

American Battlefield Trust and Affiliates

Consolidated Financial Report
March 31, 2019

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated balance sheet	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to consolidated financial statements	7-20



RSM US LLP

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, 2019, 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, the 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, 2019, 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.

Emphasis of Matter

As disclosed in Note 1 to the consolidated financial statements, the Trust retroactively adopted the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional footnote disclosures. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

RSM US LLP

Gaithersburg, Maryland

June 27, 2019

American Battlefield Trust and Affiliates

Consolidated Balance Sheet

March 31, 2019

(With Comparative Totals for 2018)

	2019	2018
Assets		
Cash and cash equivalents	\$ 3,882,542	\$ 8,507,681
Grants receivable	226,487	220,071
Accounts receivable	13,765	-
Promises to give, net	-	90,000
Land deposits	860,840	1,148,846
Collections	103,152	46,688
Prepaid expenses and other	172,649	213,740
Deferred compensation investments	779,218	681,739
Property and equipment, net	10,084,998	7,659,474
Cash designated for land acquisitions	2,457,957	1,749,320
Restricted land	128,643,640	112,457,121
	<u>\$ 147,225,248</u>	<u>\$ 132,774,680</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 987,210	\$ 376,217
Deferred revenue	126,250	117,809
Refundable advance	300,459	-
Deferred rent	413,214	158,282
Deferred compensation payable	779,218	681,739
Fair value of interest rate swaps	39	3,294
Long-term debt, net	5,288,372	3,563,332
	<u>7,894,762</u>	<u>4,900,673</u>
Commitments and contingencies (Notes 4, 9 and 12)		
Net assets:		
Without donor restrictions	<u>8,810,370</u>	<u>9,087,062</u>
With donor restrictions:		
Programs	1,727,157	6,329,824
Time	149,319	-
Preserved battlefield land	128,643,640	112,457,121
	<u>130,520,116</u>	<u>118,786,945</u>
	<u>139,330,486</u>	<u>127,874,007</u>
	<u>\$ 147,225,248</u>	<u>\$ 132,774,680</u>

See notes to consolidated financial statements.

American Battlefield Trust and Affiliates

**Consolidated Statement of Activities
Year Ended March 31, 2019
(With Comparative Totals for 2018)**

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue:				
Contributions	\$ 8,526	\$ 10,712,523	\$ 10,721,049	\$ 10,653,405
Grants and awards	2,763,409	13,013,123	15,776,532	9,184,375
Member contributions	3,582,684	-	3,582,684	4,110,141
Donated land	-	3,418,500	3,418,500	14,031,500
Conference registration fees	159,854	-	159,854	193,471
Rental income	304,503	-	304,503	228,307
Other (loss) income	(22,327)	-	(22,327)	257,323
Interest income	24,678	-	24,678	22,451
Royalty income	44,342	-	44,342	65,841
Donated services	36,396	-	36,396	49,656
Net assets released from restriction	15,410,975	(15,410,975)	-	-
Total support and revenue	22,313,040	11,733,171	34,046,211	38,796,470
Expenses:				
Program services:				
Preservation	13,589,795	-	13,589,795	9,994,100
Membership	3,230,098	-	3,230,098	3,659,125
Education	2,293,101	-	2,293,101	2,268,881
Total program services	19,112,994	-	19,112,994	15,922,106
Support services:				
Management and general	908,378	-	908,378	805,548
Fundraising	2,570,839	-	2,570,839	2,154,691
Total support services	3,479,217	-	3,479,217	2,960,239
Total expenses	22,592,211	-	22,592,211	18,882,345
Change in net assets before other activities	(279,171)	11,733,171	11,454,000	19,914,125
Other activities:				
Unrealized gain on fair value of interest rate swaps	3,256	-	3,256	31,138
Loss on disposal of property and equipment	(777)	-	(777)	(3,130)
Change in net assets	(276,692)	11,733,171	11,456,479	19,942,133
Net assets:				
Beginning	9,087,062	118,786,945	127,874,007	107,931,874
Ending	\$ 8,810,370	\$ 130,520,116	\$ 139,330,486	\$ 127,874,007

See notes to consolidated financial statements.

