

# **American Battlefield Trust and Affiliates**

Consolidated Financial Report  
March 31, 2018

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## Independent Auditor's Report

To the Board of Directors  
American Battlefield Trust

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Battlefield Trust and Affiliates (the Trust), which comprise the consolidated balance sheet as of March 31, 2018, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of March 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2018, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

We have previously audited the Trust's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 22, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*RSM US LLP*

Gaithersburg, Maryland  
August 2, 2018

**American Battlefield Trust and Affiliates**

**Consolidated Balance Sheet**

**March 31, 2018**

**(With Comparative Totals for 2017)**

	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 8,507,681	\$ 6,718,904
Grants receivable	220,071	345,348
Promises to give, net	90,000	1,795,110
Land deposits	1,148,846	950,922
Collections	46,688	46,688
Prepaid expenses and other	213,740	257,449
Deferred compensation investments	681,739	630,713
Property and equipment, net	7,659,474	6,424,978
Cash designated for land acquisitions	1,749,320	1,758,269
Restricted land	112,457,121	94,373,438
	<b>\$ 132,774,680</b>	<b>\$ 113,301,819</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 376,217	\$ 485,122
Deferred revenue	117,809	152,115
Deferred rent	158,282	208,191
Deferred compensation payable	681,739	630,713
Fair value of interest rate swaps	3,294	34,432
Long-term debt	3,563,332	3,859,372
	<b>4,900,673</b>	<b>5,369,945</b>
Commitments and contingencies (Notes 4, 9 and 12)		
Net assets:		
Unrestricted	<b>9,087,062</b>	8,475,968
Temporarily restricted:		
Programs	6,329,824	5,082,468
Preserved battlefield land	112,457,121	94,373,438
	<b>118,786,945</b>	99,455,906
	<b>127,874,007</b>	107,931,874
	<b>\$ 132,774,680</b>	<b>\$ 113,301,819</b>

See notes to consolidated financial statements.

American Battlefield Trust and Affiliates

Consolidated Statement of Activities  
Year Ended March 31, 2018  
(With Comparative Totals for 2017)

	2018			2017 Total
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Contributions	\$ 6,313,975	\$ 4,329,330	\$ 10,643,305	\$ 12,495,885
Grants and awards	757,060	8,427,315	9,184,375	10,859,111
Member contributions	4,110,141	-	4,110,141	3,690,577
Donated land	-	14,031,500	14,031,500	3,841,039
Conference registration fees	193,471	-	193,471	196,554
Rental income	228,307	-	228,307	183,357
Other income	257,323	-	257,323	620,592
Interest income	22,451	-	22,451	28,001
Royalty income	65,841	-	65,841	73,273
Other contributions	10,100	-	10,100	42,525
Donated services	49,656	-	49,656	13,003
Net assets released from restriction	7,457,106	(7,457,106)	-	-
<b>Total support and revenue</b>	<b>19,465,431</b>	<b>19,331,039</b>	<b>38,796,470</b>	<b>32,043,917</b>
Expenses:				
Program services:				
Preservation	9,994,100	-	9,994,100	9,657,629
Membership	3,659,125	-	3,659,125	3,698,059
Education	2,268,881	-	2,268,881	2,105,973
<b>Total program services</b>	<b>15,922,106</b>	<b>-</b>	<b>15,922,106</b>	<b>15,461,661</b>
Support services:				
Management and general	805,548	-	805,548	736,634
Fundraising	2,154,691	-	2,154,691	1,906,227
<b>Total support services</b>	<b>2,960,239</b>	<b>-</b>	<b>2,960,239</b>	<b>2,642,861</b>
<b>Total expenses</b>	<b>18,882,345</b>	<b>-</b>	<b>18,882,345</b>	<b>18,104,522</b>
<b>Change in net assets before other activities</b>	<b>583,086</b>	<b>19,331,039</b>	<b>19,914,125</b>	<b>13,939,395</b>
Other activities:				
Unrealized gain on fair value of interest rate swaps	31,138	-	31,138	51,703
Loss on disposal of property and equipment	(3,130)	-	(3,130)	(13,910)
<b>Change in net assets</b>	<b>611,094</b>	<b>19,331,039</b>	<b>19,942,133</b>	<b>13,977,188</b>
Net assets:				
Beginning	8,475,968	99,455,906	107,931,874	93,954,686
Ending	<b>\$ 9,087,062</b>	<b>\$ 118,786,945</b>	<b>\$ 127,874,007</b>	<b>\$ 107,931,874</b>

See notes to consolidated financial statements.

