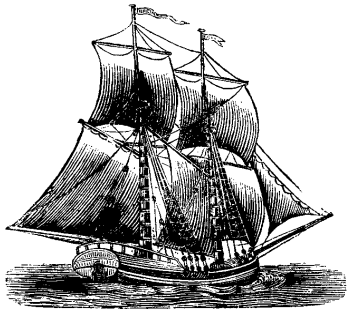
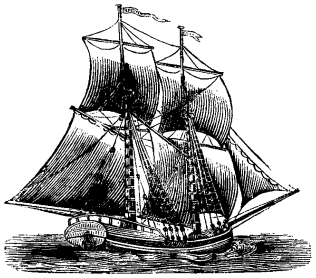


The Campaign For Permanence

Sultana Projects, Inc.



THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

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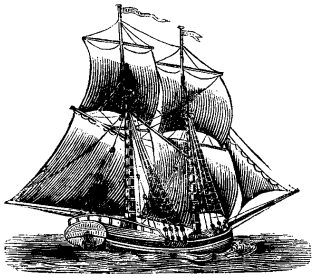


THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

FROM THE CHAIR

This document has one purpose. That is, to answer any questions you may have about why we need to raise $1.6 million for an endowment for Sultana Projects, Inc.

Although the question is simple, the answer is complex. The original vision for Sultana, its current state of operations and its future potential all come together in this vital campaign.

The need for a permanent endowment addresses three requirements equally:

- Ongoing ship maintenance
- Quality educational programs
- Maintaining an excellent Staff

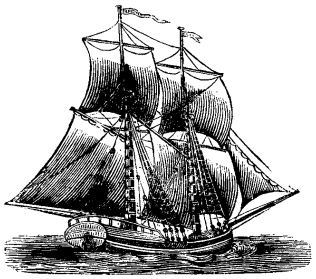
The hallmark of Sultana Projects, Inc. has always been to provide programs of the highest possible quality. Its program scope and curriculum, led by outstanding staff members, are the essential components that an endowment will protect and enhance.

This is a "once in a lifetime" opportunity that we are offering to a relative handful of individuals and families who have shown a genuine interest in Sultana over these past eight years. By contributing to the *Campaign for Permanence* you will become a founding member of the *Sultana Legacy Council*, but more importantly you will have the satisfaction of knowing that your generous gift will be put to good use perpetuating one of the most unique educational programs on the Chesapeake Bay.

I thank you for your time reviewing this presentation, and for your consideration of a generous gift to the *Campaign for Permanence*.

With kind regards,

Christian Havemeyer, Chair
Campaign for Permanence



THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

BACKGROUND & CAMPAIGN OBJECTIVE

Even prior to laying the keel for the schooner Sultana, the founders of Sultana Projects, Inc. recognized the importance of building a substantial endowment to help sustain their educational programs.

First, however, came the need to demonstrate Sultana's ability to successfully employ the techniques of experiential education to further the organization's mission of helping young children become ardent stewards for the Chesapeake and its history. Now, in just its forth year of under-sail operations, Sultana's educational achievements are already tremendously impressive.

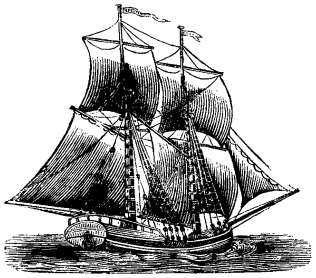
Since the schooner's launch in 2001 more than 20,000 students of all ages have participated in Sultana Projects' high-quality educational programs. Teachers and administrators across the Chesapeake region have lauded Sultana's innovative programs. This fall, in perhaps its greatest honor to-date, Sultana will be presented the *Walter Cronkite Award for Excellence in Maritime Education* by the National Maritime Historical Society.

With this demonstrated record of educational achievement the time has come to complete the final component of the original vision of the Sultana Project. Known as the "*Campaign for Permanence*," the objective of this brief, quiet effort is to raise $1,600,000 that, when combined with existing funds, will form the core of a $2 million Sultana Projects Endowment.

Prudently managed by professional investors and employing a conservative 5% distribution policy, the Sultana Projects Endowment will generate more than $100,000 annually to support Sultana's operations and educational programs. Those funds will exist in perpetuity thanks to your generous support.

The success of the *Campaign for Permanence* in establishing the Sultana Projects Endowment will have a profound impact on the long-term stability and future potential of Sultana Projects.