American Battlefield Trust and Affiliates

**Consolidated Statement of Functional Expenses
Year Ended March 31, 2019
(With Comparative Totals for 2018)**

	2019						2018
	Preservation	Membership	Education	Management and General	Fundraising	Total	Total
Donated land to other entities	\$ 8,533,589	\$ -	\$ -	\$ -	\$ -	\$ 8,533,589	\$ 3,644,566
Payroll and benefits	1,495,900	737,466	944,452	654,489	897,740	4,730,047	4,529,806
Professional fees	788,364	174,326	779,460	27,618	109,417	1,879,185	1,740,844
Postage, printing and production	30,891	774,121	19,563	19,321	909,462	1,753,358	1,853,936
Land maintenance	1,356,590	-	-	-	-	1,356,590	1,320,824
Membership fulfillment	3,789	722,440	2,490	17,162	356,195	1,102,076	1,278,460
Rent	213,714	80,719	122,283	33,434	102,056	552,206	563,769
Office	166,346	95,914	59,157	76,782	77,071	475,270	442,006
Depreciation	381,816	21,847	32,770	10,923	10,923	458,279	389,319
Meetings	18,478	303,030	10,754	22,644	19,078	373,984	311,867
Travel and entertainment	122,826	62,449	52,406	31,326	36,478	305,485	267,632
Grants	276,523	-	-	-	-	276,523	1,869,345
Educational programs	3,336	23,517	193,888	-	-	220,741	198,719
Interest	143,288	640	-	-	-	143,928	106,137
Utilities	26,391	33,804	21,766	3,757	31,785	117,503	228,548
Advertising	22,154	20,446	51,989	137	20,446	115,172	78,475
Other	5,600	136,892	1,773	10,685	68	155,018	57,592
Bad debt	-	42,487	-	-	-	42,487	-
Contributions	200	-	350	100	120	770	500
Total expenses	\$ 13,589,795	\$ 3,230,098	\$ 2,293,101	\$ 908,378	\$ 2,570,839	\$ 22,592,211	\$ 18,882,345

See notes to consolidated financial statements.

American Battlefield Trust and Affiliates

Consolidated Statement of Cash Flows

Year Ended March 31, 2019

(With Comparative Totals for 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 11,456,479	\$ 19,942,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Deferred rent	254,932	(49,909)
Depreciation	458,279	389,319
Amortization of debt issuance costs	3,960	3,960
Donated land to Trust	(3,418,500)	(14,031,500)
Donated land from Trust	8,545,440	3,644,566
Contributions from implied interest discount, net	(149,320)	-
Loss on disposal of property and equipment	777	3,130
Unrealized gain on fair value of interest rate swaps	(3,255)	(31,138)
Decrease in discount in promises to give	-	(8,250)
Bad debt provision	42,487	-
Donated collections from Trust	43,722	-
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(6,416)	125,277
Accounts receivable	(13,765)	-
Promises to give	47,513	1,713,360
Collections	(100,186)	-
Prepaid expenses and other	41,091	43,709
Increase (decrease) in:		
Accounts payable and accrued expenses	610,993	(108,905)
Deferred revenue	8,441	(34,306)
Refundable advance	300,459	-
Deferred compensation payable	43,500	61,000
Net cash provided by operating activities	18,166,631	11,662,446
Cash flows from investing activities:		
Acquisition of restricted land and easements	(19,836,718)	(9,352,167)
Purchases of property and equipment	(3,149,241)	(1,627,545)
Proceeds from sale of land, easements and buildings	993,920	1,655,418
Proceeds from sale of equipment	-	600
Land deposits, net	288,006	(197,924)
Purchase of deferred compensation investments	(43,500)	(61,000)
Additions to designated cash	(783,099)	(111,902)
Withdrawals from designated cash for land acquisitions	2,351,573	4,404,625
Repayments of designated cash	(2,277,111)	(4,283,774)
Net cash used in investing activities	(22,456,170)	(9,573,669)
Cash flows from financing activities:		
Principal payment on long-term debt	(335,600)	(300,000)
Net cash used in financing activities	(335,600)	(300,000)
Net (decrease) increase in cash and cash equivalents	(4,625,139)	1,788,777
Cash and cash equivalents:		
Beginning	8,507,681	6,718,904
Ending	<u>\$ 3,882,542</u>	<u>\$ 8,507,681</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 121,151</u>	<u>\$ 102,177</u>
Supplemental schedule of noncash investing and financing activities:		
Acquisition of restricted land and easements through seller financed notes payable	<u>\$ 2,206,000</u>	<u>\$ -</u>

See notes to consolidated financial statements.

