

Civil War Preservation Trust And Affiliate

Consolidated Financial Report
December 31, 2009

McGladrey & Pullen
Certified Public Accountants

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

McGladrey & Pullen

Certified Public Accountants

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, 2009, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 2009 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, 2009, 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.

As described in Note 13 to the consolidated financial statements, the financial statements for the year ended December 31, 2008, have been restated to include the consolidation with the Affiliate, reversal of contributed rental income, and reclassification of temporarily restricted net assets.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
March 3, 2010

Civil War Preservation Trust And Affiliate

Consolidated Balance Sheet

December 31, 2009

Assets

Cash And Cash Equivalents	\$ 8,641,164
Promises To Give	2,171
Land Deposits	120,667
Prepaid Expenses And Other	176,302
Investments	128,165
Unamortized Bond Issuance Costs, net	114,414
Property And Equipment, net	1,325,168
Restricted Land	52,449,596
	<u>\$ 62,957,647</u>

Liabilities And Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 222,466
Refundable grant advances	1,240,601
Deferred revenue	39,375
Deferred rent	162,042
Deferred compensation payable	128,165
Fair value of interest rate swap	84,721
Long-term debt	7,331,829
	<u>9,209,199</u>

Net Assets

Unrestricted

Undesignated (deficit)	(758,946)
Board designated	1,116,054
	<u>357,108</u>

Temporarily restricted

Programs	941,744
Preserved battlefield land	52,449,596
	<u>53,391,340</u>

53,748,448

\$ 62,957,647

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliate

Consolidated Statement Of Activities
Year Ended December 31, 2009

	Unrestricted			Temporarily	
	Undesignated	Board Designated	Total Unrestricted	Restricted	Total
Support and revenue:					
Grants	\$ 1,794,343	\$ -	\$ 1,794,343	\$ 5,633,126	\$ 7,427,469
Contributions	5,516,614	175,000	5,691,614	1,269	5,692,883
Member contributions	2,976,407	-	2,976,407	-	2,976,407
Donated land	-	-	-	1,941,909	1,941,909
Other income	888,974	-	888,974	-	888,974
Conference registration fees	222,733	-	222,733	-	222,733
Rental income	70,949	-	70,949	-	70,949
Interest income	24,761	3,551	28,312	-	28,312
Non-campaign contributions	26,347	-	26,347	-	26,347
Net gain on sale of tax credits	22,525	-	22,525	-	22,525
Donated services	3,142	-	3,142	-	3,142
Net assets released from restriction	3,718,223	-	3,718,223	(3,718,223)	-
Total support and revenue	15,265,018	178,551	15,443,569	3,858,081	19,301,650
Expenses:					
Program	10,575,178	-	10,575,178	-	10,575,178
Management and general	393,338	-	393,338	-	393,338
Fundraising	997,740	-	997,740	-	997,740
Total expenses	11,966,256	-	11,966,256	-	11,966,256
Change in net assets before non-operating activities	3,298,762	178,551	3,477,313	3,858,081	7,335,394
Non-operating activities:					
Unrealized gain on fair value of interest rate swap	19,279	-	19,279	-	19,279
Change in net assets	3,318,041	178,551	3,496,592	3,858,081	7,354,673
Net assets:					
Beginning, as restated (Note 13)	(4,076,987)	937,503	(3,139,484)	49,533,259	46,393,775
Ending	\$ (758,946)	\$ 1,116,054	\$ 357,108	\$ 53,391,340	\$ 53,748,448