**American Battlefield Trust and Affiliates**

**Consolidated Statement of Functional Expenses  
Year Ended March 31, 2018  
(With Comparative Totals for 2017)**

	2018						2017
	Preservation	Membership	Education	Management and General	Fundraising	Total	Total
Payroll and benefits	\$ 1,409,850	\$ 692,920	\$ 919,669	\$ 616,412	\$ 890,955	\$ 4,529,806	\$ 4,273,283
Donated land	3,644,566	-	-	-	-	3,644,566	4,675,275
Grants	1,869,345	-	-	-	-	1,869,345	502,326
Postage, printing and production	32,901	1,047,240	29,373	10,161	734,261	1,853,936	2,004,199
Professional fees	647,788	157,670	784,610	22,660	128,116	1,740,844	1,335,001
Land maintenance	1,320,824	-	-	-	-	1,320,824	1,609,689
Membership fulfillment	430	1,118,531	85	367	159,047	1,278,460	1,247,349
Rent	215,806	84,876	120,686	34,247	108,154	563,769	554,691
Office	170,816	113,022	54,656	43,196	60,316	442,006	413,441
Depreciation and amortization	325,172	24,159	19,788	9,730	14,430	393,279	284,756
Meetings	17,788	257,300	11,388	19,185	6,206	311,867	278,295
Travel and entertainment	147,250	47,764	31,075	15,054	26,489	267,632	213,835
Utilities	64,861	44,428	78,046	18,690	22,523	228,548	242,402
Educational programs	2,454	-	196,265	-	-	198,719	235,416
Interest	101,537	640	-	-	-	102,177	108,359
Advertising	20,283	34,488	22,539	-	1,165	78,475	100,628
Other	2,329	35,687	701	15,846	3,029	57,592	25,577
Contributions	100	400	-	-	-	500	-
<b>Total expenses</b>	<b>\$ 9,994,100</b>	<b>\$ 3,659,125</b>	<b>\$ 2,268,881</b>	<b>\$ 805,548</b>	<b>\$ 2,154,691</b>	<b>\$ 18,882,345</b>	<b>\$ 18,104,522</b>

See notes to consolidated financial statements.

**American Battlefield Trust and Affiliates**

**Consolidated Statement of Cash Flows  
Year Ended March 31, 2018  
(With Comparative Totals for 2017)**

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 19,942,133	\$ 13,977,188
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Deferred rent	(49,909)	(31,555)
Depreciation	389,319	280,796
Amortization of debt issuance costs	3,960	3,960
Donated land to Trust	(14,031,500)	(3,841,039)
Donated land from Trust	3,644,566	4,675,275
Donated collections from Trust	-	33,658
Loss on disposal of property and equipment	3,130	13,910
Unrealized gain on fair value of interest rate swaps	(31,138)	(51,703)
Decrease in discount in promises to give	(8,250)	(8,250)
Changes in assets and liabilities:		
Decrease (increase) in:		
Grants receivable	125,277	258,685
Promises to give	1,713,360	(136,694)
Prepaid expenses and other	43,709	19,809
Increase (decrease) in:		
Accounts payable and accrued expenses	(108,905)	63,426
Deferred revenue	(34,306)	(4,520)
Deferred compensation payable	61,000	61,000
<b>Net cash provided by operating activities</b>	<b>11,662,446</b>	<b>15,313,946</b>
Cash flows from investing activities:		
Acquisition of restricted land and easements	(9,352,167)	(16,217,140)
Purchases of property and equipment	(1,627,545)	(1,781,781)
Proceeds from sale of land and easements	1,655,418	1,473,247
Proceeds from sale of equipment	600	-
Land deposits, net	(197,924)	70,849
Purchase of deferred compensation investments	(61,000)	(61,000)
Additions to designated cash	(111,902)	(105,502)
Withdrawals from designated cash for land acquisitions	4,404,625	6,274,670
Repayments of designated cash	(4,283,774)	(3,805,410)
<b>Net cash used in investing activities</b>	<b>(9,573,669)</b>	<b>(14,152,067)</b>
Cash flows from financing activities:		
Principal payment on long-term debt	(300,000)	(300,000)
<b>Net cash used in financing activities</b>	<b>(300,000)</b>	<b>(300,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,788,777</b>	<b>861,879</b>
Cash and cash equivalents:		
Beginning	6,718,904	5,857,025
Ending	<u>\$ 8,507,681</u>	<u>\$ 6,718,904</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 102,177</u>	<u>\$ 108,359</u>

