

Gettysburg Foundation
Financial Statements
September 30, 2019 and 2018



Gettysburg Foundation

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September 30, 2019 and 2018

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Independent Auditor's Report

To the Board of Directors
Gettysburg Foundation
Gettysburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Gettysburg Foundation, which comprise the statement of financial position as of September 30, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses - by natural classification, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gettysburg Foundation as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

RKL LLP

December 13, 2019
York, Pennsylvania

Gettysburg Foundation

Statement of Financial Position

	September 30,	
	2019	2018
Assets		
Assets		
Cash and cash equivalents	\$ 3,977,090	\$ 3,587,412
Investments	4,773,598	3,952,267
Investments held in trust	6,374,435	6,103,097
Accounts receivable	273,993	328,474
Inventory	39,653	39,549
Prepaid expenses	365,699	438,171
Promises to give, net	1,150,725	1,669,950
Collections	10,125,493	10,125,493
Property and equipment, net	73,360,484	74,834,313
Total Assets	\$ 100,441,170	\$ 101,078,726
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 845,221	\$ 545,502
Accounts payable to National Park Service	1,295,679	1,823,290
Accrued payroll and benefits	339,688	271,100
Deferred income	305,328	244,432
Notes payable	456,479	503,037
Museum land lease liability	34,226	38,048
Deferred service contract revenue	1,057,292	1,182,292
Bonds payable	9,495,000	10,190,000
Interest rate swap liability	1,141,709	805,507
Split-interest annuity liability	202,346	214,622
Total Liabilities	15,172,968	15,817,830
Net Assets		
Without donor restrictions	70,011,072	70,402,683
With donor restrictions	15,257,130	14,858,213
Total Net Assets	85,268,202	85,260,896
Total Liabilities and Net Assets	\$ 100,441,170	\$ 101,078,726

Gettysburg Foundation

Statement of Activities and Changes in Net Assets

	Year Ended September 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Ticket income	\$ 5,362,414	\$ -	\$ 5,362,414
Tour income	2,948,593	-	2,948,593
Contributions	978,701	1,636,120	2,614,821
Commission income	2,232,035	-	2,232,035
Membership dues income	902,364	-	902,364
Event income	570,473	-	570,473
Sales revenue	92,683	254	92,937
In-kind contributions	69,430	-	69,430
Other income	17,673	-	17,673
Interest income	11,720	-	11,720
Rental income	2,825	-	2,825
Total Support and Revenue	13,188,911	1,636,374	14,825,285
Net Assets Released from Restrictions	1,235,400	(1,235,400)	-
Total Support and Revenue and Net Assets Released	14,424,311	400,974	14,825,285
Expenses			
Program services			
Museum and Visitor Center operations	9,864,917	-	9,864,917
National Park Service and interpretive and office facilities	1,410,072	-	1,410,072
Other programs	1,019,568	-	1,019,568
Total Program Services	12,294,557	-	12,294,557
Supporting services			
Management and general	950,700	-	950,700
Fundraising	1,592,425	-	1,592,425
Total Supporting Services	2,543,125	-	2,543,125
Total Expenses	14,837,682	-	14,837,682
Excess (Deficiency) of Support and Revenue over Expenses	(413,371)	400,974	(12,397)
Return on Investments, Net	357,962	7,780	365,742
Change in Value of Split-Interest Annuity Liability	-	(9,837)	(9,837)
Change in Fair Value of Interest Rate Swap	(336,202)	-	(336,202)
Changes in Net Assets	(391,611)	398,917	7,306
Net Assets at September 30, 2018	70,402,683	14,858,213	85,260,896
Net Assets at September 30, 2019	\$ 70,011,072	\$ 15,257,130	\$ 85,268,202

See accompanying notes.

Gettysburg Foundation

Statement of Activities and Changes in Net Assets (continued)

