

Civil War Preservation Trust And Affiliate

Consolidated Financial Report
December 31, 2010

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 Affiliate (the Trust) as of December 31, 2010, 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 2009 financial statements of the Trust and in our report, dated March 3, 2010, 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 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 2010 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Civil War Preservation Trust and Affiliate as of December 31, 2010, 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 6, 2011, 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 6, 2011

Civil War Preservation Trust And Affiliate

Consolidated Balance Sheet

December 31, 2010

(With Comparative Totals For 2009)

Assets	2010	2009
Cash And Cash Equivalents		
Undesignated cash	\$ 6,752,398	\$ 7,525,110
Revolving Fund (board restricted cash)	2,865,083	1,116,054
Grant Receivable	219,848	-
Promises To Give	-	2,171
Land Deposits	158,058	120,667
Prepaid Expenses And Other	162,223	176,302
Deferred Compensation Investments	175,240	128,165
Unamortized Bond Issuance Costs, net	65,378	114,414
Property And Equipment, net	2,111,419	1,325,168
Restricted Land	62,636,220	52,449,596
	\$ 75,145,867	\$ 62,957,647

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 254,367	\$ 222,466
Refundable grant advances	-	1,240,601
Deferred revenue	55,755	39,375
Deferred rent	180,464	162,042
Deferred compensation payable	175,240	128,165
Fair value of interest rate swap	106,476	84,721
Long-term debt	7,600,000	7,331,829
	8,372,302	9,209,199

Commitments And Contingencies (Note 11)

Net Assets

Unrestricted		
Undesignated	1,824,998	357,108
Temporarily restricted		
Programs	2,312,347	941,744
Preserved battlefield land	62,636,220	52,449,596
	64,948,567	53,391,340
	66,773,565	53,748,448
	\$ 75,145,867	\$ 62,957,647

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliate

Consolidated Statement Of Activities Year Ended December 31, 2010 (With Comparative Totals For 2009)

	2010			2009
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Grants	\$ 7,639	\$ 8,272,215	\$ 8,279,854	\$ 7,427,469
Contributions	6,130,440	1,370,653	7,501,093	6,329,696
Donated land	-	3,658,000	3,658,000	1,941,909
Member contributions	2,913,665	-	2,913,665	2,976,407
Rental income	134,222	-	134,222	70,949
Conference registration fees	133,977	-	133,977	222,733
Donated services	96,475	-	96,475	3,142
Other income	65,454	-	65,454	252,161
Non-campaign contributions	30,000	-	30,000	26,347
Interest income	18,608	-	18,608	28,312
Net gain on sale of tax credits	-	-	-	22,525
Net assets released from restriction	1,743,641	(1,743,641)	-	-
Total support and revenue	11,274,121	11,557,227	22,831,348	19,301,650
Expenses:				
Programs	8,401,541	-	8,401,541	10,575,178
Management and general	374,518	-	374,518	393,338
Fundraising	1,008,417	-	1,008,417	997,740
Total expenses	9,784,476	-	9,784,476	11,966,256
Change in net assets before non-operating activities	1,489,645	11,557,227	13,046,872	7,335,394
Non-operating activities:				
Unrealized (loss) gain on fair value of interest rate swap	(21,755)	-	(21,755)	19,279
Change in net assets	1,467,890	11,557,227	13,025,117	7,354,673
Net assets:				
Beginning	357,108	53,391,340	53,748,448	46,393,775
Ending	\$ 1,824,998	\$ 64,948,567	\$ 66,773,565	\$ 53,748,448

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliate

Consolidated Statement Of Functional Expenses
Year Ended December 31, 2010
(With Comparative Totals For 2009)