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

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 48,000 members throughout the world.

Education: The purpose is to educate the public and its members related to the events, history and battlefields of the American Revolution, the War of 1812, and the American Civil War. ABT provides this service so that future generations can study and reflect on the important events of these wars.

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

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 American Revolutionary War, the War of 1812, and the American 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 two classes of net assets: with and without donor restrictions.

Net assets without donor restrictions: Are the net assets that are not restricted by donor-imposed stipulations.

Net assets with donor restrictions: 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 restricted for various purposes, such as use in future periods or use for specified purposes. Preserved battlefield land is restricted until transferred to another party for permanent preservation. Net assets with donor restrictions also 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.

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, 2019.

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

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, 2019.

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, 2019, was \$149,064. 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 \$464,575 in fixed income mutual funds, \$215,468 in money market mutual funds and \$99,175 in cash at March 31, 2019.

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 \$92,237,632 of purchased land and \$36,406,008 of donated land and easements at March 31, 2019.

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

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, 2019.

Deferred rent: The Trust's leases office space, which includes escalations of the base rent. Rent expense is recorded on a straight-line basis over the entire lease term. The deferred rent liability recorded in the accompanying consolidated balance sheet represents the cumulative difference between the monthly rent expense and the rent paid. The Trust's office leases provide for certain incentives in the form of a landlord improvement allowance provided for leasehold improvements. This benefit is also recognized in deferred rent and is being amortized on a straight-line basis over the life of the lease.

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

Notes payable: The Trust has certain notes payable for financing purchases of battlefield land from sellers of such land. The Trust records a discount and contribution revenue when the note interest rates are considered below-market and amortizes the discount to interest expense over the term of the related notes.

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 net assets with restrictions or net assets without restrictions, depending on the existence and/or nature of any donor restrictions. However, if a donor-restricted contribution is fulfilled in the same year in which the contribution is received, the Trust reports the support as net assets without donor restrictions. Contributions from the Board of Directors were \$2,871,001 during the year ended March 31, 2019.

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

Noncash 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 net assets without donor restrictions, unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as net assets with restrictions. Restricted land donated to other organizations for permanent preservation maintenance are released from restriction at the time of donation.

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

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

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 net assets with donor restrictions are reclassified to net assets without restrictions. 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.

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. The allocation of overhead costs are allocated based on personnel time.

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, 2019.

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, 2018, from which the summarized information was derived.

Reclassifications: Certain items in the 2018 information have been reclassified to conform with the current year presentation. Those reclassifications had no effect on previously reported change in net assets or net assets.

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

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

Adopted accounting pronouncement: In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are intended to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendment set forth the FASB's improvements to net asset classification requirements and the information presented in financial statements and notes about a not-for-profit's liquidity, financial performance and cash flows. The ASU was retroactively adopted by the Trust in 2018.

Recent accounting pronouncements: In June 2018, the FASB issued 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 November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective for the Trust beginning on January 1, 2019. ASU 2016-18 must be applied using a retrospective transition method. The Trust is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

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 June 27, 2019, which is the date the consolidated financial statements were available to be issued.

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

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 battlefields of the American Revolutionary War, the War of 1812, and the American Civil War. 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, 2019:

Cash designated for land acquisition, beginning	\$ 1,749,320
Expenditures for acquisitions	(2,351,573)
Transfers from undesignated cash	2,277,111
Contributions	775,758
Interest income	7,341
Cash designated for land acquisition, ending	<u>\$ 2,457,957</u>

Note 3. Liquidity and Availability of Financial Assets

The Trust regularly monitors liquidity to meet its annual operating needs and other contractual commitments. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 3,882,542
Grants receivable	226,487
Accounts receivable	13,765
Land deposits	860,840
Deferred compensation investments	779,218
Cash designated for land acquisitions	2,457,957
Total financial assets available	<u>8,220,809</u>

Less those available for general expenditure within one year due to:

Contractual or imposed restrictions:	
Land deposits	(860,840)
Deferred compensation investments	(779,218)
Cash designated for land acquisitions	(2,457,957)
Net assets with donor restrictions	<u>(1,727,157)</u>
	<u>(5,825,172)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,395,637</u>

The Trust has various sources of liquidity at its disposal, including cash and cash equivalents. The Trust assesses its operating budget and cash flow projections monthly to monitor the availability of resources to support operations.