See notes to consolidated financial statements.



## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies

**Nature of activities:** American Battlefield Trust and Affiliates (collectively, the Trust) consists of three entities: American Battlefield Trust (ABT), Americans for Battlefield Preservation (AFBP) and Endangered Battlefield Defense Fund (EBDF). ABT, AFBP and EBDF are affiliated through control, common support, activities and/or certain members of the Board of Directors.

As of March 14, 2018, ABT legally changed its name from Civil War Trust to American Battlefield Trust, to more accurately reflect its mission to protect the battlefields of the Revolutionary War, War of 1812 and Civil War. ABT is an international nonprofit corporation chartered in Virginia.

**Programs and supporting activities:** The programs and supporting activities of ABT consist of the following:

**Preservation:** The Preservation program represents the personnel available to continue ABT's purpose of preserving American battlefield sites by purchasing sites or obtaining easements. The program also incurs the expenses of maintaining the sites, paying the real estate taxes and other related costs. The Preservation program of the Trust assists other governmental and nonprofit entities in preserving battlefield sites.

**Membership:** The Membership program of ABT consists of services provided to its members, which include but are not limited to personnel that maintain the list of members, preparation and mailing of membership fulfillment, and communication of events, activities and developments of the Trust. The membership consists of approximately 52,000 members throughout the world.

**Education:** The purpose is to educate the public and its members related to the events, history and battlefields of the Civil War that occurred in the United States of America from the period 1861 to 1865. ABT provides this service so that future generations can study and reflect on the important events of the Civil War.

**Management and general:** The management and general function of ABT consists of expenses incurred in the administrative offices, travel expenses, finance and committees. The base used to allocate these expenditures is direct salaries, fringe benefits, overhead assessed and other direct costs.

**Fundraising:** The purpose is to promote ABT and raise support in the form of pledges, grants, contributions, activities and events to be used for operating, membership and preservation purposes. Expenses include costs for membership development.

AFBP is an international nonprofit corporation chartered in the District of Columbia in November 2005. It was established to advance, foster and promote Civil War battlefield preservation through education, advocacy and research for the benefit of the general public. AFBP seeks to raise awareness among the public of the need to preserve and protect Civil War battlefields, to educate the public on battlefield preservation, to maintain and increase the level of Civil War battlefield preservation through local grassroots networks of Civil War battlefield preservation activists, to assist in the interpretation of battlefield sites, to conduct and disseminate research and to train local preservation activists.

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

EBDF is a nonprofit corporation chartered in the state of Virginia in September 2009. It was established to assist ABT in the exercise and enforcement of ABT's legal rights and duties, including but not limited to the protection and preservation of all historic property owned by ABT. It also assists in the enforcement of easement rights granted to ABT or to any other charitable or historic entity, including the National Park Service, in its or their efforts to maintain and preserve historical properties related to the United States Civil War. It also assists in the enforcement of ABT's contractual rights and court decrees or judgments in favor of ABT or any other charitable, historic or public entity charged with the preservation of historical property related to the United States Civil War.