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliate

Consolidated Statement Of Functional Expenses
Year Ended December 31, 2009

	Program	Management And General	Fundraising	Total
Donated land	\$ 2,746,762	\$ -	\$ -	\$ 2,746,762
Payroll and benefits	1,968,645	200,120	414,939	2,583,704
Postage, printing, and production	1,464,402	88,465	148,471	1,701,338
Grants	1,543,048	-	-	1,543,048
Professional fees	194,694	28,491	130,441	353,626
Rent	204,675	22,788	78,278	305,741
Interest	291,473	-	-	291,473
Hallowed ground	240,027	-	-	240,027
Membership fulfillment	226,138	-	-	226,138
Annual conference	188,771	-	-	188,771
Mailing lists	116,625	7,333	7,348	131,306
Major donor events	90,423	-	37,976	128,399
Computer services and processing	61,327	-	61,327	122,654
Web and internet	81,151	9,958	19,551	110,660
Travel and entertainment	97,589	513	2,569	100,671
Depreciation	82,685	6,191	6,191	95,067
Battlefield interpretation	90,367	-	-	90,367
Lobbying	85,304	-	-	85,304
Dues, subscriptions, and memberships	74,634	3,890	287	78,811
Educational programs	77,923	-	-	77,923
Telemarketing	73,611	-	-	73,611
Utilities	58,782	2,842	9,162	70,786
Advertising	59,808	700	-	60,508
Taxes	60,195	109	194	60,498
Bank service charges	41,274	5,896	11,790	58,960
Public relations and news conference	56,376	-	-	56,376
Board meetings	39,185	3,911	6,768	49,864
Appraisal	42,990	-	-	42,990
Insurance	34,294	3,585	3,753	41,632
Mapping project	39,874	-	-	39,874
Office supplies and cleaning	28,530	2,561	5,298	36,389
Uncollected promises	50	-	35,570	35,620
Property maintenance	32,028	-	-	32,028
Employee training and conferences	23,524	698	495	24,717
Equipment rental	14,603	2,034	5,334	21,971
Park day	18,519	-	-	18,519
Licenses and permits	-	303	9,444	9,747
Repairs and maintenance	6,611	963	1,496	9,070
Moving and transportation	6,795	810	870	8,475
Amortization	6,728	-	-	6,728
Sales items	2,586	-	-	2,586
Other	2,152	1,177	188	3,517
Total expenses	\$ 10,575,178	\$ 393,338	\$ 997,740	\$ 11,966,256

See Notes To Consolidated Financial Statements.

Civil War Preservation Trust And Affiliate

Consolidated Statement Of Cash Flows
Year Ended December 31, 2009

Cash Flows From Operating Activities	
Change in net assets	\$ 7,354,673
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Deferred rent	162,042
Depreciation	95,067
Amortization	6,728
Loss on disposal of property and equipment	2,147
Unrealized gain on fair value of interest rate swap	(19,279)
Changes in assets and liabilities:	
Decrease in:	
Promises to give	74,351
Prepaid expenses and other	58,249
Increase (decrease) in:	
Accounts payable and accrued expenses	21,263
Deferred revenue	(63,170)
Refundable grant advances	1,240,601
Net cash provided by operating activities	8,932,672
Cash Flows From Investing Activities	
Acquisition of land and easements	(7,025,035)
Purchases of property and equipment	(676,132)
Proceeds from sale of property and equipment	3,683,639
Land deposits	(42,238)
Net cash used in investing activities	(4,059,766)
Cash Flows From Financing Activities	
Repayment of long-term debt	(2,562,837)
Proceeds from issuance of long-term debt	750,000
Net cash used in financing activities	(1,812,837)
Net increase in cash and cash equivalents	3,060,069
Cash And Cash Equivalents	
Beginning	5,581,095
Ending	\$ 8,641,164
Supplemental Disclosure Of Cash Flow Information	
Interest paid	\$ 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 from the merger of Association for the Preservation of Civil War Sites, Inc. and Civil War Trust in 1999. CWPT has classified its organization activities into four separate programs, as follows:

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 the 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.

Development – The purpose is to promote CWPT and raise revenue 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:

Principles of consolidation and change in reporting entity: The accompanying consolidated financial statements include the accounts of CWPT and AFBP. As explained further in Note 13 to the consolidated financial statements, in 2009, CWPT adopted the policy of including AFBP on a consolidated basis. The change in consolidation policy did not have a material effect on previously reported net assets, although certain balance sheet amounts were restated for 2008 to give retroactive effect to this policy. All significant transactions between CWPT and AFBP have been eliminated in consolidation.

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, 2009.

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.

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.

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. The provision for doubtful promises, based on management's evaluation of the collection of promises, was \$2,171 at December 31, 2009. The promises to give receivable for the capital campaign of \$4,342 are due in less than one year.

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, 2009, was \$20,186.

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 consist of \$97,640 in equity mutual funds and \$30,525 in money market funds.

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 is comprised of \$40,050,614 of land and \$12,398,982 of donated land and easements.

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 records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets.

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.

