

Civil War Trust And Affiliates

Consolidated Financial Report
December 31, 2013

Contents

Independent Auditor's Report	1 – 2
Financial Statements	
Consolidated Balance Sheet	3
Consolidated Statement Of Activities	4
Consolidated Statement Of Functional Expenses	5
Consolidated Statement Of Cash Flows	6
Notes To Consolidated Financial Statements	7 – 18



Independent Auditor's Report

To the Board of Directors
Civil War Trust
Hagerstown, Maryland

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Civil War Trust and Affiliates (the Trust) which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of December 31, 2013, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Trust's 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated March 12, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report, dated March 24, 2014, 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* in considering the Trust's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "McGladrey LLP".

Gaithersburg, Maryland
March 24, 2014

Civil War Trust And Affiliates

Consolidated Balance Sheet December 31, 2013 (With Comparative Totals For 2012)

Assets	2013	2012
Cash And Cash Equivalents		
Undesignated cash	\$ 9,070,305	\$ 7,062,756
Cash restricted for land acquisitions	1,984,482	1,397,503
Grant Receivable	516,000	840,000
Promises To Give, net	157,778	340,786
Land Deposits	484,949	358,439
Prepaid Expenses And Other	201,673	173,600
Deferred Compensation Investments	375,291	323,676
Unamortized Bond Issuance Costs, net	53,498	57,458
Property And Equipment, net	4,963,382	4,845,733
Restricted Land	73,529,400	72,639,980
	\$ 91,336,758	\$ 88,039,931

Liabilities And Net Assets

Liabilities		
Accounts payable and accrued expenses	\$ 254,533	\$ 270,251
Deferred revenue	99,605	66,825
Deferred rent	250,064	229,448
Deferred compensation payable	375,291	323,676
Fair value of interest rate swap	97,856	166,325
Long-term debt	4,800,000	5,250,000
	5,877,349	6,306,525

Commitments And Contingencies (Notes 5, 9 and 12)

Net Assets

Unrestricted	8,304,586	6,477,296
Temporarily restricted		
Programs	3,625,423	2,616,130
Preserved battlefield land	73,529,400	72,639,980
	77,154,823	75,256,110
	85,459,409	81,733,406
	\$ 91,336,758	\$ 88,039,931

See Notes To Consolidated Financial Statements.

Civil War Trust And Affiliates

Consolidated Statement Of Activities Year Ended December 31, 2013 (With Comparative Totals For 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue:				
Grants and awards	\$ 1,861,032	\$ 11,426,908	\$ 13,287,940	\$ 10,785,062
Contributions	8,086,937	1,710,532	9,797,469	9,776,095
Member contributions	3,133,003	-	3,133,003	3,094,553
Donated land	-	200,100	200,100	1,008,000
Other contributions	41,570	-	41,570	119,193
Rental income	128,927	-	128,927	98,179
Conference registration fees	165,265	-	165,265	182,971
Donated services	22,876	-	22,876	23,283
Royalty income	55,504	-	55,504	304,080
Other income	147,643	-	147,643	238,193
Interest income	17,171	-	17,171	16,737
Net assets released from restriction	11,438,827	(11,438,827)	-	-
Total support and revenue	25,098,755	1,898,713	26,997,468	25,646,346
Expenses:				
Program services:				
Preservation	15,632,911	-	15,632,911	6,595,708
Membership	2,231,372	-	2,231,372	2,156,012
Education	1,401,504	-	1,401,504	1,562,263
Total program services	19,265,787	-	19,265,787	10,313,983
Support services:				
Management and general	942,502	-	942,502	723,640
Fundraising	2,357,591	-	2,357,591	1,949,776
Total support services	3,300,093	-	3,300,093	2,673,416
Total expenses	22,565,880	-	22,565,880	12,987,399
Change in net assets before non-operating activities	2,532,875	1,898,713	4,431,588	12,658,947
Non-operating activities:				
Unrealized gain (loss) on fair value of interest rate swap	68,469	-	68,469	(18,130)
Loss on disposal of property and equipment	(774,054)	-	(774,054)	(537,756)
Change in net assets	1,827,290	1,898,713	3,726,003	12,103,061
Net assets:				
Beginning	6,477,296	75,256,110	81,733,406	69,630,345
Ending	\$ 8,304,586	\$ 77,154,823	\$ 85,459,409	\$ 81,733,406

See Notes To Consolidated Financial Statements.