	Year Ended September 30, 2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Ticket income	\$ 5,480,863	\$ -	\$ 5,480,863
Tour income	3,061,983	-	3,061,983
Contributions	638,329	617,528	1,255,857
Commission income	2,285,564	-	2,285,564
Membership dues income	915,909	-	915,909
Event income	528,903	-	528,903
Sales revenue	94,028	261	94,289
In-kind contributions	485,333	-	485,333
Other income	6,598	-	6,598
Interest income	-	-	-
Rental income	7,725	-	7,725
	<u>13,505,235</u>	<u>617,789</u>	<u>14,123,024</u>
Total Support and Revenue			
	13,505,235	617,789	14,123,024
Net Assets Released from Restrictions	<u>605,767</u>	<u>(605,767)</u>	<u>-</u>
Total Support and Revenue and Net Assets Released	<u>14,111,002</u>	<u>12,022</u>	<u>14,123,024</u>
Expenses			
Program services			
Museum and Visitor Center operations	10,097,558	-	10,097,558
National Park Service and interpretive and office facilities	1,692,216	-	1,692,216
Other programs	721,996	-	721,996
	<u>12,511,770</u>	<u>-</u>	<u>12,511,770</u>
Total Program Services			
	12,511,770	-	12,511,770
Supporting services			
Management and general	847,600	-	847,600
Fundraising	1,593,176	-	1,593,176
	<u>2,440,776</u>	<u>-</u>	<u>2,440,776</u>
Total Supporting Services			
	2,440,776	-	2,440,776
Total Expenses	<u>14,952,546</u>	<u>-</u>	<u>14,952,546</u>
Excess (Deficiency) of Support and Revenue over Expenses	(841,544)	12,022	(829,522)
Return on Investments, Net	252,407	25,890	278,297
Change in Value of Split-Interest Annuity Liability	-	(9,418)	(9,418)
Change in Fair Value of Interest Rate Swap	501,353	-	501,353
	<u>501,353</u>	<u>-</u>	<u>501,353</u>
Changes in Net Assets	(87,784)	28,494	(59,290)
Net Assets at September 30, 2017	<u>70,490,467</u>	<u>14,829,719</u>	<u>85,320,186</u>
Net Assets at September 30, 2018	<u>\$ 70,402,683</u>	<u>\$ 14,858,213</u>	<u>\$ 85,260,896</u>

See accompanying notes.

Gettysburg Foundation

Statement of Functional Expenses - by Natural Classification

	Year Ended September 30, 2019					
	Program Services			Supporting Services		
	Museum and Visitor Center Operations	National Park Service and Interpretive and Office Facilities	Other Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 1,845,814	\$ 233,586	\$ 262,838	\$ 499,871	\$ 764,296	\$ 3,606,405
Employee benefits and payroll tax	434,740	43,611	64,894	209,992	137,356	890,593
Professional fees	99,037	2,128	92,407	47,507	48,795	289,874
Advertising and promotion	99,190	-	-	-	19,297	118,487
Telecommunications and postage	19,204	2,883	13,903	4,327	91,150	131,467
Travel, meals, and entertainment	21,878	694	113,034	30,869	44,613	211,088
Printing	22,319	13	34,070	1	143,295	199,698
Supplies	161,485	35,281	52,616	21,366	50,997	321,745
Repairs and maintenance	374,593	87,064	27,382	6,705	7,237	502,981
Museum exhibits and artifacts	8,269	76,529	-	-	-	84,798
Trash and janitorial	22,074	36,091	1,651	139	4,253	64,208
Information technology	406,490	39,440	21,532	50,132	52,790	570,384
Dues, subscriptions, and professional development	23,886	434	2,685	6,338	8,351	41,694
Rent expense	1,524	-	2,640	9,359	9,359	22,882
Real estate taxes	60,626	-	2,756	-	-	63,382
Utilities	248,934	57,061	8,342	4,389	10,644	329,370
Insurance	68,711	10,345	7,686	14,549	21,832	123,123
Bank and credit card processing fees	158,019	-	-	-	16,184	174,203
Amusement taxes	164,676	-	150	-	-	164,826
Cost of sales and bus rentals	1,149,213	-	132,165	-	5,053	1,286,431
Guide and speaker fees	1,459,053	-	39,284	515	6,798	1,505,650
Registration and filing fees	-	-	-	-	7,525	7,525
Membership expenses	-	-	5,653	-	70,141	75,794
Donations to National Park Service for David Wills House	-	8,520	-	-	-	8,520
Donations to Gettysburg National Military Park and National Park Service	-	172,364	-	600	-	172,964
Donation of artifacts, property and preservation project funding to National Park Service	-	19,786	-	-	-	19,786
Depreciation	2,497,780	584,242	129,533	44,041	17,286	3,272,882
Interest expense	517,402	-	4,347	-	17,388	539,137
Bad debt expense	-	-	-	-	37,785	37,785
	\$ 9,864,917	\$ 1,410,072	\$ 1,019,568	\$ 950,700	\$ 1,592,425	\$ 14,837,682

See accompanying notes.