Since the schooner's launch in 2001 more than 20,000 students of all ages have participated in Sultana Projects' high-quality educational programs.



THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

SULTANA'S UNIQUE ACCOMPLISHMENTS

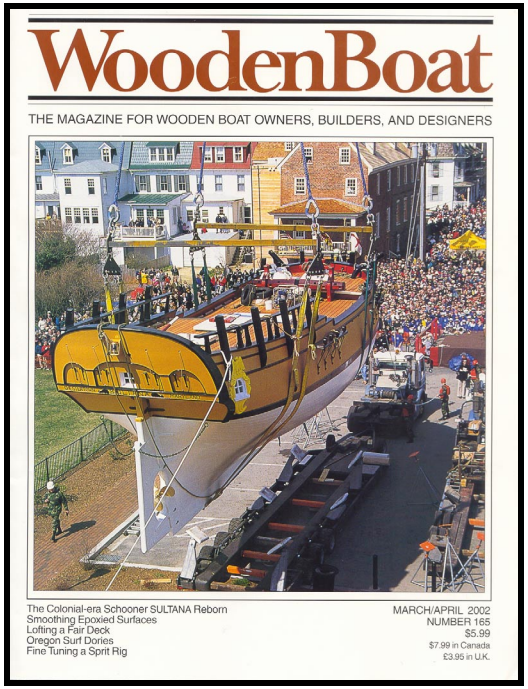
Sultana Projects, Inc. was established in 1997 with the concept of constructing a full-scale reproduction of the British schooner *Sultana*, an American-built revenue cutter that patrolled the east coast of North America from 1768 to 1772.

The principals of the project were master boatbuilder John Swain and Drew McMullen, a talented young educator from Echo Hill Outdoor School. McMullen was keenly aware of the need to sensitize a new generation to the unique threats facing the fragile Chesapeake Bay region. By using Sultana to help students better understand the Bay's rich history and unique natural environment, McMullen saw an opportunity to inspire thousands of young people to become stewards for the region.

The evolution of Sultana Projects is well known to its long-time friends and supporters. Starting from scratch in a rural town of only 5,000 people, Sultana Projects raised more than $2 million from 4,000 individual donors to build the schooner Sultana. The resulting vessel is widely considered one of the finest reproduction sailing vessels in the world. Just as importantly, Sultana has succeed in building a regional network of friends, volunteers and supporters and, under the guidance of Sultana Vice President Chris Cerino, has developed an innovative educational program that is considered to be one of the best of its kind in the United States.

In the years ahead Sultana Projects will be broadening its program to draw upon other significant episodes from the rich heritage of the Chesapeake Bay. In the fall of 2004 Sultana Projects will announce a major new initiative to reconstruct the open boat used by Captain John Smith in 1608 to make the first detailed European exploration of the Chesapeake Bay. In 2007 the finished vessel will depart on a 1,700 mile voyage to commemorate the 400th anniversary of Smith's original expedition.

None of these achievements and initiatives would be possible were it not for the generous support of Sultana's most dedicated supporters. The continuing support of the Sultana community will be a key to the success of the *Campaign for Permanence*.



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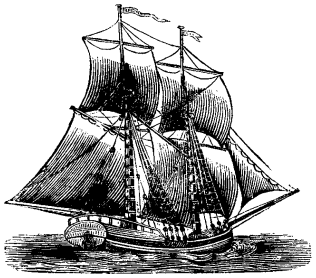

THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

ENSURING THE LEGACY
THE IMPORTANCE OF THE SULTANA ENDOWMENT

The excellence of its programs has allowed Sultana to form trusting relationships with teachers and administrators in scores of schools and school districts throughout the Chesapeake region. Sultana Projects can now build on those relationships to expand its message of lifelong stewardship, reaching more students with even greater impact.

The unique nature of Sultana's educational programs also bring with them significant costs and challenges. Because the fees charged to schools are modest and often waived, Sultana must constantly seek sources of operating support. And of course, given the nature of its outdoor programming, unexpected expenses are the norm.

The costs of providing its programs – including program overhead; maintenance and insurance for the schooner; competitive salaries for the captain and crew; educational materials and teacher training programs – are high. What's more, the success of Sultana's programs has inevitably led to demands to expand and enrich its offerings. The more students reached, the greater the costs of materials and staff.

At the present time, modest school tuition fees account for less than half of Sultana's annual income – thus, staff must raise more than $300,000 in new funding each year, taking important time away from program development and delivery.

