

Civil War Preservation Trust And Affiliates

Consolidated Financial Report
December 31, 2011

Contents

Independent Auditor's Report	1
Financial Statements	
Consolidated Balance Sheet	2
Consolidated Statement Of Activities	3
Consolidated Statement Of Functional Expenses	4
Consolidated Statement Of Cash Flows	5
Notes To Consolidated Financial Statements	6 – 16



Independent Auditor's Report

To the Board of Trustees
Civil War Preservation Trust
Hagerstown, Maryland

We have audited the accompanying consolidated balance sheet of Civil War Preservation Trust and Affiliates (the Trust) as of December 31, 2011, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2010 financial statements of the Trust and in our report, dated March 6, 2011, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Civil War Preservation Trust and Affiliates as of December 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report, dated March 16, 2012, 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 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 internal controls over financial reporting or compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
March 16, 2012

Civil War Preservation Trust And Affiliates

Consolidated Balance Sheet

December 31, 2011

(With Comparative Totals For 2010)

Assets	2011	2010
Cash And Cash Equivalents		
Undesignated cash	\$ 7,003,017	\$ 6,752,398
Cash restricted for land acquisitions	2,469,170	2,865,083
Grant Receivable	185,575	219,848
Promises To Give	26,226	-
Land Deposits	259,295	158,058
Prepaid Expenses And Other	166,111	162,223
Deferred Compensation Investments	237,700	175,240
Unamortized Bond Issuance Costs, Net	61,418	65,378
Property And Equipment, Net	3,335,930	2,111,419
Restricted Land	63,761,496	62,636,220
	\$ 77,505,938	\$ 75,145,867

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 427,202	\$ 254,367
Deferred revenue	56,015	55,755
Deferred rent	190,481	180,464
Deferred compensation payable	237,700	175,240
Fair value of interest rate swap	148,195	106,476
Line of credit	391,000	-
Long-term debt	6,425,000	7,600,000
	7,875,593	8,372,302

Commitments And Contingencies (Note 5 And 12)

Net Assets

Unrestricted	3,172,665	1,824,998
Temporarily restricted		
Programs	2,696,184	2,312,347
Preserved battlefield land	63,761,496	62,636,220
	66,457,680	64,948,567
	69,630,345	66,773,565
	\$ 77,505,938	\$ 75,145,867

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliates

Consolidated Statement Of Activities Year Ended December 31, 2011 (With Comparative Totals For 2010)

	2011			2010
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Grants	\$ 360,007	\$ 2,182,445	\$ 2,542,452	\$ 8,279,854
Contributions	5,375,440	4,480,238	9,855,678	7,501,093
Member contributions	2,831,700	-	2,831,700	2,913,665
Donated land	-	1,168,000	1,168,000	3,658,000
Non-campaign contributions	165,970	-	165,970	30,000
Rental income	106,019	-	106,019	134,222
Conference registration fees	181,084	-	181,084	133,977
Donated services	4,543	-	4,543	96,475
Other income	64,358	-	64,358	65,454
Interest income	19,196	-	19,196	18,608
Net assets released from restriction	6,321,570	(6,321,570)	-	-
Total support and revenue	15,429,887	1,509,113	16,939,000	22,831,348
Expenses:				
Programs	12,094,020	-	12,094,020	8,401,541
Management and general	459,881	-	459,881	374,518
Fundraising	1,486,600	-	1,486,600	1,008,417
Total expenses	14,040,501	-	14,040,501	9,784,476
Change in net assets before non-operating activities	1,389,386	1,509,113	2,898,499	13,046,872
Non-operating activities:				
Unrealized loss on fair value of interest rate swap	(41,719)	-	(41,719)	(21,755)
Change in net assets	1,347,667	1,509,113	2,856,780	13,025,117
Net assets:				
Beginning	1,824,998	64,948,567	66,773,565	53,748,448
Ending	<u>\$ 3,172,665</u>	<u>\$ 66,457,680</u>	<u>\$ 69,630,345</u>	<u>\$ 66,773,565</u>

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliates

Consolidated Statement Of Functional Expenses
Year Ended December 31, 2011
(With Comparative Totals For 2010)