A summary of the Trust's significant accounting policies follows:

**Principles of consolidation:** The accompanying consolidated financial statements include all of the accounts of ABT, AFBP and EBDF. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

**Basis of accounting:** The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting, whereby unconditional support is recognized when received, revenue is recognized when earned and expenses are recognized when incurred.

**Basis of presentation:** The consolidated financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) regarding financial statements of nonprofit organizations. Under these requirements, the Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**Unrestricted net assets:** Are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

**Temporarily restricted net assets:** Result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Trust pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. Preserved battlefield land is temporarily restricted until transferred to another party for permanent preservation.

**Permanently restricted net assets:** Result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Trust's actions. The Trust held no permanently restricted net assets at March 31, 2018.

**Cash and cash equivalents:** The Trust considers all money market accounts and unrestricted short-term, highly liquid investments with an original maturity of three months or less at acquisition to be cash and cash equivalents.

**Financial risk:** The Trust maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. The Trust has not experienced any losses in such accounts. The Trust believes it is not exposed to any significant financial risk on cash.

**Grants receivable:** Grants receivable are comprised mainly of allowable costs in excess of amounts collected on federal grants. Such recoverable costs are billable when expenditures are incurred. The allowance for doubtful accounts is based on management's evaluation of the collectability of receivables. There was no allowance for doubtful accounts at March 31, 2018.

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Promises to give:** Unconditional promises to give are recognized as revenue or gains in the year acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded net of a present value discount, which is based on their estimated future cash flows. The Trust uses the allowance method to determine uncollectible contributions and promises to give receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no allowance as of March 31, 2018.

**Bond issuance costs:** Bond issuance costs are being amortized using the straight-line method over the term of the bond, which approximates the effective-interest method. Accumulated amortization as of March 31, 2018, was \$145,104. Unamortized bond issuance costs are reported as an offset to long-term debt.

**Land deposits:** Land deposits are escrow payments to sellers on land where the Trust has an agreement to purchase and a deposit is required to commit to the purchase. Land deposits also consist of payments for appraisals, surveys and environmental reports on land with an executed purchase agreement and on future uncommitted land purchases.

**Collections:** Collections of Civil War artifacts were obtained by the Trust along with land purchased. The Collections are recorded at the fair value of the artifacts at the time of the purchase. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic or historical value that is worth preserving perpetually. The Trust is holding the collections at the initially recorded fair value at purchase until the land that it was purchased with is donated to other organizations for permanent preservation maintenance.

**Investments:** Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value, unrealized gains and losses are reported in the consolidated statement of activities as components of investment income or as an adjustment to deferred compensation payable. Investments consisted of \$458,546 in fixed income mutual funds, \$157,220 in money market mutual funds and \$65,973 in cash at March 31, 2018.

**Property and equipment:** Property and equipment are stated at cost or, if donated, at the estimated fair value at the date of donation, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. The Trust capitalizes all property and equipment purchased with a cost of \$1,000 or more.

**Restricted land:** Restricted land consists of battlefields purchased for permanent preservation with government funds and contributions received by the Trust specifically designated for such purpose. The intent of the Trust is to maintain the battlefields until they are released to other entities through donation or sale for permanent maintenance as battlefield preserved land. Restricted land was comprised of \$76,713,113 of purchased land and \$35,744,008 of donated land and easements at March 31, 2018.

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Valuation of long-lived assets:** The Trust reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less cost to sell. The Trust had no impairments of long-lived assets during the year ended March 31, 2018.

**Interest rate swap agreements:** The fair value of the interest rate swap agreements is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counter parties.

**Grants and awards:** The Trust receives a substantial portion of its funding for land acquisitions under various federal and state grants and awards. Generally, the funding under the grants/awards is on a cost-reimbursement basis, because the Trust typically acquires the land prior to receiving the award. The grant/award agreements contain various requirements, including compliance with relevant Office of Management and Budget (OMB) Circulars, matching requirements, as well as reporting and audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Grant support is recognized when the conditions of the grant are substantially met. Any grant funds received in advance are recorded as refundable advances.

**Contributions:** Unconditional contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. However, if a temporarily restricted contribution's restriction is fulfilled in the same time year in which the contribution is received, the Trust reports the support as unrestricted. Contributions from the Board of Directors were \$1,923,782 during the year ended March 31, 2018.