Civil War Trust And Affiliates

Consolidated Statement Of Functional Expenses Year Ended December 31, 2013 (With Comparative Totals For 2012)

	2013						2012 Total
	Preservation	Membership	Education	Management And General	Fundraising	Total	
Donated land	\$ 9,257,290	\$ -	\$ -	\$ -	\$ -	\$ 9,257,290	\$ 1,612,484
Grants	3,795,062	-	-	-	-	3,795,062	1,984,386
Payroll and benefits	854,335	564,623	611,620	558,662	685,530	3,274,770	3,159,653
Postage, printing, and production	24,984	460,560	26,658	48,650	791,164	1,352,016	1,382,530
Membership fulfillment	664	667,229	19	12,000	443,680	1,123,592	862,867
Professional fees	176,673	53,106	374,970	108,520	208,184	921,453	1,324,513
Land maintenance	799,986	-	-	-	-	799,986	649,206
Rent	175,680	73,553	124,594	79,058	98,572	551,457	504,668
Office	148,968	55,695	35,930	59,351	55,881	355,825	321,652
Meetings	12,974	189,516	4,216	12,482	8,062	227,250	240,521
Depreciation and amortization	145,674	18,935	28,348	9,450	9,449	211,856	182,957
Utilities	47,478	30,828	54,565	26,066	34,424	193,361	186,238
Educational programs	3,015	-	125,309	-	-	128,324	161,934
Travel and entertainment	42,868	36,556	12,664	11,557	22,494	126,139	131,107
Interest	125,192	-	-	-	-	125,192	112,248
Advertising	20,278	55,144	860	5,435	-	81,717	106,769
Other	1,790	25,627	1,751	8,651	151	37,970	48,799
Contribution	-	-	-	1,350	-	1,350	-
Bad debt	-	-	-	1,270	-	1,270	14,867
Total expenses	\$ 15,632,911	\$ 2,231,372	\$ 1,401,504	\$ 942,502	\$ 2,357,591	\$ 22,565,880	\$ 12,987,399

See Notes To Consolidated Financial Statements.

Civil War Trust And Affiliates

Consolidated Statement Of Cash Flows Year Ended December 31, 2013 (With Comparative Totals For 2012)

	2013	2012
Cash Flows From Operating Activities		
Change in net assets	\$ 3,726,003	\$ 12,103,061
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt expense	1,270	14,867
Deferred rent	20,616	38,967
Depreciation	207,896	178,997
Amortization	3,960	3,960
Donated land to Trust	(200,100)	(1,008,000)
Donated land from Trust	9,257,290	1,612,484
Loss on disposal of property and equipment	774,054	537,756
Unrealized (gain) loss on fair value of interest rate swap	(68,469)	18,130
Changes in assets and liabilities:		
(Increase) decrease in:		
Grant receivable	324,000	(654,425)
Promises to give	181,738	(329,427)
Prepaid expenses and other	(28,073)	(7,489)
Increase (decrease) in:		
Accounts payable and accrued expenses	(15,718)	(156,951)
Deferred revenue	32,780	10,810
Deferred compensation payable	60,000	60,000
Net cash provided by operating activities	14,277,247	12,422,740
Cash Flows From Investing Activities		
Acquisition of restricted land and easements	(11,653,260)	(12,187,733)
Purchases of property and equipment	(2,101,266)	(2,333,698)
Proceeds from sale of land and easements	2,708,317	2,811,907
Land deposits	(126,510)	(99,144)
Purchase of deferred compensation investments	(60,000)	(60,000)
Additions to restricted cash	(359,251)	(208,096)
Withdrawals from restricted cash for land acquisitions	1,044,500	4,551,440
Repayments of restricted cash	(1,272,228)	(3,271,677)
Net cash used in investing activities	(11,819,698)	(10,797,001)
Cash Flows From Financing Activities		
Repayment on line of credit	-	(391,000)
Principal payment on long-term debt	(450,000)	(1,175,000)
Net cash used in financing activities	(450,000)	(1,566,000)
Net increase in cash and cash equivalents	2,007,549	59,739
Cash And Cash Equivalents:		
Beginning	7,062,756	7,003,017
Ending	\$ 9,070,305	\$ 7,062,756
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 126,178	\$ 113,229

See Notes To Consolidated Financial Statements.