	2011				2010
	Programs	Management And General	Fundraising	Total	Total
Donated land	\$ 3,859,095	\$ -	\$ -	\$ 3,859,095	\$ 1,206,341
Payroll and benefits	2,054,985	300,034	501,976	2,856,995	2,629,516
Postage, printing, and production	1,092,381	14,086	509,320	1,615,787	1,854,299
Professional fees	1,057,068	25,279	193,206	1,275,553	613,520
Grants	1,157,087	-	-	1,157,087	474,208
Membership fulfillment	796,146	-	122,649	918,795	964,318
Land maintenance	450,457	-	-	450,457	333,585
Rent	306,266	57,819	64,245	428,330	397,799
Office	211,547	24,883	43,123	279,553	252,336
Interest	219,144	6,480	-	225,624	192,636
Meetings	205,419	4,591	8,545	218,555	178,078
Utilities	128,911	13,598	29,870	172,379	174,537
Depreciation and amortization	139,898	5,263	5,263	150,424	230,787
Educational programs	138,792	-	-	138,792	86,989
Travel and entertainment	92,880	4,704	8,251	105,835	100,147
Advertising	87,850	980	-	88,830	60,675
Contribution	55,976	-	-	55,976	-
Other	40,118	2,164	152	42,434	34,705
Total expenses	\$ 12,094,020	\$ 459,881	\$ 1,486,600	\$ 14,040,501	\$ 9,784,476

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliates

Consolidated Statement Of Cash Flows Year Ended December 31, 2011 (With Comparative Totals For 2010)

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	\$ 2,856,780	\$ 13,025,117
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Deferred rent	10,017	18,422
Depreciation	146,464	114,393
Amortization	3,960	116,394
Donated land to Trust	(1,168,000)	(3,650,000)
Donated land from Trust	3,859,095	1,210,842
Loss on disposal of property and equipment	1,575	6,078
Unrealized loss on fair value of interest rate swap	41,719	21,755
Changes in assets and liabilities:		
(Increase) decrease in:		
Grant receivable	34,273	(219,848)
Promises to give	(26,226)	2,171
Prepaid expenses and other	(3,888)	14,079
Increase (decrease) in:		
Accounts payable and accrued expenses	172,835	31,901
Deferred revenue	260	16,380
Refundable grant advances	-	(1,240,601)
Net cash provided by operating activities	5,928,864	9,467,083
Cash Flows From Investing Activities		
Acquisition of land and easements	(5,063,942)	(8,280,216)
Purchases of property and equipment	(1,534,612)	(906,721)
Proceeds from sale of land and easements	1,300,376	532,749
Proceeds from sale of property and equipment	109,257	-
Land deposits	(101,237)	(37,391)
Additions to restricted cash	(100,000)	(105,055)
Withdrawals from restricted cash for land acquisitions	818,211	1,230,011
Repayments of restricted cash	(322,298)	(2,873,985)
Net cash used in investing activities	(4,894,245)	(10,440,608)
Cash Flows From Financing Activities		
Proceeds from advances on line of credit	391,000	-
Payment of debt issuance costs	-	(67,358)
Principal payment on long-term debt	(1,175,000)	(6,781,829)
Proceeds from issuance of long-term debt	-	7,050,000
Net cash (used in) provided by financing activities	(784,000)	200,813
Net increase (decrease) in cash and cash equivalents	250,619	(772,712)
Cash And Cash Equivalents:		
Beginning	6,752,398	7,525,110
Ending	\$ 7,003,017	\$ 6,752,398
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 224,726	\$ 235,347

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

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

CWPT is an international not-for-profit corporation chartered in Virginia. CWPT has classified its organization activities into three separate functions, as follows:

Programs – The programs of CWPT consist of the following:

Preservation – The Preservation program represents the personnel available to continue CWPT's purpose of preserving Civil War 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 not-for-profit entities in preserving battlefield sites.

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. CWPT provides this service so that future generations can study and reflect on the important events of the Civil War.

Membership – The Membership program of CWPT 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.

Management and General – The management and general function of CWPT 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 CWPT and raise support in the form of pledges, grants, contributions, activities, and events to be used for operating, membership, and preservation purposes.

AFBP is an international not-for-profit 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.

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

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

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

Principles of consolidation: The accompanying consolidated financial statements include all of the accounts of CWPT, AFBP, and EBDF. All intercompany accounts and transactions have been eliminated in the consolidated financial statements. EBDF was consolidated into the Trust during 2011, due to the significant activity occurring in the current year and the control established by CWPT over its board.

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

Basis of presentation: The consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, 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. The Trust had no permanently restricted net assets at December 31, 2011.