The *Campaign for Permanence* will create a $2 million endowment to forever support these operational needs of Sultana Projects, Inc. The principle of this endowment will never be touched. An annual distribution of 5% ($100,000) will be made each year to help cover organizational costs and supplement other fund raising.

The endowment will help Sultana reach more students with the high quality educational programs for which it is known; to retain and attract key staff, and to ensure the safety of its valued on-water assets.

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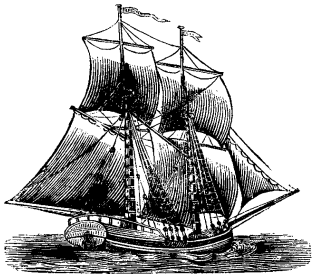


THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

THE CAMPAIGN FOR PERMANENCE
STRATEGY & TIME-TABLE

From the hundreds of volunteers who helped build *Sultana* to the more than 4,000 donors and friends who financed her construction and subsequent educational efforts, Sultana Projects has been blessed with a broad and strong constituency.

From that group, the following ten individuals have been selected to serve as the Governing Board for the *Campaign for Permanence*.

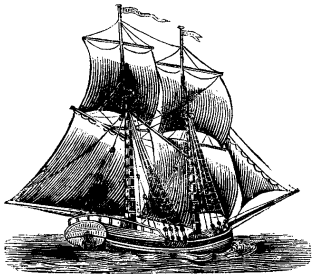
Christian Havemeyer - Chair
Robert Bennett
Stuart Elsberg
Donald Hewes
Joyce Huber-Smith
Brooke Logan
Elizabeth Moore
Drew McMullen
John Swain
Philip Webster

This Governing Board has collectively pledged to make a significant contribution to the *Campaign for Permanence*. When combined with Sultana Projects existing endowment, the collective funds will comprise more than 40% of the planned $2 million endowment.

Over the next few months the members of the Governing Board for the *Campaign for Permanence* will call upon others in Sultana's close circle of friends who may wish to make meaningful donations to the Sultana Projects Endowment and become founding members of the *Sultana Legacy Council.* These calls on only a few dozen key individuals will be made between September 1 and December 31, 2004.

Friends of Sultana interested in contributing to the *Campaign for Permanence* may do so via pledges over as many as three years. Support of the Endowment via charitable gift annuities is also possible.

Over the next few months the members of the Governing Board for the Campaign for Permanence will call upon others in Sultana's close circle of friends who may wish to make meaningful donations to the Sultana Projects Endowment and become founding members of the Sultana Legacy Council.



THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

CAMPAIGN BENEFITS

Supporters of $5,000 or more to the *Campaign for Permanence* will be recognized in perpetuity as a member of the *Sultana Legacy Council* for helping Sultana Projects become a permanent Eastern Shore institution. That recognition will take place in each Sultana Annual Report and wherever major donor support is acknowledged.

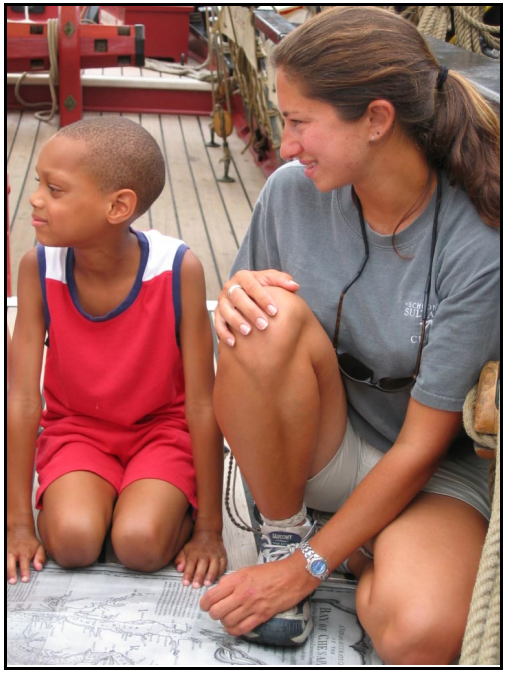
The primary benefit is, of course, ensuring that thousands of students each year for decades to come will participate in the Sultana learning experience.

The Chesapeake Bay region, as we know, is a fragile ecosystem, threatened on all sides by the very people who have been attracted to its beauty. Rampant development and pollution from a wide variety of sources have reduced the efficiencies, cleanliness and productivity of the Bay to a mere reflection of what it once was.

