$10,518	\$606,080	76%	1,053
<b>2019</b>	\$243,535	\$22,430	\$265,965	51%	737
<b>2018</b>	\$235,874	\$26,173	\$262,047	52%	743

We are pleased and deeply grateful for how our community has stepped up to help us face this historic moment. A big part of our AF progress to date is the donation of \$232,248 of registration deposits and conference programming fees. Many Shoalers have increased their giving this year by 50-100%. Additionally, several people have stepped up – in a year when some cannot give as much or at all – with larger donations at the \$5,000, \$10,000, and \$25,000 levels. We are currently seeking additional individuals/families to join this group of lead donors to help us reach our increased goal this year. While there is a lot of uncertainty about what will happen in the weeks and months ahead, and if supporters continue to go above and beyond in their giving to Star as many have already done, we do anticipate reaching our revised AF goal for 2020. As of the end of July, we had 196 recurring/monthly donors (174 via credit card and 22 via check).

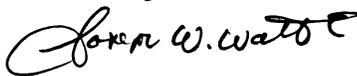
- Several board members have helped us with our efforts identifying prospects and soliciting gifts from potential major donors. If you would like to help identify prospects or solicit gifts this year, please reach out to Peter. In addition, fundraising consultant and All Star 1 conferee Carol Weisman has offered to conduct a free one-hour “how to effectively solicit major gifts” workshop over Zoom. If you would be interested in participating in such an offering, please let Peter know.
- After we made the announcement that we were unable to open the island safely this season, we sent out an email AF solicitation (rather than mailing out a spring AF appeal, as we have in the past). At the end of last month, we mailed a summer AF appeal, timed in the middle of the summer and our virtual programming season. We anticipate sending out a fall AF appeal letter in November, as we usually do.
- We have submitted several grant applications this year, and are pleased to report on receipt of the following grants:
  - \$547,101 NERF grant (see above)
  - \$10,000 from the Cogswell Benevolent Trust (general operating)
  - \$6,454 from the Fuller Foundation (general operating)
  - \$6,113 from the New Hampshire Preservation Alliance (sprinkler upgrades)
  - \$2,500 from the Bank of New Hampshire (Brookfield/Rutledge Marine Lab upgrades)
  - \$2,000 from the Rosamond Thaxter Foundation (general operating)
  - \$600 from the Portsmouth Garden Club (flowers)
  - \$200 from the Land and Community Heritage Investment Program (Fund for the Oceanic)
 It is possible we will receive additional grant funding this year, though even without it, we have been awarded an all-time record of \$574,968 in grants (not including the PPP Loan, as it is not a grant per se) this year (vs. revised budget goal of \$26,113).
- Pre-pandemic, we were teed up to begin work in earnest on our next strategic plan. We set this effort aside for a few months as we addressed our immediate needs in the wake of the pandemic, and now we are excited to be resuming this effort. At it’s July 22 meeting, the board contemplated how the plan might be different than we originally envisioned, in terms of timing and content, and this conversation

will continue at the August Board Retreat. Our current plan (see attached) runs through the end of this year.

- Even though we were unable to host the Gosport Regatta this year, we have reached out to last year's sponsors to solicit gifts this year in support of Star. We have not made a final decision about Starry Night, scheduled for November 21, but at this time we are strongly leaning towards this being a virtual event and auction.
- The Fund Development Committee has not met since the end of May, though Peter has been in discussions with Chair Judy Samuelson and new Board Liaison Tom Kennedy about our current fundraising efforts. The committee will be reconvening soon.
- We are deeply grateful for the many volunteers who have helped out in our collective time of need, offering their expertise in areas ranging from medical/health to finance, and pastoral/ministerial to virtual programming. On island, a handful of skilled workers have lent their expertise to specific island projects.

I have said many times that it is an honor and a privilege to be able to serve in the position of CEO of the Star Island Corporation, and never have I felt this as intensely as I have since this pandemic started. Our Star Island family has come together to meet this challenge, which is at the same time unsurprising and wonderful. We have been here for one other, supporting each other during these challenging times. We share a common vision of caring for our broader community, including our health and well-being, as well as for a strong future for our organization and our beloved island. While times are dark, Star continues to serve as a light and a beacon, and it will remain so for generations to come.

With Star Spirit,

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