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

Promises to give: Unconditional promises to give are recognized as revenue or gains in the period 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 at the present value of their estimated future cash flows. The Trust uses the allowance method to determine contributions and promises to give receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. There was no provision for doubtful accounts at December 31, 2011.

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 expense as of December 31, 2011, was \$120,354.

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. Investments consisted of \$234,986 in equity mutual funds and \$2,714 in money market funds at December 31, 2011.

Land deposits: Land deposits are escrow payments to sellers on land that 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, environmental reports on land with an executed purchase agreement and on future uncommitted land purchases.

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are stated at cost, or if donated, at the approximate fair value at the date of donation. 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 \$46,536,514 of land and \$17,224,982 of donated land and easements at December 31, 2011.

Valuation of long-lived assets: The Trust accounts for the valuation of long-lived assets under the Property, Plant and Equipment Topic of the FASB ASC, which requires that long-lived assets and certain identifiable intangible assets be reviewed 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 December 31, 2011.

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 parties.

Net assets: The Trust is required to report information regarding its financial position and activities according to the following classes of 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 December 31, 2011.

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.

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

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

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

Non-cash donations: Donated securities 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.

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.

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.

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

Income tax status: CWPT 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, CWPT 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 CWPT, AFBP, nor EBDF had net unrelated business income for the year ended December 31, 2011.

The accounting standard on accounting for uncertainty in income taxes (FASB ASC Topic 740-10) addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, CWPT, AFBP, and EBDF may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated CWPT, 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. Generally, CWPT, AFBP, and EBDF are no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities before 2008.

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Fair value of financial instruments: The carrying amounts, including cash and cash equivalents, accounts payable and accrued liabilities, and current maturities of long-term borrowing approximate fair value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair value, because the interest rates on these instruments fluctuate with market interest rates offered to the Trust for debt with similar terms and maturities.

Use of estimates: The preparation of 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 financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Prior year information: The consolidated financial statements include certain prior year summarized comparative 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 financial statements for the year ended December 31, 2010, from which the summarized information was derived.

Subsequent events: The Trust evaluated subsequent events through March 16, 2012, which is the date the consolidated financial statements were available to be issued.

Note 2. Cash Restricted For Land Acquisitions

The Trust has cash restricted 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 December 31, 2011:

Cash restricted for land acquisition, beginning	\$ 2,865,083
Expenditures for acquisitions	(818,211)
Transfers from undesignated cash	316,255
Contributions	100,000
Interest income	6,043
Cash restricted for land acquisition, ending	<u>\$ 2,469,170</u>

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 3. Land Deposits

The Trust has made cash deposits to purchase land on the following properties at December 31, 2011:

Property	Acres	Commitment Purchase Price	Deposit
Averasboro, NC – Godwin-Jackson	44.01	\$ 198,000	\$ 4,200
Bentonville, NC – Flowers	45.35	221,000	2,250
Bentonville, NC – Jackson heirs	39.65	143,000	6,561
Bentonville, NC – Lawyers Mutual	12.16	85,000	1,000
Cool Spring, VA – Textron Fin.	195.37	1,000,000	11,342
Fallen Timbers, TN – Carroll	55.81	233,050	14,521
Fallen Timbers, TN – Whitaker	65.58	297,250	13,459
Manassas, VA – Wotring	2.99	380,000	1,000
Middleburg, VA – Mount Defiance (Collette & Humphrey)	7.80	540,000	4,668
Mill Springs, KY – Gladstone Muse	16.40	175,000	2,416
Perryville, KY – Overstreet	141.90	725,000	10,773
Perryville, KY – Townsend	52.94	252,000	4,739
Petersburg, VA – City of Petersburg Blandford Cemetery	80.00	1,250,000	32,651
Resaca, GA – TPL	51.02	153,000	2,000
South Mountain, MD – Tieman	13.96	298,000	5,304
Fallen Timbers, TN – Whitaker & Carroll	0.58	2,500	-
	825.52	\$ 5,952,800	116,884
Cash deposits on uncommitted property			142,411
			<u>\$ 259,295</u>

Note 4. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2011, and depreciation expense for the year ended December 31, 2011, are as follows:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Land and building					
improvements	15 – 39 years	\$ 1,192,911	\$ 216,970	\$ 975,941	\$ 52,633
Property and equipment	5 – 7 years	327,170	150,603	176,567	30,829
Buildings	40 years	2,299,576	116,154	2,183,422	63,002
		<u>\$ 3,819,657</u>	<u>\$ 483,727</u>	<u>\$ 3,335,930</u>	<u>\$ 146,464</u>

Note 5. Line Of Credit

EBDF has a line of credit agreement with a bank for \$1,000,000, which expires on February 22, 2014. The line bears interest at the prime rate as published in the *Wall Street Journal*. At December 31, 2011 the rate was 3.25 percent. All outstanding balances on the line of credit are guaranteed by two board members of EBDF. The outstanding balance on the line at December 31, 2011, was \$391,000. Interest expense incurred on this line of credit during the year ended December 31, 2011, was \$6,480.