Board designated net assets represent unrestricted net assets that have been internally designated. Board designated funds are held separately from other funds in the Revolving Fund (the Fund) of the Trust. The objective of the Fund is to have a source of equity funds available to acquire targeted land, which will then be reimbursed to the Fund through federal, state, and other sources of funding. Property to be purchased through the Fund must be significant battlefield land and subject to appropriate permanent historical and/or conservation restrictions.

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, 2009.

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. In addition, the Trust qualifies for the charitable contribution deductions and has been classified as organizations that are not private foundations. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. CWPT had no net unrelated business income for the year ended December 31, 2009.

AFBP is generally exempt from federal income taxes under the provisions of Section 501(c)(4) of the Internal Revenue Code. Contributions to AFBP are not deductible by donors.

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. Significant estimates for the Trust include the allowance for doubtful accounts, discount on promises to give and contributions receivable, and the fair value of non-cash donations and derivative financial instruments.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

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

Recently adopted accounting pronouncements: On May 28, 2009, the Subsequent Event Disclosure Topic of the FASB ASC was issued. This Topic is intended to establish general standards of accounting for and disclosures of events that occur after the balance sheet date, but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an organization has evaluated subsequent events and the basis for that date; that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an organization has not evaluated subsequent events after that date in the set of financial statements being presented. The Trust has adopted this Topic and incorporated it into the notes to the consolidated financial statements.

On January 1, 2009, the Trust adopted the accounting standard on accounting for uncertainty in income taxes, which 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% 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 the Trust has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Trust is no longer subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2006.

Subsequent events: The Trust evaluated subsequent events for potential required disclosure through March 3, 2010, which is the date the consolidated financial statements were available to be issued.

Note 2. Land Deposits

The Trust has made cash deposits to purchase land on the following properties at December 31, 2009:

Property	Acres	Commitment Purchase Price	Deposit
Chancellorsville	85.15	\$ 2,100,000	\$ 10,887
Appomattox	6.71	1,700,000	18,572
Gettysburg	1.86	375,000	11,095
Bentonville	56.07	270,000	6,818
Davis Bridge	20.44	102,200	5,000
Glendale	7.00	81,997	7,873
	177.23	4,629,197	60,245
Cash deposits on uncommitted properties			60,422
			<u>\$ 120,667</u>

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 3. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2009, and depreciation expense for the year ended December 31, 2009, are as follows:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Land and building improvements	15 – 39 years	\$ 1,176,367	\$ 91,680	\$ 1,084,687	\$ 29,903
Property and equipment	5 – 7 years	296,319	156,317	140,002	61,914
Buildings	40 years	130,000	29,521	100,479	3,250
		<u>\$ 1,602,686</u>	<u>\$ 277,518</u>	<u>\$ 1,325,168</u>	<u>\$ 95,067</u>

Note 4. Refundable Grant Advances

Refundable grant advances at December 31, 2009, pertain to the following land acquisitions:

Chancellorsville	\$ 706,305
Appomattox Station	534,296
	<u>\$ 1,240,601</u>

The land acquisitions above settled on January 5, 2010, and were financed by notes payable described in Note 14.

Note 5. Long-Term Debt

Long-term debt as of December 31, 2009, consists of the following:

Bond payable	\$ 5,600,000
Notes payable	1,731,829
	<u>\$ 7,331,829</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 by 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. The bond is due on April 1, 2027. 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), expiring in June 2012.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 5. Long-Term Debt (Continued)

Bond payable (continued): Interest payments on the outstanding principal are based on a fluctuating weekly rate as determined by the bank. The interest rate in effect at December 31, 2009, was .35%. Interest costs incurred on the bonds for the year ended December 31, 2009, totaled \$62,638. The loan agreement contains 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% and the note matures 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% and is to be paid annually commencing in December 2010. The note matures in December 2013.

Maturities of long-term debt at December 31, 2009, are due in future years as follows:

Years Ending December 31,

2010	\$ 1,181,829
2011	450,000
2012	450,000
2013	450,000
2014	300,000
Thereafter	4,500,000
	<u>\$ 7,331,829</u>

Note 6. Interest Rate Swap

At December 31, 2009, the Trust had an interest rate swap contract to pay a fixed rate of 3.09% and receive a variable weekly rate as determined by the bank on a \$3,000,000 notional principal amount of indebtedness, which resulted in 50% of the Trust's bond payable being subject to fixed interest rates. The variable market rate of interest as of December 31, 2009, was .37%. The swap agreement terminates on June 1, 2011. For the year ended December 31, 2009, the Trust recognized a net gain of \$19,279 as a result of this hedging instrument.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2009, consist of the following:

	Balance December 31, 2008	Additions	Releases	Balance December 31, 2009
Pohanka 5th New York	\$ 500,000	\$ -	\$ -	\$ 500,000
HTR Foundation	390,000	-	-	390,000
CA Comm. Found. Antietam	30,000	669	-	30,669
American Battlefield Protection Program	18,500	-	-	18,500
Gains Mill/Cold Harbor	1,250	-	-	1,250
Wilson's Creek	700	-	-	700
Murfreesboro, TN	-	250	-	250
Kennesaw Battlefield	-	200	-	200
Newtonia, MO	-	100	-	100
Spring Hill	-	50	-	50
Stones River	25	-	-	25
Alabama	21,816	-	(21,816)	-
Tawani George McClelland	12,768	-	(12,768)	-
Programs – purpose restricted	975,059	1,269	(34,584)	941,744
Preserved battlefield land	48,558,200	7,575,035	(3,683,639)	52,449,596
	\$ 49,533,259	\$ 7,576,304	\$ (3,718,223)	\$ 53,391,340

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% 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 \$162,042 for the year ended December 31, 2009, 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 \$4,472 for tenant performance obligations for the year ended December 31, 2009.

Rent expense for all office space was \$305,741 for the year ended December 31, 2009.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 8. Operating Leases (Continued)

Future minimum lease payments required under all non-cancelable office leases at December 31, 2009, are as follows:

Years Ending December 31,

2010	\$	371,659
2011		382,775
2012		394,223
2013		404,823
2014		416,971
Thereafter		1,209,112
	\$	<u>3,179,563</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, 2009, totaled \$1,543,048.

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, 2009, was \$92,898.

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 2009. 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 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 that are 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, 2009.

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	\$ 97,640	\$ 97,640	\$ -	\$ -
Money market fund	30,525	30,525	-	-
Total assets	\$ 128,165	\$ 128,165	\$ -	\$ -
Financial liability:				
Interest rate swap liability	\$ 84,721	\$ -	\$ 84,721	\$ -
Total liabilities	\$ 84,721	\$ -	\$ 84,721	\$ -

The fair values of mutual funds and money market funds are determined based on quoted prices in active markets, thus they are 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 weekly rates of non-AMT bonds. The interest rate is observable at commonly quoted indexes for the full term of the instrument and is therefore, considered a Level 2 item.

Civil War Preservation Trust And Affiliate

Notes To Consolidated Financial Statements

Note 13. Prior Period Adjustment

During the year ended December 31, 2009, the Trust reevaluated the following with regards to presentation in the audited financial statements as of and for the year ended December 31, 2008:

- Revenue recognition for a certain multi-year rent contribution receivable and the related revenue was not properly recorded;
- The related entity, AFBP, is being consolidated with CWPT due to the economic interest held by CWPT in AFBP;
- Land purchased for preservation was not properly recorded as temporarily restricted net assets; and
- The HTR Foundation, Inc. contribution was not properly recorded as temporarily restricted net assets.

A summary of the impact on the change in net assets and the beginning net assets is as follows:

	Unrestricted			Temporarily	
	Undesignated	Board Designated	Total Unrestricted	Restricted	Total
Net assets, as previously reported	\$ 44,810,061	\$ 937,503	\$ 45,747,564	\$ 832,858	\$ 46,580,422
Reclassify preserved battlefield land	(48,558,200)	-	(48,558,200)	48,558,200	-
Reclassify HTR contribution (Note 11)	(390,000)	-	(390,000)	390,000	-
Total reclassifications	(48,948,200)	-	(48,948,200)	48,948,200	-
Consolidation of AFBP	61,152	-	61,152	-	61,152
Correction of error in contribution revenue recognition	-	-	-	(247,799)	(247,799)
Net decrease in net assets	61,152	-	61,152	(247,799)	(186,647)
Beginning net assets, as restated	\$ (4,076,987)	\$ 937,503	\$ (3,139,484)	\$ 49,533,259	\$ 46,393,775

The effect on the change in net assets for the year ended December 31, 2008, was a decrease in the change in net assets of \$247,799.

Note 14. Subsequent Events

On January 5, 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.

On January 5, 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.

The promissory notes above were executed to finance the purchase of the battlefield lands described in Note 4, which settled on January 5, 2010.