

Treasurer Remarks
Annual Meeting for 2017
(August 2018)

- 1) 2017 was a momentous year for the Martha's Vineyard Museum as we made the strategic and financial decision to move forward with the start of construction for the new Vineyard Haven campus. As most of you know, the construction is now underway, is expected to be completed in several months and our targeted time to relocate is toward the end of 2018.

- 2) While this meeting and the annual report you received are formally about 2017, there are so many significant financial developments taking place during 2018 that I will update you on the current status of a number of these during my remarks.

- 3) 2017 was the Museum's last full year of operation on the Edgartown campus since 2018 is a greatly abbreviated and atypical year due to packing and moving. For 2017 the Museum continued to show solid growth in revenue from operating activities and programming, and operating expenses were well-managed with some planned growth for relocation to the new larger campus.

With the support of our combined fundraising efforts the Museum achieved a surplus of \$40,000 for the year.

- 4) Successful progress in our efforts to raise funds through the comprehensive capital campaign was a key factor in making the decision in early 2017 to move forward with construction. As we have described before, our campaign is comprehensive because it supports a range of needs:
- Funds to develop and relocate to the Marine Hospital site;
 - Funds to support operations and transition costs during the years leading to relocation;
 - And funds to build an endowment as a source of operational funding in future years.

The total targeted needs for the campaign are \$31.0 million.

- 5) Through 2017 and 2018 growth in cash and pledges for the comprehensive campaign has moved steadily upward. With agreements to sell 2 parcels of the Edgartown property – both to close as we relocate – we are approaching total funds for the campaign of a little under \$25.0 million.

This leaves \$6.0 to \$6.5 million still to raise.

- 6) In spring of 2017 we arranged a line of credit to help bridge the difference in timing for the funds needed for construction costs and the receipt of funds from pledge payments and new commitments. The line was for \$6.0 million through Cape Cod 5 for a five year term at a favorable fixed interest rate.

In the spring of 2018 the line was increased by \$4.0 million primarily to support the short term need for the cash to be received from the real estate sales when we relocate.

At the end of 2017 we had not drawn on the line of credit, during the height of construction activity we have been using it as planned, and our target is to have \$0.0 outstanding when the project and campaign are completed.

- 7) In the summer of 2017 the Museum reached an agreement with Consigli, a major Boston contractor, to manage the construction of the new campus. The total project budget – the Consigli contract, combined with some additional construction costs outside of the contract and non-construction costs -- was slightly less than \$18.0 million. Prior to the start of construction the Museum incurred

several significant project costs that are part of this budget – hazardous material abatement, demolition and archaeological explorations. The actual construction began in the early fall of 2017 and by the end of the year total project costs had reached \$3.7 million.

The full amount of the construction project related spending should be incurred by the end of 2018.

- 8) Another important financial step is to continue to build the Museum's endowment to help support future operations. With further commitments to the campaign to support the National Endowment for the Humanities grant and financial market performance, the endowment reached \$1.6 million by the end of 2017 and is \$2.0 million in mid 2018.

The endowment is currently invested in a low cost balanced portfolio managed by Vanguard.

- 9) Outside of the comprehensive campaign an opportunity was presented to the Museum in the spring of 2018 to purchase a house on Skiff Avenue adjacent to the new Museum campus that is in very good condition. Two generous donors contributed \$1.2 million to enable the Museum to buy the house which will be used for collection storage and office

space.

A second house next door to the first – which is not in good condition and will be a tear down – is in the process of being purchased. Another generous donor has committed to providing the funds for this purchase.

These special situations provide great opportunities for the Museum to build the Vineyard Haven campus for the future.

- 10) One other area with funding outside of the comprehensive capital campaign is the Cooke House and Legacy Gardens, the remaining 17,000 square foot portion of the existing Museum Edgartown campus. It will contain the historic Cooke House along with period gardens and landscaping, and will be used as a visitor site and for education and programming. Additional funding for developing this property is being raised by a group in Edgartown working with the Museum.
- 11) A final point to note – as we look forward to the Museum’s financial operations when the transformation is more fully realized, a key objective is to improve the Museum’s opportunity to have year-in, year-out financial sustainability. This will be accomplished by having a much greater

proportion of expenses covered by revenue from operations as well as by utilizing earnings from the endowment to support operations. Together these should make the Museum less reliant on annual fundraising efforts. This is an important element of the Museum's business model as it relocates to the new campus.

12) After years of planning and fundraising, the development and relocation to the new campus is close at hand which is very exciting. Over the years we have received support from many – members, patrons, Board, volunteers, staff as well as the island community. Many thanks for helping to make it happen.

13) Any questions?