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 6. Long-Term Debt

Long-term debt as of December 31, 2011, consists of the following:

Bond payable	\$ 5,200,000
Notes payable	1,225,000
	<u>\$ 6,425,000</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 percent 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 percent of the sum of the London InterBank Offered Rate (LIBOR) plus 200 basis points. The bond is due on April 1, 2027.

The variable portion of the bond's interest rate on December 31, 2011, was 2.27 percent. The Trust is required to maintain certain financial and non-financial covenants.

Notes payable: In December 2009, the Trust obtained a \$750,000 promissory note related to the acquisition of battlefield land located in Henrico, Virginia. Under the agreement, principal is to be paid in three installments of \$250,000, commencing in December 2011. Interest is 6.0 percent and is to be paid annually. The note matures in December 2013.

In January 2010, the Trust executed a promissory note for \$700,000 to finance the purchase of a battlefield site in Appomattox County, Virginia. No interest will be charged on the loan. One remaining principal payment of \$350,000 was due and paid on January 5, 2012, the maturity date.

In January 2010, the Trust executed a promissory note for \$750,000 to finance the purchase of a battlefield site in Spotsylvania County, Virginia. No interest will be charged on the loan. One remaining principal payment of \$375,000 was due and paid on January 5, 2012, the maturity date.

Interest expense related to the bond and notes payable was \$219,144 for the year ended December 31, 2011.

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 6. Long-Term Debt (Continued)

Maturities of long-term debt at December 31, 2011, are due in future years as follows:

Years Ending December 31,

2012	\$ 1,175,000
2013	450,000
2014	300,000
2015	300,000
2016	300,000
2017 – 2027	3,900,000
	<hr/>
	<u>\$ 6,425,000</u>

Note 7. Interest Rate Swap

The Trust has an interest rate swap agreement to reduce the impact of changes in interest rates on its bond payable. At December 31, 2011, the Trust had an outstanding interest swap agreement with a commercial bank, with a notional principal amount of \$2,600,000. This agreement effectively changes the interest rate exposure on \$2,600,000 of its remaining outstanding \$5,200,000 variable rate bond to a fixed rate of 2.28 percent. The interest rate swap agreement maturity was extended during the year ended December 31, 2011, to June 1, 2018. For the year ended December 31, 2011, the Trust recognized a net loss of \$41,719 as a result of this hedging agreement.

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011, consist of the following:

	Balance December 31, 2010	Additions	Releases	Balance December 31, 2011
Gaines Mill/Cold Harbor	\$ 1,250	\$ -	\$ (1,250)	\$ -
ABPP N. Bedford	18,500	-	(18,500)	-
Pohanka 5th NY Zouaves	500,000	-	-	500,000
CA Comm. Found. Antietam	30,669	-	-	30,669
Stones River	25	-	-	25
Wilson's Creek	700	-	-	700
Murfreesboro, TN	250	-	-	250
Newtonia, MO	100	-	-	100
Kennesaw Battlefield	200	-	-	200
HTR	390,000	-	-	390,000
Hog Mountain	1,000	-	(1,000)	-
Atlanta	100	-	-	100
Wilderness	1,144,453	49,600	(1,194,053)	-
Cross Keys	100	-	(100)	-
Brandy Station Stock tract	25,000	-	-	25,000
Adams Farm	200,000	-	-	200,000
Antietam Battle App.	-	25,000	-	25,000
Gaines Mill	-	318,661	-	318,661
Brandy Station	-	500	-	500
Middleburg Mount Defiance	-	300	-	300
Gettysburg	-	1,004,679	-	1,004,679
Champion Hill	-	200,000	-	200,000
Programs – purpose restricted	2,312,347	1,598,740	(1,214,903)	2,696,184
Preserved battlefield land	62,636,220	6,231,943	(5,106,667)	63,761,496
	\$ 64,948,567	\$ 7,830,683	\$ (6,321,570)	\$ 66,457,680