Civil War Trust And Affiliates

Notes To Consolidated Financial Statements

Note 1. Nature Of Activities And Significant Accounting Policies

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

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

Programs – The programs of CWT consist of the following:

Preservation – The Preservation program represents the personnel available to continue CWT'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.

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

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

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

AFBP is an international 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 CWT in the exercise and enforcement of CWT's legal rights and duties, including but not limited to the protection and preservation of all historic property owned by CWT. It also assists in the enforcement of easement rights granted to CWT 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 CWT's contractual rights and court decrees or judgments in favor of CWT or any other charitable, historic or public entity charged with the preservation of historical property related to the United States Civil War.

Civil War 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 CWT, AFBP, and EBDF. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

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

Basis of presentation: The consolidated financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) regarding financial statements of not-for-profit organizations. Under these requirements, the Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

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

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the Trust's actions. The Trust held no permanently restricted net assets at December 31, 2013.

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 net of a present value discount of \$3,303, which is based their estimated future cash flows. The Trust uses the allowance method to determine contributions and promises to give receivables. The allowance is based on prior years' experience and management's analysis of specific promises made. The allowance as of December 31, 2013, was \$16,138.

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, 2013, was \$128,274.

Civil War Trust And Affiliates

Notes To Consolidated Financial Statements

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

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 \$352,090 in fixed income mutual funds and \$23,201 in money market funds at December 31, 2013.

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 \$56,394,710 of land and \$17,134,690 of donated land and easements at December 31, 2013.

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 Accounting Standard Codification (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, 2013.

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.

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 support, depending on the existence and/or nature of any donor restrictions. However, if a temporarily restricted contribution's restriction is fulfilled in the same time period in which the contribution is received, the Trust reports the support as unrestricted. Contributions from the board of directors were \$1,806,962 during the year ended December 31, 2013.

Civil War Trust And Affiliates

Notes To Consolidated Financial Statements

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

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

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

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

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

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

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: CWT 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, CWT 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 CWT, AFBP, nor EBDF had net unrelated business income for the year ended December 31, 2013.

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, CWT, 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% 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 CWT, 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, CWT, AFBP, and EBDF are no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities before 2010.

Civil War 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 expenses, 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 consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the 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 consolidated financial statements for the year ended December 31, 2012, from which the summarized information was derived.

Reclassifications: Certain items in the December 31, 2012, summarized comparative information have been reclassified to comply with the current year presentation. These reclassifications had no effect on the previously reported net assets or change in net assets.

Upcoming accounting pronouncement: In April 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*. This ASU requires a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. However, if measuring a service received from personnel of an affiliate at cost will significantly overstate or understate the value of the service received, the recipient not-for-profit entity may elect to recognize that service received at either (1) the cost recognized by the affiliate for the personnel providing that service or (2) the fair value of that service. This ASU is effective prospectively for fiscal years beginning after June 15, 2014, and interim and annual periods thereafter.

Subsequent events: The Trust evaluated subsequent events through March 24, 2014, which is the date the consolidated financial statements were available to be issued.

Civil War Trust And Affiliates

Notes To Consolidated Financial Statements

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, 2013:

Cash restricted for land acquisition, beginning	\$ 1,397,503
Expenditures for acquisitions	(1,044,500)
Transfers from undesignated cash	1,272,228
Contributions	354,960
Interest income	4,291
Cash restricted for land acquisition, ending	<u>\$ 1,984,482</u>

Note 3. Land Deposits

The Trust has made cash deposits to purchase land on the following properties at December 31, 2013:

Property	Acres	Committed Purchase Price	Deposit
Appomattox Court House – Godsey	3.7	\$ 132,000	\$ 5,048
Bentonville – Denning	5.4	31,000	4,158
Bentonville, NC – Westbrook	13.4	50,000	5,158
Cold Harbor, VA – Foss	6.1	275,000	3,250
Gettysburg, PA – Gettysburg Municipal Auth.	1.0	80,000	11,094
Gettysburg, PA – Nett	10.5	175,000	9,392
Gettysburg, PA – Howard	1.8	1,400,000	54,750
Glendale, VA – Woods	20.5	164,000	4,200
Glorietta Pass – Sanchez	19.9	72,000	11,382
Harpers Ferry, WV – Drumheller	0.6	315,000	5,000
Mansfield, LA – Amsouth Timber Fund	272.9	627,900	13,957
Mill Springs, KY – O'Laughlin–Plucknett	102.6	714,000	6,000
North Anna, VA – McKinney/Jericho Mills	611.8	3,040,000	25,000
Petersburg, VA – Mignogna	2.5	200,000	8,232
Reams Station, VA – Baird	1.0	80,000	31,079
South Mountain, MD – Pappalardo	45.0	450,000	17,819
South Mountain, MD – Pappalardo	4.3	325,000	13,844
Vicksburg, MS – Mary Harris	5.0	435,000	5,890
		<u>\$ 8,565,900</u>	235,253
Cash deposits on uncommitted property			<u>249,696</u>
			<u>\$ 484,949</u>

Civil War Trust And Affiliates

Notes To Consolidated Financial Statements

Note 4. Property And Equipment

Property and equipment and accumulated depreciation at December 31, 2013, and depreciation expense for the year ended December 31, 2013, are as follows:

	Estimated Useful Lives	Cost	Accumulated Depreciation	Net	Depreciation
Land and building improvements	15 – 39 years	\$ 485,125	\$ 245,421	\$ 239,704	\$ 39,716
Equipment	5 – 7 years	354,205	75,319	278,886	24,762
Buildings	40 years	4,723,660	278,868	4,444,792	143,418
		<u>\$ 5,562,990</u>	<u>\$ 599,608</u>	<u>\$ 4,963,382</u>	<u>\$ 207,896</u>

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

Note 5. Line Of Credit

EBDF had a line of credit agreement with a bank for \$1,000,000, which expired on February 22, 2014. There were no advances or repayments on the line of credit during 2013. There was no outstanding balance on the line at December 31, 2013, and no interest expense incurred during the year ended December 31, 2013.

Note 6. Long-Term Debt

Long-term debt as of December 31, 2013, consists of the following:

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

In April 2010, the Trust entered into a bank qualified loan agreement with a bank to refinance the Series 2007 revenue bonds and to replace the outstanding letter of credit. The total remaining principal balance of \$5,400,000 was refinanced through Series 2010 revenue refunding bonds issued by the Economic Development Authority of Spotsylvania County, Virginia. The new bonds accrue interest at a variable interest rate calculated as 67% of the sum of the London InterBank Offered Rate (LIBOR) plus 200 basis points. The bond is due on April 1, 2027, and is collateralized by various battlefield land parcels held by CWT.

The variable portion of the bond's interest rate on December 31, 2013, was 1.45%. The Trust is required to maintain certain financial and non-financial covenants. The bonds shall mature and be subject to prior redemption or the terms and conditions set forth in the indenture agreement. The bonds are subject to mandatory tender for purchase by the owner on April 1, 2018.

Note 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 was to be paid in three installments of \$250,000, commencing December 2011 and was set to mature in January 2014. Interest was 6.0% and was paid annually. The outstanding balance was paid in full during the year ended December 31, 2013.

Interest expense related to the bond and note payable was \$125,192 for the year ended December 31, 2013.

Civil War Trust And Affiliates

Notes To Consolidated Financial Statements

Note 6. Long-Term Debt (Continued)

Maturities of long-term debt at December 31, 2013, are due in future years as follows:

Years Ending December 31,	
2014	\$ 300,000
2015	300,000
2016	300,000
2017	300,000
2018	300,000
2019 – 2027	3,300,000
	<u>\$ 4,800,000</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, 2013, the Trust had an outstanding interest swap agreement with a commercial bank, with a notional principal amount of \$2,400,000. This agreement effectively changes the interest rate exposure on \$2,400,000 of its remaining outstanding \$4,800,000 of bonds at a variable rate of 67% of LIBOR to a fixed rate of 1.94%. The interest rate swap agreement maturity is June 1, 2018. For the year ended December 31, 2013, the Trust recognized a gain of \$68,469 as a result of this hedging agreement.