Gettysburg Foundation

Statement of Functional Expenses - by Natural Classification (continued)

	Year Ended September 30, 2018					
	Program Services			Supporting Services		
	Museum and Visitor Center Operations	National Park Service and Interpretive and Office Facilities	Other Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 1,894,664	\$ 233,679	\$ 228,566	\$ 460,154	\$ 815,726	\$ 3,632,789
Employee benefits and payroll tax	455,369	40,347	54,879	195,304	179,324	925,223
Professional fees	61,285	2,295	11,538	32,682	26,094	133,894
Advertising and promotion	243,740	-	499	-	3,421	247,660
Telecommunications and postage	30,214	3,184	12,844	3,677	91,465	141,384
Travel, meals, and entertainment	33,729	926	77,813	28,885	42,255	183,608
Printing	28,521	-	17,433	3,258	113,386	162,598
Supplies	204,429	59,302	22,700	29,483	44,581	360,495
Repairs and maintenance	315,773	127,634	9,824	5,828	10,182	469,241
Museum exhibits and artifacts	2,522	6,758	-	-	-	9,280
Trash and janitorial	21,773	32,337	1,500	169	2,790	58,569
Information technology	341,744	36,391	19,703	27,593	81,738	507,169
Dues, subscriptions, and professional development	27,449	1,007	2,459	8,073	12,006	50,994
Rent expense	670	-	2,640	9,155	9,155	21,620
Real estate taxes	60,622	-	1,732	-	1,006	63,360
Utilities	252,751	57,936	8,453	4,457	11,534	335,131
Insurance	63,548	9,183	6,273	12,569	21,889	113,462
Bank and credit card processing fees	163,238	-	-	35	18,537	181,810
Amusement taxes	177,345	-	41	-	-	177,386
Cost of sales and bus rentals	1,230,961	-	160,416	-	3,250	1,394,627
Guide and speaker fees	1,485,884	-	23,485	1,232	4,098	1,514,699
Registration and filing fees	-	-	-	-	7,408	7,408
Membership expenses	-	-	705	-	61,880	62,585
Donations to National Park Service for David Wills House	-	(10,658)	-	-	-	(10,658)
Donations to Gettysburg National Military Park and National Park Service	-	485,454	-	200	-	485,654
Donation of artifacts, property and preservation project funding to National Park Service	-	52,277	-	-	-	52,277
Depreciation	2,443,009	554,164	49,662	41,728	18,205	3,106,768
Interest expense	551,894	-	8,831	-	13,246	573,971
Bad debt expense (recovery)	6,424	-	-	(16,882)	-	(10,458)
	<u>\$ 10,097,558</u>	<u>\$ 1,692,216</u>	<u>\$ 721,996</u>	<u>\$ 847,600</u>	<u>\$ 1,593,176</u>	<u>\$ 14,952,546</u>

See accompanying notes.

Gettysburg Foundation

Statement of Cash Flows

	Years Ended September 30,	
	2019	2018
Cash Flows from Operating Activities		
Changes in net assets	\$ 7,306	\$ (59,290)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	3,272,882	3,106,768
Change in unamortized discount - promises to give	(55,100)	(6,500)
Unrealized and realized gains on investments	(197,234)	(80,981)
In-kind contributions - donated securities	(14,510)	(35,333)
In-kind contributions - donated collections	-	(450,000)
Change in fair value of interest rate swap liability	336,202	(501,353)
Restricted contributions - property and equipment	(1,223,060)	(1,200)
Restricted contributions - endowment	(35,484)	(120,787)
Proceeds from sale of donated securities	29,709	59,782
(Increase) decrease in assets		
Accounts receivable	54,481	(56,224)
Inventory	(104)	5,146
Prepaid expenses	72,472	23,332
Promises to give	51,310	379,387
Increase (decrease) in liabilities		
Accounts payable	4,184	(115,926)
Accounts payable to National Park Service	(527,611)	348,756
Accrued payroll and benefits	68,588	6,363
Deferred income	60,896	35,072
Deferred service contract revenue	(125,000)	(125,000)
Split-interest annuity liability	(12,276)	(12,579)
Net Cash Provided by Operating Activities	1,767,651	2,399,433
Cash Flows from Investing Activities		
Capital expenditures	(1,503,518)	(1,918,722)
Purchase of investments	(3,390,689)	(10,666,998)
Proceeds from sale of investments	2,495,254	11,096,624
Net Cash Used in Investing Activities	(2,398,953)	(1,489,096)

Gettysburg Foundation

Statement of Cash Flows (continued)

	Years Ended September 30,	
	2019	2018
Cash Flows from Financing Activities		
Principal repayments of notes payable	\$ (46,558)	\$ (44,555)
Payments on museum land lease liability	(3,822)	(3,599)
Principal repayments of bonds payable	(695,000)	(655,000)
Restricted contributions - property and equipment	1,725,876	103,331
Restricted contributions - endowment	40,484	120,787
	<u>1,020,980</u>	<u>(479,036)</u>
Net Cash Provided by (Used in) Financing Activities		
	<u>1,020,980</u>	<u>(479,036)</u>
Net Increase in Cash and Cash Equivalents	389,678	431,301
Cash and Cash Equivalents at Beginning of Year	3,587,412	3,156,111
Cash and Cash Equivalents at End of Year	\$ 3,977,090	\$ 3,587,412
Supplementary Cash Flows Information		
Interest paid	<u>\$ 524,247</u>	<u>\$ 564,983</u>

Supplementary Schedule of Noncash Investing and Financing Activities

In 2019

Accounts payable includes \$535,703 of property and equipment.