During the past few decades many efforts have been made to save the bay and replenish its resource. A myriad of studies, often with contradictory data, indicate that little, if any real progress has been made.

If the Chesapeake Bay region – the Bay itself, its marshes and tributaries, and the ways of life surrounding the Bay – are to survive, it will depend upon the efforts and commitment of the young people who are presently growing up in the towns and hamlets surrounding the Bay.

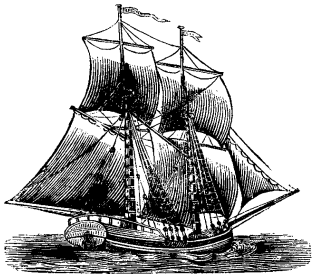
Sultana Projects hopes to reach them all with its themes of respect for the past and responsibility for the future. The formation of dedicated stewards who will respect and help preserve the threatened Bay region will be the greatest benefit derived from the *Campaign for Permanence*.



THE SULTANA LEGACY COUNCIL

as of September 1, 2004

ROBERT BENNETT
WILLIAM & VIRGINIA CATHERWOOD
ALONZO & VIRGINIA DECKER
S. MICKEY ELSBERG
ROSALIND HAVEMEYER
CHRISTIAN HAVEMEYER
DONALD & DARBY HEWES
ROBERT & JANET HEWES
BROOKE LOGAN
DREW MCMULLEN
LIZ & CHIPS MOORE
JOYCE HUBER SMITH
PHILIP & IRMY WEBSTER



THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

LONG-TERM PLANS

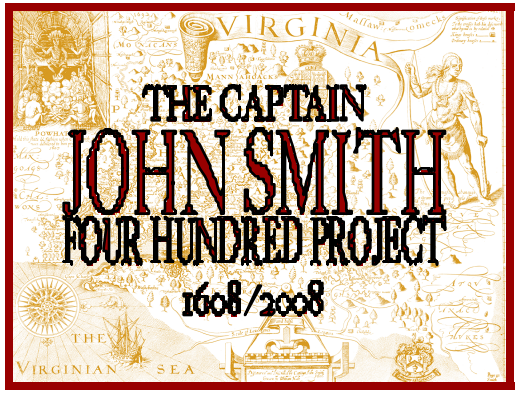
The Chesapeake Bay region provides an almost endless source of rich material for Sultana Projects to draw upon in expanding its educational programs.

One example of Sultana's efforts to expand its programming is the new *Captain John Smith 400 Project*. In the fall of 2004 Sultana Projects will announce this major new initiative to reconstruct the open boat used by Captain John Smith in 1608 to make the first detailed European exploration of the Chesapeake Bay. In 2007 the finished vessel will depart on a 1,700 mile voyage to commemorate the 400th anniversary of Smith's original expedition.

Once again, Sultana shipwright John Swain will lead the construction project and Sultana will develop the related curriculum. It is a sign of Sultana Project's growing reputation that this project is being done in partnership with the Conservation Fund, the National Geographic Society and the Chesapeake Bay Foundation.

As a central component of the *Captain John Smith 400 Project*, Sultana Projects will be partnering with both the Maryland and Virginia Departments of Education to design detailed classroom curricula units. These units will ultimately be used by hundreds of thousands of school students throughout the Chesapeake Region.

Having an endowment to ensure operating support will help Sultana's staff continue to pursue such exciting new educational opportunities. Once fully established, the Sultana Projects Endowment will continue to grow as the organization itself expands. Following the *Campaign for Permanence*, a Planned Giving Committee will be formed to work closely with those who care about and are committed to Sultana's mission.



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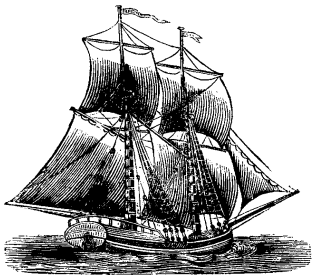

THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

FINANCIAL MANAGEMENT & INFORMATION

Sultana Projects is a remarkably strong organization, not only because of its staff and volunteers, but also due to excellent financial controls and management.

This year, the Sultana Projects staff will oversee a budget of almost $600,000, of which a substantial majority is dedicated to educational staffing, programs and vessel maintenance.

Sultana's annual budget (*see page 14*) has been carefully managed to enable a modest amount to be set aside each year for long-term endowment purposes. To-date, some $450,000 has been committed. This will help to supplement the effort of the *Campaign for Permanence* to achieve a base endowment of $ 2 million.