Civil War Trust And Affiliates

Notes To Consolidated Financial Statements

Note 8. Temporarily Restricted Net Assets

Changes in temporarily restricted net assets during the year ended December 31, 2013, consist of the following:

	Balance December 31, 2012	Additions	Releases	Balance December 31, 2013
Gettysburg	\$ 1,003,640	\$ 1,100,610	\$ (265,000)	\$ 1,839,250
5th NY Zouaves	500,000	-	-	500,000
HTR	390,000	-	-	390,000
Capital Campaign	246,878	21,794	-	268,672
Champion Hill	200,000	-	-	200,000
Gettysburg Cemetery Hill GMA	-	131,000	-	131,000
Edgewater Foundation Virginia	-	115,000	-	115,000
Port Republic	50,000	-	-	50,000
Atlanta Battle App	-	50,000	-	50,000
Education	60,000	20,000	(60,000)	20,000
Mega 7 Battlefields	-	14,000	-	14,000
Teacher Institute	12,000	12,500	(12,000)	12,500
Wilderness	10,000	-	-	10,000
Richmond area	-	10,000	-	10,000
Cold Harbor	-	8,000	-	8,000
Champion Hill	5,000	-	-	5,000
Miscellaneous tracts	8,525	1,276	(7,800)	2,001
Antietam	30,000	-	(30,000)	-
Harpers Ferry	5,000	-	(5,000)	-
Vicksburg Battle App	16,587	-	(16,587)	-
Petersburg	32,000	-	(32,000)	-
2nd Manassas	15,500	-	(15,500)	-
Glendale	10,000	-	(10,000)	-
Chancellorsville	12,000	-	(12,000)	-
Vicksburg, MS	9,000	-	(9,000)	-
Programs – purpose restricted	2,616,130	1,484,180	(474,887)	3,625,423
Preserved Battlefield Land	72,639,980	11,853,360	(10,963,940)	73,529,400
	<u>\$ 75,256,110</u>	<u>\$ 13,337,540</u>	<u>\$ (11,438,827)</u>	<u>\$ 77,154,823</u>

Civil War Trust And Affiliates

Notes To Consolidated Financial Statements

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 March 2020. The lease provided for free rent during a portion of the initial year of the term 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 under a non-cancelable lease agreement, expiring on July 31, 2021. The lease has escalating payments with rent expense recognized on a straight-line basis over the term of the lease.

The difference between the expense and the cash payments for both leases of \$250,064 through December 31, 2013, is reported as deferred rent in the accompanying consolidated financial statements.

Rent expense for all office space was \$551,457 for the year ended December 31, 2013.

Future minimum lease payments required under all non-cancelable office leases at December 31, 2013, are as follows:

Years Ending December 31,		
2014	\$	540,978
2015		556,002
2016		572,200
2017		591,131
2018		563,197
2019 – 2021		863,310
	\$	<u>3,686,818</u>

Note 10. Grant Expense

The Trust supports other organizations with the same purpose as that of the Trust. Grants are recognized when made unconditionally to the grantee and notification has taken place. Grants awarded for the year ended December 31, 2013, totaled \$3,795,062.

Note 11. Retirement Plan

The Trust sponsors a defined contribution retirement plan covering all employees meeting certain eligibility requirements under Internal Revenue Code Section 403(b). The Trust's annual discretionary contribution to the plan for the year ended December 31, 2013, was \$113,857.

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 for involuntary termination equal to a minimum of one year's salary and existing benefits, based upon the employee's salary at the date of the termination or at the end of the contract. Under the contract, the Trust is obligated to contribute \$43,500 annually to a deferred compensation plan for the officer. A second deferred compensation plan was established during 2011 for the same officer, where the Trust shall credit the maximum allowable amount per law and shall become fully vested immediately. The deferred compensation plan balances are recorded as investments and a corresponding payable on the consolidated balance sheet.