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

Note 4. Land Deposits

The Trust has made cash deposits to purchase land on the following properties at March 31, 2019:

Property	Acres	Committed Purchase Price	Deposit
Averasboro, NC	30.2	\$ 150,900	\$ 6,190
Averasboro, NC	18.6	93,000	5,815
Bentonville, NC	2.8	73,500	1,900
Champion Hill, MS	58.0	200,000	9,959
Champion Hill, MS	20.9	25,000	4,200
Cold Harbor, VA	55.6	1,000,000	67,163
Cold Harbor, VA	5.5	327,000	16,018
Corinth, MS	88.0	330,000	18,400
Fort Blakely, AL	59.0	561,400	27,450
Jackson, TN	120.0	675,000	7,500
Perryville, KY	128.5	995,000	22,075
Petersburg, VA	2.7	185,000	32,570
Reams Station, VA	9.4	325,000	51,061
Reams Station, VA	101.0	425,000	18,115
Shiloh, TN	53.0	119,500	1,000
White Oak Rd., VA	12.3	41,000	5,974
Wyse Fork, NC	205.6	75,000	23,350
Newtown, NY	68.4	195,000	43,430
		<u>\$ 5,796,300</u>	362,170
Cash deposits on uncommitted property			498,670
			<u>\$ 860,840</u>

Note 5. Property and Equipment

Property and equipment and accumulated depreciation at March 31, 2019, and depreciation expense for the year ended March 31, 2019, are as follows:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Buildings and building improvements	15-40 years	\$ 10,415,551	\$ 1,254,322	\$ 9,161,229	\$ 333,626
Equipment	5-7 years	724,867	515,772	209,095	109,232
Leasehold improvements	7-39 years	865,973	151,299	714,674	15,421
		<u>\$ 12,006,391</u>	<u>\$ 1,921,393</u>	<u>\$ 10,084,998</u>	<u>\$ 458,279</u>

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

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt

Long-term debt as of March 31, 2019, consists of the following:

Principal amount	\$ 5,470,400
Less amounts representing implied interest discount	(149,320)
Less unamortized bond issuance costs	(32,708)
	<u>\$ 5,288,372</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 outstanding principal balance at March 31, 2019 is \$3,300,000. The bond's interest rate on March 31, 2019, was 3.66%. 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.

Subsequent to year-end, on April 10, 2019, the bond agreement was further modified to remove the mandatory tender for purchase by the owner on April 1, 2020 or April 7, 2025. The maturity date of the bond is April 1, 2027.

Notes payable: During the year ended March 31, 2019, the Trust entered into three seller notes payable arrangements for purposes of acquiring battlefields for preservation. Each note is secured by a deed of trust, with a stated interest rate of 0% with an implied rate of 3.66%. Maturity dates range from April 2019 to November 2028. The principal due on these notes total \$2,170,400 less implied interest of \$149,320.

Interest expense, including amortization of debt issuance costs of \$3,960, related to the bond and notes payable was \$143,928 for the year ended March 31, 2019.

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt (Continued)

Maturities of long-term debt at March 31, 2019, are due in future years as follows:

Years ending March 31:	
2020	\$ 1,185,600
2021	835,600
2022	835,600
2023	335,600
2024	335,600
Thereafter	1,942,400
	<u>\$ 5,470,400</u>

Note 7. Interest Rate Swaps

The Trust had an interest rate swap agreement to reduce the impact of changes in interest rates on its bond payable. This agreement effectively changed 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.

The Trust has an interest rate swap agreement to reduce the impact of changes in interest rates on its bond payable effective June 1, 2018. At March 31, 2019, 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 \$3,300,000 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, 2019, the fair value of the interest rate swap was a liability of \$39.