	2010				2009
	Programs	Management And General	Fundraising	Total	Total
Payroll and benefits	\$ 1,972,363	\$ 198,111	\$ 459,042	\$ 2,629,516	\$ 2,583,705
Postage, printing, and production	1,607,907	82,249	164,143	1,854,299	1,701,338
Donated land	1,206,341	-	-	1,206,341	2,746,762
Membership fulfillment	885,803	-	78,515	964,318	922,133
Professional fees	425,956	29,579	157,985	613,520	353,626
Grants	474,208	-	-	474,208	1,543,048
Rent	307,437	25,415	64,947	397,799	305,742
Land maintenance	333,585	-	-	333,585	406,341
Office	198,409	15,764	38,163	252,336	282,393
Depreciation and amortization	219,225	5,781	5,781	230,787	101,795
Interest	192,636	-	-	192,636	291,473
Meetings	166,666	2,112	9,300	178,078	238,635
Utilities	133,088	13,304	28,145	174,537	181,446
Travel and entertainment	97,158	268	2,721	100,147	100,671
Educational programs	86,989	-	-	86,989	77,923
Advertising	60,285	390	-	60,675	60,508
Other	33,485	1,545	(325)	34,705	33,097
Bad debt	-	-	-	-	35,620
Total expenses	\$ 8,401,541	\$ 374,518	\$ 1,008,417	\$ 9,784,476	\$ 11,966,256

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliate

Consolidated Statement Of Cash Flows Years Ended December 31, 2010 (With Comparative Totals For 2009)

	2010	2009
Cash Flows From Operating Activities		
Change in net assets	\$ 13,025,117	\$ 7,354,673
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Deferred rent	18,422	162,042
Depreciation	114,393	95,067
Amortization	116,394	6,728
Donated land to Trust	(3,650,000)	-
Donated land from Trust	1,210,842	2,746,762
Loss on disposal of property and equipment	6,078	2,147
Unrealized loss (gain) on fair value of interest rate swap	21,755	(19,279)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grant receivable	(219,848)	-
Promises to give	2,171	74,351
Prepaid expenses and other	14,079	58,249
Increase (decrease) in:		
Accounts payable and accrued expenses	31,901	21,263
Deferred revenue	16,380	(63,170)
Refundable grant advances	(1,240,601)	1,240,601
Net cash provided by operating activities	9,467,083	11,679,434
Cash Flows From Investing Activities		
Acquisition of land and easements	(8,280,216)	(7,025,035)
Purchases of property and equipment	(906,721)	(676,132)
Proceeds from sale of land and easements	532,749	936,877
Land deposits	(37,391)	(42,238)
Additions to restricted cash	(105,055)	(178,551)
Withdrawals from restricted cash for land acquisitions	1,230,011	-
Deposits to restricted cash	(2,873,985)	-
Net cash used in investing activities	(10,440,608)	(6,985,079)
Cash Flows From Financing Activities		
Payment of debt issuance costs	(67,358)	-
Principal payment on long-term debt	(6,781,829)	(2,562,837)
Proceeds from issuance of long-term debt	7,050,000	750,000
Net cash provided by (used in) financing activities	200,813	(1,812,837)
Net (decrease) increase in cash and cash equivalents	(772,712)	2,881,518
Cash And Cash Equivalents:		
Beginning	7,525,110	4,643,592
Ending	\$ 6,752,398	\$ 7,525,110
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 235,347	\$ 307,234

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: The Civil War Preservation Trust and Affiliate (collectively, the Trust) consists of two entities, Civil War Preservation Trust (CWPT) and Americans for Battlefield Preservation (AFBP). CWPT and AFBP are affiliated through common support, activities and 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 function of CWPT consists 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 April 12, 1861, to April 9, 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 and 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.

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

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.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

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

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, 2010.

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 were no promises to give receivables or related provision for doubtful accounts at December 31, 2010.

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, 2010, was \$116,394.

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 \$114,541 in equity mutual funds and \$60,699 in money market funds at December 31, 2010.

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.

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 \$46,579,238 of land and \$16,056,982 of donated land and easements at December 31, 2010.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

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

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, 2010.

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, 2010.

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.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted revenue, 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.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

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

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 program, management and general, or fundraising.

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

Income tax status: CWPT is 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, the Trust qualifies for the charitable contribution deductions and has been classified as organizations that are not private foundations. Contributions to AFBP are not deductible to donors. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. Neither CWPT nor AFBP had net unrelated business income for the year ended December 31, 2010.

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, the Trust 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 the Trust's tax positions and concluded that it has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance. Generally, the Trust is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities before 2007.