**Member contributions:** Membership dues are accounted for as a contribution in the year received.

**Non-cash donations:** Donated securities, land and property and equipment are recorded as support at their estimated fair values at the date of donation. Such donations are reported as unrestricted support, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as temporarily restricted support. Restricted land donated to other organizations for permanent preservation maintenance are released from restriction at the fair value at the time of donation.

Absent explicit donor stipulations regarding how long those donated assets must be maintained, the Trust reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor, at which time temporarily restricted net assets are reclassified to unrestricted net assets. Donated securities are not held as investments but are sold as soon as practicable after donation.

**Royalty income:** Royalty revenue from publications published by the Trust is recognized as revenue when earned.

**Other revenue:** Conference registration fees are recognized as revenue when conferences are held. Accordingly, prepaid registration fees are recognized as deferred revenue.

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

**Functional allocation of expenses:** Certain costs have been allocated among the programs and supporting services. Allocation of costs by function is based principally on specific identification of costs to either programs, management and general, or fundraising.

**Advertising costs:** Advertising costs are charged to expense as incurred.

**Income tax status:** ABT and EBDF are generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. AFBP is generally exempt from federal income taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. In addition, ABT and EBDF qualify for the charitable contribution deductions and have been classified as organizations that are not private foundations. Contributions to AFBP are not deductible to donors. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. Neither ABT, AFBP nor EBDF had net unrelated business income for the year ended March 31, 2018.

Management evaluated ABT, AFBP and EBDF's tax positions and concluded that they have taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

**Use of estimates:** The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

**Prior year summarized information:** The consolidated financial statements include certain prior year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Trust's consolidated financial statements for the year ended March 31, 2017, from which the summarized information was derived.

**Recent accounting pronouncements:** In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance for contributions received and contributions made. The amendments in the ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for resource recipients in annual periods beginning after December 15, 2018. The Trust is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017. The Trust is currently evaluating the impact the adoption of this guidance will have on its consolidated financial statements.

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. The Trust currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will be recognized in the consolidated balance sheet in amounts that will be material.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in accounting principles generally accepted in the United States (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Trust has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

**Subsequent events:** The Trust evaluated subsequent events through August 2, 2018, which is the date the consolidated financial statements were available to be issued.

#### Note 2. Cash Designated for Land Acquisitions

The Trust has cash designated for land acquisitions (the Fund), established to provide a reliable source of funds to save Civil War battlefields. The objective of the Fund is to have a source of funds available to acquire targeted land, which will subsequently, to the greatest extent practical, be reimbursed by undesignated funds. Property to be purchased through the Fund must be significant battlefield land and subject to appropriate permanent historical and/or conservation restrictions.

The activity of the Fund consisted of the following during the year ended March 31, 2018:

Cash designated for land acquisition, beginning	\$ 1,758,269
Expenditures for acquisitions	(4,404,625)
Transfers from undesignated cash	4,283,774
Contributions	110,000
Interest income	1,902
Cash designated for land acquisition, ending	<u><u>\$ 1,749,320</u></u>

#### Note 3. Promises to Give

Unconditional promises to give at March 31, 2018, consist of promises due in less than one year totaling \$90,000.

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 4. Land Deposits

The Trust has made cash deposits to purchase land on the following properties at March 31, 2018:

Property	Acres	Committed Purchase Price	Deposit
Appomattox Court House	7.5	\$ 175,000	\$ 9,522
Brandy Station, VA	1.9	75,000	1,000
Brice's Crossroads, MS	36.3	138,000	11,650
Cedar Creek, VA	13.7	850,000	15,349
Cold Harbor, VA	29.0	635,000	6,681
Cold Harbor, VA	1.0	356,000	4,000
Cold Harbor, VA	3.0	256,000	4,933
Cold Harbor, VA	9.0	450,000	7,933
Cold Harbor, VA	40.6	700,000	5,000
Cold Harbor, VA	2.6	325,000	4,000
Corinth, MS	88.0	330,000	9,900
Deep Bottom II	93.9	650,000	24,523
Gettysburg, PA	11.0	3,500,000	54,500
Glendale	9.0	195,000	11,000
New Market Heights, VA	33.9	349,000	38,875
North Anna, VA	125.7	900,000	84,753
Rappahannock Station, VA	0.7	455,000	10,190
Reams Station, VA	9.4	325,000	46,060
Trevilian Station, VA	12.5	78,000	6,930
White Oak Rd., VA	12.3	41,000	5,974
Wyse Fork, NC	208.6	305,000	20,250
Camden, SC	278.0	10,000	26,913
Newtown, NY	68.4	195,000	13,430
Princeton, NJ	14.9	4,000,000	110,506
Saratoga, NY	19.8	69,900	10,450
Yorktown, VA	46.7	5,300,000	113,328
Yorktown, VA	2.8	270,000	21,815
		<u>\$ 20,932,900</u>	679,465
Cash deposits on uncommitted property			<u>469,381</u>
			<u>\$ 1,148,846</u>

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 5. Property and Equipment

Property and equipment and accumulated depreciation at March 31, 2018, and depreciation expense for the year ended March 31, 2018, are as follows:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Buildings and building improvements	15-40 years	\$ 7,974,294	\$ 975,576	\$ 6,998,718	\$ 277,239
Equipment	5-7 years	627,216	412,462	214,754	97,295
Leasehold improvements	15-39 years	582,053	136,051	446,002	14,785
		<u>\$ 9,183,563</u>	<u>\$ 1,524,089</u>	<u>\$ 7,659,474</u>	<u>\$ 389,319</u>

The buildings and related improvements are located on restricted land and rented for various purposes until disposed or sold.

#### Note 6. Long-Term Debt

Long-term debt as of March 31, 2018, consists of the following:

Principal amount	\$ 3,600,000
Less unamortized bond issuance costs	(36,668)
	<u>\$ 3,563,332</u>

**Bond payable:** In June 2007, the Trust obtained a \$6,000,000 loan through a bank as trustee from proceeds of a bond issuance (Series 2007) by the Economic Development Authority of Spotsylvania County, Virginia. The loan was obtained to help refinance the acquisition of a 205-acre parcel of battlefield in Fredericksburg, Virginia. In connection with the loan, the Trust entered into a corresponding letter of credit agreement for the issuance of an irrevocable letter of credit by the Trust's bank in an amount not to exceed \$6,080,000 (\$6 million plus 40 days interest at 12% per year).

In April 2010, the Trust entered into a bank qualified loan agreement with a bank to refinance the Series 2007 revenue bonds and to replace the outstanding letter of credit. The total remaining principal balance of \$5,400,000 was refinanced through Series 2010 revenue refunding bonds issued by the Economic Development Authority of Spotsylvania County, Virginia. The new bonds accrue interest at a variable interest rate calculated as 67% of the sum of the London Interbank Offered Rate (LIBOR) plus 200 basis points. The bond is due on April 1, 2027, and is collateralized by various battlefield land parcels held by ABT. On December 22, 2017, the President of the United States signed into law the Tax Cuts and Jobs Act tax reform legislation. The terms of the documents governing the Series 2010 revenue refunding bonds require that the interest rate to the financing be increased as a result of a decrease in the maximum federal corporate income tax rate. With the passage of the Tax Cuts and Jobs Act, the maximum federal corporate income tax rate decreased from 35% to 21%, resulting in an increase in the applicable interest rate by a factor of 1.215, effective January 1, 2018.

The bond's interest rate on March 31, 2018, was 2.98%. The Trust is required to maintain certain financial and non-financial covenants. The bonds shall mature and be subject to prior redemption or the terms and conditions set forth in the indenture agreement. The bonds were subject to mandatory tender for purchase by the owner on April 1, 2018. On April 30, 2015, the bond agreement was modified to move the mandatory tender date to April 1, 2020. On April 1, 2016, the bond agreement was further modified to amend certain financial and non-financial covenants.