The discipline demonstrated in Sultana Projects' financial management will also be evident in the *Campaign for Permanence* and the management of the Sultana Projects Endowment. The Endowment will be managed by a professional investment advisory firm according to Maryland state investment guidelines for endowments. Prudent asset allocation will strive to ensure that the Sultana Endowment earns an average total-return in excess of the distribution amount so that the Endowment can grow over time.

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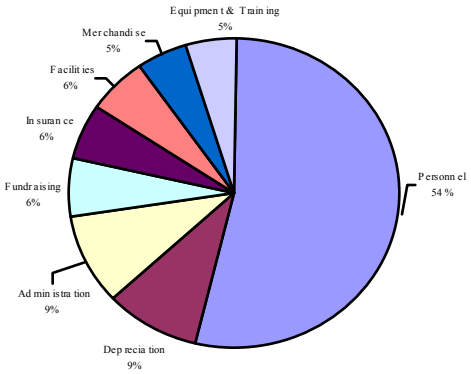
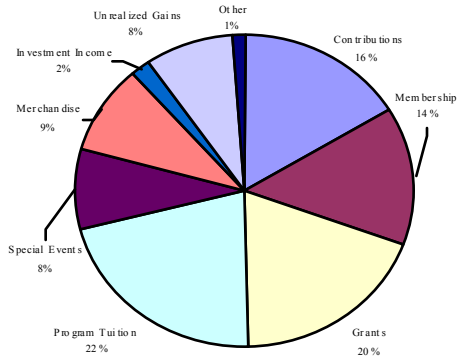
2003 Expenses Breakdown

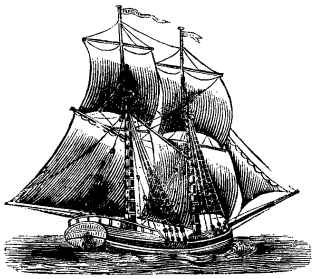
Total 2003 Expenses = $519,497



2003 Revenues Breakdown

Total 2003 Revenues = $519,757





THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

CONCLUSION

As one of our closest friends, we invite you to become a founding member of the *Sultana Legacy Council* by making a generous contribution to the *Campaign for Permanence*. As a member of the *Sultana Legacy Council* you will join a prestigious group of donors made up of a relative handful of individuals from among the thousands who have enthusiastically supported Sultana from its creation to its present success.

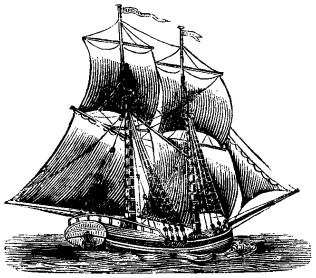
Your tax-deductible donation will help to ensure that Sultana's award winning educational programs will be available for generations of students to come. With your help Sultana will be able to continue her work, creating generations of new stewards who will value and preserve the history and environment of the Chesapeake Bay.

By contributing to the *Campaign for Permanence* you will also be playing an important role in perpetuating a undertaking that has become a symbol for the values of an entire community.

Wherever Sultana travels she is a physical manifestation of what a grass-roots community can accomplish when everyone works together. In her relatively short history Sultana has already served as a direct inspiration for similar projects in places as far a field as Vermont, Virginia, Massachusetts and Oregon.

Your gift to the *Campaign for Permanence* can be pledged over a period of up to three years. If you wish, it can be used in concert with a Charitable Gift Annuity. However you choose to participate, your gift will be among the most important gifts ever given to Sultana Projects.

With your help Sultana will be able to continue her work, creating new generations of stewards who will value and preserve the history and environment of the Chesapeake Bay.



THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

APPENDICES - THE BOARD OF DIRECTORS OF SULTANA PROJECTS, INC.