Civil War Trust And Affiliates

Notes To Consolidated Financial Statements

Note 12. Commitments And Contingencies (Continued)

Contribution: Under the terms of a court-approved agreement in 1998, each year the HTR Foundation, Inc. (the Foundation) is to “make its ‘distributable income’ available to” the Trust under that agreement’s grant protocol, for uses described in the agreement. During 2008, the Trust received a partial contribution in the amount of \$390,000, but a dispute then arose between the Foundation and the Trust over interpretation of the 1998 agreement. The Trust filed a lawsuit to require the Foundation to make its annual payments (and for other relief, including declaratory relief, damages in excess of \$15,000, and an award of fees and costs); the Foundation filed a counterclaim alleging that the Trust had failed to comply with the 1998 agreement (and the Foundation sought to be relieved of its duties under the agreement, declaratory relief, the return of the \$390,000, damages exceeding \$15,000, an award of fees and costs, and other relief). Pending resolution of the litigation, the Trust classified the \$390,000 contribution received in 2008 as temporarily restricted net assets. After the litigation commenced in 2008, the Foundation made no further contributions to the Trust and did not otherwise make funds “available” to the Trust under the agreement’s grant protocol. The legal claims of the Trust and the Foundation were tried before a judge in January 2012, and a Verdict issued in May 2012, providing the court’s interpretation of the 1998 agreement. The judge also found that neither party had materially breached the agreement. In the Verdict, the judge urged the parties to undertake mediation to resolve the litigation; mediation was undertaken but reached an impasse. After the Verdict was entered, all parties filed motions seeking “prevailing party” attorneys’ fee claims; the Court has not addressed those motions. No final judgment has been entered and the lawsuit and counterclaim remain under the jurisdiction of the trial court. Until the litigation is settled, or until the court enters final judgment and addresses the parties’ attorneys’ fee claims, and until any rights to appeal are exhausted, the potential effects of the litigation on the Trust’s consolidated financial statements cannot be determined.

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. The types of investments included in Level 1 include listed equities and mutual funds.

Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; and fair value is determined through the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds, government obligations and over-the-counter derivatives. A significant adjustment to a Level 2 input could result in a reclassification to a Level 3 measurement.

Level 3 – Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

Civil War Trust And Affiliates

Notes To Consolidated Financial Statements

Note 13. Fair Value Measurements (Continued)

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

Investments in mutual funds traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts is based upon exchange settlement prices. These financial instruments are classified as Level 1 in the fair value hierarchy.

The deferred compensation liability is based on the fair market value of the deferred compensation plan assets that are observable inputs, but the liability is not publicly traded, and is therefore considered a Level 2 item.

The Trust's interest rate swap is observable at commonly quoted intervals for the full term of the swap and, therefore, is considered a Level 2 item. For the interest rate swaps in an asset position, the credit standing of the counter party is analyzed and factored into the fair value measurement of the asset. The fair value measurement of a liability must reflect the nonperformance risk of the entity. Therefore, the impact of the Trust's credit worthiness has also been factored into the fair value measurement for the interest rate swap in a liability position.

The following table presents the Trust's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2013:

	Total	Level 1	Level 2	Level 3
Assets:				
Deferred compensation investments:				
Fixed income mutual fund:				
Intermediate term-bond	\$ 352,090	\$ 352,090	\$ -	\$ -
	<u>\$ 352,090</u>	<u>\$ 352,090</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities:				
Deferred compensation liability	\$ 375,291	\$ -	\$ 375,291	\$ -
Interest rate swap liability	97,856	-	97,856	-
	<u>\$ 473,147</u>	<u>\$ -</u>	<u>\$ 473,147</u>	<u>\$ -</u>

Money market funds totaling \$23,201 at December 31, 2013, are not included in the above table, because they are recorded at cost.

Note 14. Subsequent Event

On January 28, 2014, CWT paid a deposit of \$1,000,000 for a battlefield site to be purchased in 2015. The deposit may be forfeited upon cancellation of the purchase agreement.