Interest expense related to the bond payable was \$101,537 for the year ended March 31, 2018.



## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 6. Long-Term Debt (Continued)

Maturities of long-term debt at March 31, 2018, are due in future years as follows:

Years ending March 31:	
2019	\$ 300,000
2020	300,000
2021	3,000,000
	<u>\$ 3,600,000</u>

#### Note 7. Interest Rate Swaps

The Trust has an interest rate swap agreement to reduce the impact of changes in interest rates on its bond payable. At March 31, 2018, the Trust had an outstanding interest swap agreement with a commercial bank, with a notional principal amount of \$1,800,000. This agreement effectively changes the interest rate exposure on \$1,800,000 of its remaining outstanding \$3,600,000 of bonds at a variable rate of .67% of LIBOR to a fixed rate of 1.94%. The interest rate swap agreement matured on June 1, 2018. At March 31, 2018, the fair value of the interest rate swap was a liability of \$3,164.

During January 2015, the Trust entered into a new interest rate swap agreement to reduce the impact of changes in interest rates on its bond payable effective June 1, 2018. At March 31, 2018, the Trust had an outstanding interest swap agreement with a commercial bank, with a notional principal amount of \$1,650,000. This agreement effectively changes the interest rate exposure on \$1,650,000 of its remaining outstanding \$3,600,000 of bonds at a variable rate of .67% of LIBOR to a fixed rate of 1.60%. The interest rate swap agreement maturity is April 1, 2020. At March 31, 2018, the fair value of the interest rate swap was a liability of \$130.

For the year ended March 31, 2018, the Trust recognized a gain of \$31,138, as a result of these hedging agreements.

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

#### Note 8. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the year ended March 31, 2018, consist of the following:

	Balance March 31, 2017	Additions	Releases	Balance March 31, 2018
Campaign 1776	\$ 1,271,401	\$ 2,309,779	\$ -	\$ 3,581,180
Richmond Battlefields	2,294,800	100,000	(1,169,392)	1,225,408
5th NY Zouaves	500,000	-	-	500,000
HTR	396,878	400,000	(351,043)	445,835
Campaign 1776 – Other	80,000	257,200	(80,124)	257,076
Alabama – Civil War	-	100,000	-	100,000
Deep Bottom – Bowyer	-	100,000	-	100,000
Cold Harbor – Vie	-	98,500	-	98,500
Manassas, VA	-	11,000	-	11,000
Education Teachers Institute	5,600	5,000	(5,600)	5,000
Brandy Station	-	3,000	-	3,000
Miscellaneous Tracts	1,589	2,500	(1,264)	2,825
Gettysburg – Adams	179,768	-	(179,768)	-
Brice's Crossroads	87,500	-	(87,500)	-
Mississippi	84,500	-	(84,500)	-
Education	69,605	17,500	(87,105)	-
Cedar Creek	57,000	-	(57,000)	-
Appomattox	31,327	-	(31,327)	-
Shiloh	17,500	-	(17,500)	-
Parkers Crossroads	5,000	-	(5,000)	-
Programs – purpose restricted	5,082,468	3,404,479	(2,157,123)	6,329,824
Preserved Battlefield Land	94,373,438	23,383,666	(5,299,983)	112,457,121
	<u>\$ 99,455,906</u>	<u>\$ 26,788,145</u>	<u>\$ (7,457,106)</u>	<u>\$ 118,786,945</u>

#### Note 9. Operating Leases

The Trust had an agreement to lease office space for its headquarters in Washington, D.C. under a non-cancelable lease agreement, which was due to expire on March 31, 2020. The lease agreement provided for free rent during a portion of the initial year of the term and escalating payments. During June 2017, the Trust amended its existing lease agreement to extend the lease term for a term due to expire on March 31, 2025. In addition, the Trust received a tenant renovation allowance of \$245,950, which was fully unused at March 31, 2018.

Rent expense is being recognized on a straight-line basis over the term of the lease.

In addition to the headquarters lease, the Trust also leases office space in Hagerstown, Maryland under a non-cancelable lease agreement, expiring on July 31, 2021. The lease has escalating payments with rent expense recognized on a straight-line basis over the term of the lease.