For the year ended March 31, 2019, the Trust recognized a gain of \$3,256, as a result of these hedging agreements.

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

Note 8. Net Assets With Donor Restrictions

Changes in net assets with donor restrictions during the year ended March 31, 2019, consist of the following:

	Balance March 31, 2018	Additions	Releases	Balance March 31, 2019
5th NY Zouaves	\$ 500,000	\$ -	\$ -	\$ 500,000
Slaughter Pen Farm – Fredericksburg	-	310,000	-	310,000
Brandy Station	3,000	303,170	(3,000)	303,170
Alabama – Civil War	100,000	25,000	-	125,000
Brice's Crossroads	-	100,000	-	100,000
Cold Harbor - Richmond	-	175,000	(102,317)	72,683
1862 Battlefields	-	107,700	(38,909)	68,791
Richmond Battlefields	1,225,408	222,000	(1,397,408)	50,000
Champion Hill	-	41,067	-	41,067
HTR	445,835	-	(411,534)	34,301
Bentonville, AR	-	29,750	-	29,750
Campaign 1776 – Other	257,076	-	(232,076)	25,000
Hanging Rock	-	15,651	-	15,651
Richmond	-	12,000	-	12,000
Camp Nelson	-	76,455	(65,170)	11,285
Manassas, VA	11,000	-	-	11,000
Fort Ticonderoga – New York	-	10,000	-	10,000
Franklin	-	4,500	-	4,500
Miscellaneous Tracts	2,825	2,500	(2,500)	2,825
Education Teachers Institute	5,000	80,000	(84,866)	134
Campaign 1776	3,581,180	-	(3,581,180)	-
Deep Bottom – Bowyer	100,000	-	(100,000)	-
Cold Harbor – Vie	98,500	-	(98,500)	-
Programs – purpose restricted	6,329,824	1,514,793	(6,117,460)	1,727,157
Time restricted	-	168,136	(18,817)	149,319
Preserved Battlefield Land	112,457,121	25,461,217	(9,274,698)	128,643,640
	<u>\$ 118,786,945</u>	<u>\$ 27,144,146</u>	<u>\$ (15,410,975)</u>	<u>\$ 130,520,116</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 used at March 31, 2019. The lease incentive is reported as deferred rent in the accompanying consolidated financial statements.

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.

American Battlefield Trust and Affiliates

Notes to Consolidated Financial Statements

Note 9. Operating Leases (Continued)

The difference between the expense and the cash payments for both leases of \$167,264 through March 31, 2019, is reported as deferred rent in the accompanying consolidated financial statements.

Rent expense for all office space was \$552,206 for the year ended March 31, 2019.

Future minimum lease payments required under all non-cancelable office leases at March 31, 2019, are as follows:

Years ending March 31:	
2020	\$ 534,687
2021	548,331
2022	522,547
2023	515,817
2024	528,713
Thereafter	541,931
	<u>\$ 3,192,026</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, 2019, totaled \$276,523.

Note 11. Retirement Plans

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, 2019, was \$166,434.

The Trust also has established two 457(b) deferred compensation plans (457(b) plans) with an officer of the Trust (see Note 12). Contributions to the 457(b) plans for the year ended March 31, 2019, were \$43,500. The deferred compensation plans balances are recorded as deferred compensation investments and a corresponding payable on the consolidated balance sheet.

Note 12. Commitments and Contingencies

Employment agreement: The Trust has entered into an employment contract with an officer of the Trust that expires 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 (Note 11).

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

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

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, 2019:

	Total	Level 1	Level 2	Level 3
Assets:				
Deferred compensation investments:				
Fixed income mutual fund:				
Intermediate term-bond	\$ 464,575	\$ 464,575	\$ -	\$ -
Money market funds	215,468	215,468	-	-
	<u>\$ 680,043</u>	<u>\$ 680,043</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Deferred compensation liability	\$ 680,043	\$ -	\$ 680,043	\$ -
Interest rate swaps liability	39	-	39	-
	<u>\$ 680,082</u>	<u>\$ -</u>	<u>\$ 680,082</u>	<u>\$ -</u>

Cash funds and the associated liability totaling \$99,175 at March 31, 2019, are not included in the above table because they are recorded at cost.