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.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

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

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, 2009, from which the summarized information was derived.

Reclassification: Certain amounts in the prior year's presentation have been reclassified to conform to the current year presentation. These reclassifications have no effect on previously reported changes in net assets.

Subsequent events: The Trust evaluated subsequent events through March 6, 2011, which is the date the consolidated financial statements were available to be issued.

Note 2. Revolving Fund

The Trust has a board restricted cash account, the Revolving Fund (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, 2010:

Revolving Fund (board restricted cash), beginning	\$ 1,116,054
Expenditures for acquisitions	(1,230,011)
Repayments from undesignated cash	2,873,985
Contributions	100,000
Interest income	5,055
Revolving Fund (board restricted cash), ending	<u><u>\$ 2,865,083</u></u>

Civil War Preservation Trust And Affiliate

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, 2010:

Property	Acres	Commitment Purchase Price	Deposit
Bentonville – Britt-Halliwell	54.85	\$ 300,000	\$ 7,748
Bentonville – Martelle	2.25	70,000	2,000
Cabin Creek, OK	42.70	250,000	2,799
Hog Mountain, AL	40.00	175,000	8,852
First Deep Bottom, VA	103.00	1,000,000	24,172
Ft. Donelson, TN	1.40	80,000	3,774
Shiloh, TN	1.00	169,000	3,478
Wilderness, VA	49.26	1,121,250	26,468
Wilson's Creek, MO	163.20	900,000	5,750
	457.66	\$ 4,065,250	85,041
Cash deposits on uncommitted properties			73,017
			<u>\$ 158,058</u>

Note 4. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2010, and depreciation expense for the year ended December 31, 2010, are as follows:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Land and building improvements	15 – 39 years	\$ 1,176,367	\$ 181,350	\$ 995,017	\$ 57,810
Property and equipment	5 – 7 years	296,910	119,774	177,136	28,094
Buildings	40 years	997,275	58,009	939,266	28,489
		<u>\$ 2,470,552</u>	<u>\$ 359,133</u>	<u>\$ 2,111,419</u>	<u>\$ 114,393</u>

Note 5. Long-Term Debt

Long-term debt as of December 31, 2010, consists of the following:

Bond payable	\$ 5,400,000
Notes payable	2,200,000
	<u>\$ 7,600,000</u>

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 5. Long-Term Debt (Continued)

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, 2010, was 2.26 percent. The Trust is required to maintain certain financial and non-financial covenants.

Notes payable: In November 2005, the Trust obtained a \$2,561,350 promissory note related to the acquisition of battlefield land located in Petersburg, Virginia. Under the agreement, five equal annual installments of \$512,270, including principal and interest, are to be made. Interest is 4.35 percent and the note was fully paid off at its maturity date in November 2010.

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 commencing in December 2010. 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. Two principal payments of \$350,000 are due on January 5, 2011, and 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. Two principal payments of \$375,000 are due on January 5, 2011, and January 5, 2012, the maturity date.

Interest expense related to the bond and notes payable was \$192,636 for the year ended December 31, 2010.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 5. Long-Term Debt (Continued)

Maturities of long-term debt at December 31, 2010, are due in future years as follows:

Years Ending December 31,

2011	\$ 1,175,000
2012	1,175,000
2013	450,000
2014	300,000
2015	300,000
2016 – 2027	4,200,000
	<hr/>
	\$ 7,600,000

Note 6. Interest Rate Swap

In May 2008, the Trust entered into an interest rate swap agreement to reduce the impact of changes in interest rates on its bond payable. In April 2010, the Trust amended and re-indexed the May 2008 interest rate swap agreement with a commercial bank so that it would operate on a consistent index with the refinanced loan. At December 31, 2010, the Trust had an outstanding interest swap agreement with a commercial bank, with a notional principal amount of \$2,700,000. This agreement effectively changed the Trust's interest rate exposure on \$2,700,000 of its remaining outstanding \$5,400,000 variable rate bond to a fixed rate of 2.28 percent. The interest rate swap agreement matures on April 7, 2013. For the year ended December 31, 2010, the Trust recognized a net loss of \$21,755 as a result of this hedging agreement.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2010, consist of the following:

	Balance December 31, 2009	Additions	Releases	Balance December 31, 2010
Wilderness	\$ -	\$ 1,144,453	\$ -	\$ 1,144,453
Pohanka 5th New York	500,000	-	-	500,000
HTR Foundation	390,000	-	-	390,000
Adams Farm	-	200,000	-	200,000
CA Comm. Found. Antietam	30,669	-	-	30,669
Brandy Station	-	25,000	-	25,000
American Battlefield Protection Program	18,500	-	-	18,500
Gains Mill/Cold Harbor	1,250	-	-	1,250
Hog Mountain	-	1,000	-	1,000
Wilson's Creek	700	-	-	700
Murfreesboro, TN	250	-	-	250
Kennesaw Battlefield	200	-	-	200
Newtonia, MO	100	-	-	100
Atlanta	-	100	-	100
Cross Keys	-	100	-	100
Stones River	25	-	-	25
Spring Hill	50	-	(50)	-
Programs – purpose restricted	941,744	1,370,653	(50)	2,312,347
Preserved battlefield land	52,449,596	11,930,215	(1,743,591)	62,636,220
	53,391,340	13,300,868	(1,743,641)	64,948,567

Note 8. 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. The Trust 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. The difference between the expense and the cash payments of \$388,900 for the year ended December 31, 2010, is reported as deferred rent in the accompanying consolidated financial statements.

In addition to the headquarters lease, the Trust also leases office space in Hagerstown, Maryland under a non-cancelable lease agreement through March 2012. The Trust has the option to renew the lease for a single four-year term under the same terms and conditions of the original lease. Under the lease agreement, the Trust has elected the alternative rent option, which consists of annual rental payments of \$1,181 and specific tenant performance obligations, which are not readily estimable. The Trust expended \$69,640 for tenant performance obligations for the year ended December 31, 2010.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 8. Operating Leases (Continued)

Rent expense for all office space was \$397,799 for the year ended December 31, 2010.

Future minimum lease payments required under all non-cancelable office leases at December 31, 2010, are as follows:

Years Ending December 31,

2011	\$	382,775
2012		394,223
2013		404,823
2014		416,971
2015		428,461
2016 and 2017		780,651
	\$	<u>2,807,904</u>

Note 9. Grant Expense

The Trust supports other organizations with the same purpose as that of the Trust. Grants awarded for the year ended December 31, 2010, totaled \$474,208.

Note 10. 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, 2010, was \$97,674.

Note 11. Commitments And Contingencies

Employment agreement: The Trust has entered into an employment contract with an officer of the Trust, which expires on January 1, 2012. 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 establish and contribute \$30,000 annually to a deferred compensation plan for the officer commencing on January 1, 2006, through January 1, 2012.

Contribution: Under the terms of a court-approved agreement, the Trust is to receive annual payments from HTR Foundation, Inc. (the Foundation) equal to its "distributable income," as defined in accordance with Sections 4942(d) and (e) of the Internal Revenue Code, as amended from time to time. During 2008, the Trust received a partial contribution in the amount of \$390,000, which had been classified as unrestricted funds by the Trust. However, the donor has 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. In addition, the Trust has filed an action to require the Foundation to make its full annual payments to the Trust. These legal actions are in their early stages of development. Therefore, the potential effects of these actions on the Trust's consolidated financial statements cannot be determined at this time. No funds were received from the Foundation in 2010. The Trust has reclassified the funds as of December 31, 2008, from unrestricted to temporarily restricted net assets, until the lawsuit is settled.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 11. 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 12. 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, 2010.

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:				
Equity mutual fund	\$ 114,541	\$ 114,541	\$ -	\$ -
Liabilities:				
Interest rate swap liability	\$ 106,476	\$ -	\$ 106,476	\$ -

Money market funds totaling \$60,699 for the year ended December 31, 2010, 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 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.

Note 13. Subsequent Events

On January 10, 2011, the District of Columbia's Department of Consumer and Regulatory Affairs issued a Certificate of Registration for CWPT to legally begin operating under the new trade name, Civil War Trust.