The difference between the expense and the cash payments for both leases of \$158,282 through March 31, 2018, is reported as deferred rent in the accompanying consolidated financial statements.

Rent expense for all office space was \$563,769 for the year ended March 31, 2018.

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 9. Operating Leases (Continued)

Future minimum lease payments required under all non-cancelable office leases at March 31, 2018, are as follows:

Years ending March 31:	
2019	\$ 521,381
2020	534,687
2021	548,331
2022	522,547
2023	515,817
Thereafter	1,070,643
	<u>\$ 3,713,406</u>

#### Note 10. Grant Expense

The Trust supports other organizations with the same purpose as that of the Trust. Grants are recognized when made unconditionally to the grantee and notification has taken place. Grants awarded for the year ended March 31, 2018, totaled \$1,869,345.

#### Note 11. Retirement Plan

The Trust sponsors a defined contribution retirement plan covering all employees meeting certain eligibility requirements under Internal Revenue Code Section 403(b). The Trust's annual discretionary contribution to the plan for the year ended March 31, 2018, was \$155,071.

#### Note 12. Commitments and Contingencies

**Employment agreement:** The Trust has entered into an employment contract with an officer of the Trust, which, after renewal, expires on January 31, 2019. Subsequent to year-end, this agreement was amended and extended through December 31, 2020. The contract provides for severance payments for involuntary termination equal to a minimum of one year's salary and existing benefits, based upon the employee's salary at the date of the termination or at the end of the contract. Under the contract, the Trust is obligated to contribute \$43,500 annually to a deferred compensation plan for the officer. A second deferred compensation plan was established during 2011 for the same officer, where the Trust shall credit the maximum allowable amount per law and shall become fully vested immediately. The deferred compensation plan balances are recorded as deferred compensation investments and a corresponding payable on the consolidated balance sheet.

**Federal awards:** The Trust participates in a number of federally assisted grant programs, which are subject to financial and compliance audits by federal agencies or their representatives. As such, there exists a contingent liability for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 13. Fair Value Measurements

The Trust follows FASB authoritative guidance regarding accounting for fair value measurements. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the guidance as assumptions that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the guidance are described below:

- Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include mutual funds.
- Level 2:** Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds, government obligations and over-the-counter derivatives. A significant adjustment to a Level 2 input could result in a reclassification to a Level 3 measurement.
- Level 3:** Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risk associated with investing in those investments. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Trust's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The following section describes the valuation techniques used by the Trust:

- Investments in mutual funds traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts is based upon exchange settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.
- The deferred compensation liability is based on the fair market value of the deferred compensation plan assets that are observable inputs, but the liability is not publicly traded, and is therefore considered a Level 2 item.
- The Trust's interest rate swap is observable at commonly quoted intervals for the full term of the swap and, therefore, is considered a Level 2 item. For the interest rate swaps in an asset position, the credit standing of the counter party is analyzed and factored into the fair value measurement of the asset. The fair value measurement of a liability must reflect the nonperformance risk of the entity. Therefore, the impact of the Trust's credit worthiness has also been factored into the fair value measurement for the interest rate swap in a liability position.

## American Battlefield Trust and Affiliates

### Notes to Consolidated Financial Statements

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#### Note 13. Fair Value Measurements (Continued)

The following table presents the Trust's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2018:

	Total	Level 1	Level 2	Level 3
Assets:				
Deferred compensation investments:				
Fixed income mutual fund:				
Intermediate term-bond	\$ 458,546	\$ 458,546	\$ -	\$ -
Money market funds	157,220	157,220	-	-
	<u>\$ 615,766</u>	<u>\$ 615,766</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Deferred compensation liability	\$ 615,766	\$ -	\$ 615,766	\$ -
Interest rate swaps liability	3,294	-	3,294	-
	<u>\$ 619,060</u>	<u>\$ -</u>	<u>\$ 619,060</u>	<u>\$ -</u>

Cash funds and the associated liability totaling \$65,973 at March 31, 2018, are not included in the above table because they are recorded at cost.