

Treasurer Remarks
Annual Meeting for 2018
(July 2019)

- 1) Wow! 2018 is the year we finally completed the construction of the new campus in Vineyard Haven, relocated from Edgartown, sold the unneeded portion of the Edgartown campus and opened the new museum to the public. Well almost – we planned for all of this in 2018, and it felt like it, but we actually opened to the public in early 2019, and we are still completing some finishing steps of the construction.
- 2) While this meeting and the annual report you received are formally about 2018, there are so many significant financial developments taking place year to date in 2019 that I will update you on the current status of a number of these during my remarks.
- 3) Before we get started I am pleased to let you know that several months ago the Museum hired a new Director of Finance & Administration. Carol Carroll has joined us from many and varied roles at the MV Savings Bank. She will be working to build the Museum financial operations to a new level following Betsey Mayhew's long support through this transformation.
- 4) 2018 was not a real year of operation for the Museum – the Edgartown campus was closed for much of the year resulting in some reduction in revenue from operations. And operating expenses were somewhat higher to execute the move and prepare for operations in the new location. Both of these factors were planned and were financially supported through the campaign.
- 5) 2018 was the last formal year of the Comprehensive Capital Campaign that was the source of funding this significant transformation. As we have described before, our campaign was comprehensive because it supported 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.

By the end of the year, with the sale of the 2 parcels of the Edgartown campus, the Museum had raised a little over \$26.0 million of the campaign target of \$31.0 million. Of the funds raised, pledges remaining at the end of the year were a little

over \$3.0 million.

- 6) Most of the costs of the new campus project – both construction and non-construction – were incurred in 2018 with expenditures of over \$13.0 million. Working with our contractor Consigli over the course of the year, the overall project budget increased to approximately \$19.5 million due both to some unforeseen conditions in the construction process and some decisions to add features to the project.

As I indicated earlier, the project completion was later than planned, and we are still completing finishing steps and managing final payments.

- 7) As described before, in 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 through Cape Cod 5 at a favorable fixed interest rate for a five year period ending in July 2022. At the end of 2018 the borrowing availability under the line was \$8.0 million and the Museum had borrowed \$6.4 million.

As payments on the construction are completed in 2019 and fundraising efforts are completed in a year or two, the Museum does not plan to have any bank debt outstanding.

- 8) Another important financial step is to continue to build the Museum's endowment to help support future operations. During the year the Museum completed the matching needed for the National Endowment for the Humanities grant, and for the first time utilized a withdrawal from the endowment to support operations. At the end of 2018 the endowment had reached \$1.9 million and by mid-year 2019 was \$2.3 million.

- 9) Outside of the comprehensive campaign the Museum received donations of \$1.7 million to purchase and make some improvements on 2 houses on Skiff Avenue adjacent to the new Museum campus in 2018. In addition it received another \$0.8 million to purchase a 3rd house in early 2019.

The houses have proved to be very valuable for providing collection storage, office space and other supporting needs. 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. So far additional restricted funding of \$100,000 has been raised for developing this property and some preliminary improvements on the property were made this spring.

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.

Early indicators for each of the key operating revenue components – admissions, membership, gift shop & café activity, interest in renting the property – suggest that this approach is working.

12) Starting in 2019 the Museum is in the process of raising \$9.0 million. This \$9.0 million will complete the Comprehensive Capital Campaign, pay for the added project costs and support operations for the two years of 2019 and 2020.

With the successful completion of these next two years your new Museum will be fully launched – a beautiful new campus, two years of great experience operating at this new scale, a more significant endowment and a strong financial foundation for moving forward.

13) After years of planning and fundraising, the development and relocation to the new campus is a reality. During this period we have received support from many – members, patrons, Board, volunteers, staff as well as the island community. Many thanks to all of you for helping to make it happen.

14) Any questions?