Joyce Huber Smith - Board Chair
- *Businesswoman*

Christian Havemeyer - Board Co-Vice Chair
- *Historic Preservationist*

Patti Hegland - Board Co-Vice Chair
- *Certified Public Accountant and Business Analyst*

Michael Macielag - Treasurer
- *President, Chesapeake Bank & Trust Company*

S. Mickey Elsberg - Secretary
- *Businessman and Community Activist*

Dr. Lorraine Costella
- *Superintendent of Kent County Public Schools (retired)*

Donald Hewes
- *Farmer*

Joseph Holt
- *Vice President, Washington College*

Allan Housley
- *Banking Attorney*

Steven Jones
- *Author and Educator, The Gunston School*

Brooke Logan
- *Educator, Art Dealer and Eastern Shore Native*

Elizabeth Moore
- *Executive Director, The Indian Point Foundation*

S. Jay Plager
- *Senior Circuit Judge, Unites States Court of Appeals*

Joyce Purcell
- *Retired Congressional and National Academy of the Sciences Staff Member*

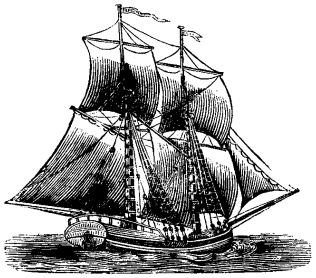
Peter P. Rice
- *Executive Director, Echo Hill Outdoor School*

John E. Swain
- *President, Swain Boatbuilders, LLC*

Dr. Charles H. Trout
- *President, Harcum College*

Philip Webster
- *President, The Webster Group*

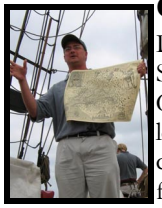
Ted Widmer
- *Director, C.V. Starr Center for the Study of the American Experience at Washington College*



THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

APPENDICES - SULTANA PROJECTS, INC., KEY STAFF MEMBERS

Drew McMullen – President: Drew McMullen has been with Sultana Projects since 1997 and, along with shipwright John Swain, was one of the original conceivers of the project. From 1997-2001, McMullen served as Sultana Project Director, responsible for overseeing the construction of Sultana as well as the development of the organization's business plan. Upon the vessel's launch in 2001, McMullen assumed his current role as President for Sultana Projects, Inc.. He also serves occasionally as relief captain for Sultana. McMullen is a graduate of St. Paul's School in Concord, New Hampshire and Amherst College. McMullen previously worked for the International Investment Advisory Division of Bankers Trust Company, New York and as a fundraiser and teacher for Echo Hill Outdoor School in Worton, Maryland. McMullen has authored articles about education under sail in numerous publications and co-authored the recent book, "*Schooner Sultana - Building a Chesapeake Legacy*."

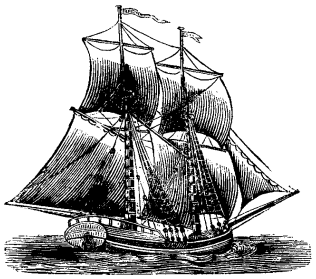


Christopher M. Cerino – Vice President: Chris Cerino joined Sultana Projects, Inc. in the summer of 2000 as Sultana's Director of Education. In this capacity Cerino designed and wrote Sultana's under-sail education curricula as well as a series of Sultana related classroom workbooks. After serving as Education Director onboard Sultana during her inaugural 2001 sailing season, Cerino joined Sultana's administrative staff as Director of Operations, responsible for administering Sultana's client relationships and logistics. In the fall of 2003 Cerino became Vice President of Sultana Projects, Inc. and is currently responsible for overseeing the continuing development and implementation of the organization's educational endeavors. A native of Reston, VA, Cerino graduated from the University of Virginia in 1990 and received his Masters of Education from UVA in 1991. Cerino has worked previously as Assistant Director for Echo Hill Outdoor School in Worton, Maryland and as a classroom instructor in special education for the Summit School in Annapolis, Maryland.

Robert M. Brittain - Captain: A native of England, Captain Brittain has firm roots on both sides of the Atlantic. His mother, an American, had the distinction of being one of the first women to serve in the US Navy beginning in 1942. His father, an Englishman, was a member of British Intelligence and served in Korea where the couple met. From the instant he opens his mouth Captain Brittain's heritage is immediately evident in his distinctive and booming British accent. Captain Brittain has decades of experience sailing traditional vessels. Brittain first learned to sail in small dinghies on England's Blackwater River. After attending Nottingham University where he was a member of the University's sailing team, Brittain moved to the United States in 1980 and has subsequently served as captain on numerous traditional sailing vessels including the schooners *Lady Maryland*, *Woodwind* and *Woodwind II* as well as the skipjack *Martha Lewis*. Earlier in his career Captain Brittain sailed as crew on both the original *Pride of Baltimore* and on the maiden voyage of the *Pride of Baltimore, II*

Kathy McCallister - Business Manager: Kathy McAllister came to Sultana projects in 1999 as the administrative assistant to the Executive Director. Her previous work experience in administration, management and accounting benefited a position that required a great deal of multi- tasking. In 2001 she assumed the position of Business Manager. This involves financial record keeping and reporting, maintaining membership records and correspondence while helping to sustain the efficient operation of the office. Kathy graduated cum laude from Frostburg University in 1981 and holds a Juris Doctorate from George Mason University School of Law, 1991.