Note 9. Operating Leases

The Trust has an agreement to lease office space for its headquarters in Washington, D.C. under a non-cancelable lease agreement through August 2017. CWPT has the option to renew the lease for a single five-year term at an annual base rent equal to 100 percent of the fair market rental value. The lease provides for free rent and escalating payments. 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. During 2011, the Trust canceled their prior lease originally to expire in March 2012 and obtained a new lease at a different location for ten years, expiring on July 31, 2021. The monthly rent is \$3,700 with annual escalations.

The difference between the expense and the cash payments for both leases of \$190,481 for the year ended December 31, 2011, is reported as deferred rent in the accompanying consolidated financial statements.

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 9. Operating Leases (Continued)

Rent expense for all office space was \$428,330 for the year ended December 31, 2011.

Future minimum lease payments required under all non-cancelable office leases at December 31, 2011, are as follows:

Years Ending December 31,

2012	\$	437,997
2013		451,127
2014		464,664
2015		477,585
2016		491,505
2017 – 2021		591,567
	\$	<u>2,914,445</u>

Note 10. Grant Expense

The Trust supports other organizations with the same purpose as that of the Trust. Grants awarded for the year ended December 31, 2011, totaled \$1,157,087.

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 contributions to the plan for the year ended December 31, 2011, was \$108,170.

Note 12. Commitments And Contingencies

Employment agreement: The Trust has entered into an employment contract with an officer of the Trust, which expires on January 31, 2016. The contract provides for severance payments 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 plans are recorded as investments and a corresponding payable on the consolidated balance sheet.

Contribution: Under the terms of a court-approved agreement, the Trust is to receive annual payments from the HTR Foundation, Inc. (the Foundation). During 2008, the Trust received a partial contribution in the amount of \$390,000, which was classified as unrestricted funds by the Trust. The donor subsequently filed a lawsuit alleging that its contributions are restricted and that the Trust has failed to comply with the donor's restrictions. The Trust believes that the suit is completely without merit and intends to vigorously defend its position. Until the lawsuit is resolved, however, the Trust has reclassified the funds as temporarily restricted net assets. In addition, the Trust has filed an action to require the Foundation to make its full annual payments to the Trust. No funds were received from the Foundation in 2011. The actions by the Foundation and by the Trust were tried before a judge in January 2012, and a ruling is expected before the end of 2012. Until the court rules and any rights to appeal are exhausted, or the case is settled, the potential effects of these actions on the Trust's consolidated financial statements cannot be determined.

Civil War Preservation Trust And Affiliates

Notes To Consolidated Financial Statements

Note 12. Commitments And Contingencies (Continued)

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 an audit. Management does not anticipate any significant adjustments as a result of such an audit

Note 13. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the FASB ASC establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. The topic applies to all assets and liabilities that are being measured and reported on a fair value basis. The topic requires new disclosure that establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosure about fair value measurements. This topic enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities
- Level 2 – Observable market-based inputs or unobservable inputs corroborated by market data
- Level 3 – Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, the Trust performs a detailed analysis of the assets and liabilities that are subject to the topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by the Trust at December 31, 2011.

The table below presents the balances of assets and liabilities at fair value on a recurring basis by level within the hierarchy:

	Total	Level 1	Level 2	Level 3
Assets:				
Deferred compensation investments:				
Fixed income mutual fund:				
Intermediate term-bond	\$ 235,625	\$ 235,625	\$ -	\$ -
	<u>\$ 235,625</u>	<u>\$ 235,625</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Deferred compensation liability	\$ 237,700	\$ -	\$ 237,700	\$ -
Interest rate swap liability	148,195	-	148,195	-
	<u>\$ 385,895</u>	<u>\$ -</u>	<u>\$ 385,895</u>	<u>\$ -</u>

Money market funds totaling \$2,075 at December 31, 2011, are not included in the above table, because they are recorded at cost. The fair value of mutual funds is determined based on quoted prices in active markets, and is thus categorized as Level 1. The Trust's swap agreement is valued based on quoted values stated by the bank's mark-to-market estimate using a stated fixed rate and monthly rates of LIBOR-BBA. The interest rate is observable at commonly quoted indexes for the full term of the instrument, and is therefore considered a Level 2 item. 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.