Faith Prince - Communications: Faith Prince has been a staff member with Sultana Projects, Inc. since 2001 and prior to that had volunteered with the project since its inception in 1997. Faith is responsible for managing Sultana's special events as well as the organization's communications with foundations and private donors.



THE CAMPAIGN FOR PERMANENCE
SULTANA PROJECTS, INC.

APPENDICES - FINANCIAL INFORMATION

STATEMENT OF FINANCIAL POSITION

ASSETS

	2003	2002
Current Assets		
Cash - Operating	**$38,384**	68,059
Cash - Restricted by Grant	**12,400**	15,900
Unconditional Promises to Give (Pledges)	**28,839**	24,593
Inventory	**14,247**	10,278
Prepaid Expenses	**6,054**	3,935
Investments	**2,103**	1,013
Total Current Assets	**102,027**	123,778
Property and Equipment		
Land	**26,000**	26,000
Buildings & Improvements	**153,856**	153,856
Schooner Sultana & Equipment	**1,611,987**	1,599,398
Furniture, Fixtures & Equipment	**38,610**	32,398
Less: Accumulated depreciation	**(135,052)**	(86,509)
Total Property and Equipment	**1,694,951**	1,725,143
Endowment		
Cash	**126,216**	126,401
Investments	**323,706**	273,139
Total Endowment	**449,922**	399,540
TOTAL ASSETS	**$2,246,900**	$2,248,461

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	**$11,597**	11,840
Accrued Payroll Taxes	**3,496**	7,431
Sales Tax Payable	**1,467**	313
Gift Certificates	**680**	375
Program Deposits	**3,885**	5,805
Total Liabilities (all current)	**21,125**	25,764
Net Assets		
Unrestricted	**1,752,440**	1,751,700
Temporarily Restricted (Grants)	**19,238**	15,900
Board Restricted to Endowment	**264,000**	265,000
Permanently Restricted to Endowment	**190,097**	190,097
Total Net Assets	**2,225,775**	2,222,697
TOTAL LIABILITIES AND NET ASSETS	**$2,246,900**	$2,248,461

These figures have been extracted from audited financial statements prepared by Anthony, Judge & Ware, LLC C.P.A.'s Chestertown, Maryland and are available upon request.

STATEMENT OF ACTIVITIES

CHANGES IN UNRESTRICTED NET ASSETS

Support and Revenue

	2003	2002
Support:		
Unrestricted Grants	-	13,450
Contributions	**$83,999**	87,030
Membership	**74,899**	84,446
Total Support	**158,898**	184,926
Revenue:		
Program Income	**111,216**	123913
Special Event Income	**42,928**	66,883
Merchandise Income	**48,575**	36,992
Investment Income	**8,531**	10,057
Unrealized Gain/Loss on Investments	**43,177**	(40,464)
Other Income	**6,875**	678
Total Revenue	**261,302**	198,059
Net assets released from restrictions:		
Satisfaction of fixed asset acquisition restrictions	**99,297**	81,969
Total Unrestricted Support and Revenue	**519,497**	464,954
Expenses:		
Personnel	**280,209**	266,236
Depreciation	**48,993**	48,392
Administration	**48,597**	64,449
Fundraising	**32,399**	31,345
Insurance	**28,933**	14,943
Facilities	**29,559**	39,557
Merchandise	**26,028**	24,485
Programming Supplies, Equipment & Expenses	**25,057**	19,339
Total Expenses:	**519,757**	508,746
Increase in Unrestricted Net Assets	**(260)**	(43,792)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Grants and Contributions	**102,635**	88,118
Net assets released from restrictions	**(99,297)**	(81,969)
Increase (decrease) in Temporarily Restricted Net Assets	**3,338**	6,149
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS	**0**	2,000
INCREASE IN NET ASSETS	**3,078**	(35,643)
NET ASSETS AT BEGINNING OF YEAR	**2,222,697**	2,258,340
NET ASSETS AT END OF YEAR	**$2,225,775**	2,222,697