Investments of \$15,199 were received as payment on promises to give.

In 2018

Accounts payable includes \$240,168 of property and equipment.

Investments of \$24,449 were received as payment on promises to give.

Gettysburg Foundation

Notes to Financial Statements

September 30, 2019 and 2018

Note 1 - Nature of Operations

Gettysburg Foundation (a Pennsylvania nonprofit corporation) was established May 8, 1998 for the following purposes: preservation of the historic importance of Gettysburg National Military Park (GNMP), education of the public concerning historic events which took place in Gettysburg, Pennsylvania, and/or relate to the United States Civil War, ownership, operation, and leasing of real property, including a Museum and Visitor Center for GNMP, and such other business as may be conducted by a nonprofit corporation organized and existing under the laws of the Commonwealth of Pennsylvania.

The General Agreement between the National Park Service (NPS) and Gettysburg Foundation, dated November 7, 2002, provides that Gettysburg Foundation will operate as a nonprofit organization for the benefit of the GNMP. According to the agreement, operational funding is intended to provide sufficient revenue to fully fund program costs, including debt service, and to allow for ongoing programmatic upgrades. Revenues in excess of operating expenses will be reinvested in the facilities and programs or donated to GNMP and to the NPS in the form of annual contributions based on the agreement.

The General Agreement contains certain conditions under which Gettysburg Foundation is to convey to the NPS fee simple, clear title to all real property, improvements and appurtenances on September 30, 2028, twenty years after the Museum and Visitor Center was constructed. An Amendment to the General Agreement was entered into on November 28, 2006, in order to remain in compliance with the Internal Revenue Service regulations concerning the portion of the Museum and Visitor Center financed with tax exempt bonds (the Bond Financed Facility). After the tax exempt bonds are repaid on December 1, 2027, Gettysburg Foundation will apply to the IRS for a ruling regarding when the Bond Financed Facility can be conveyed to the NPS. If there is no response from the IRS, Gettysburg Foundation may obtain an opinion from qualified bond counsel regarding when the Bond Financed Facility can be conveyed to the NPS. Therefore, the date of the conveyance will be determined after the tax exempt bonds have been repaid in consultation with legal and tax counsel to remain in compliance with IRS regulations.

Gettysburg Foundation receives a substantial portion of its support and revenue from the Museum and Visitor Center revenues and contributions.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, 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.

Gettysburg Foundation

Notes to Financial Statements

September 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, Gettysburg Foundation considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. Gettysburg Foundation had no cash equivalents at September 30, 2019 and 2018.

Concentration of Cash

At times during the years ended September 30, 2019 and 2018, Gettysburg Foundation's cash balances may have exceeded the federally insured limit of \$250,000.

Investments

Investments in debt and equity securities with readily determinable fair values are reported at fair value. Unrealized gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Realized gains and losses, if any, on the sale or disposal of investments are computed on a specific identification basis and are also included as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Investments held in trust include assets designated for future capital improvements and investments and assets held by the bond trustee under a trust indenture. The terms of a letter of credit agreement supporting the bonds payable require funds to be deposited for long-term investments and for a repair and replacement reserve.

Accounts Receivable

Accounts receivable are stated at outstanding balances. Gettysburg Foundation considers accounts receivable to be fully collectible. If collection becomes doubtful, an allowance for doubtful accounts will be established, or the accounts will be charged to income when that determination is made by management. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously charged off accounts are recorded when received.

Inventory

All inventories are stated at the lower of cost or fair market value.

Note 2 - Summary of Significant Accounting Policies (continued)**Promises to Give**

Promises to give are stated at outstanding balances, less an allowance for doubtful accounts. The allowance for doubtful accounts is established through provisions charged against income. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivables, adverse situations that may affect a donor's ability to pay, current economic conditions, and other relevant factors. This evaluation is inherently subjective as it requires estimates that may be susceptible to significant change. Unpaid balances remaining after the stated payment terms are considered past due. Promises to give that are expected to be received in more than one year are discounted to present value using a risk-adjusted rate of return.

Collections

Gettysburg Foundation's collections are made up of artifacts and art objects of historical significance. Accessions of these collection items are capitalized at cost if the items were purchased, or at their appraised or fair value on the accession date (the date on which the item is accepted by Gettysburg Foundation), if the items were contributed. Gains and losses from deaccessions of these items are reflected on the statement of activities and changes in net assets as changes in net assets without donor restrictions.

Property and Equipment

Property and equipment are carried at cost or at estimated market value (if contributed), less accumulated depreciation. Items purchased or contributed with a fair market value of \$5,000 or more, are capitalized. Except for land, real estate of a historical nature and works of art including the Cyclorama painting, which are not depreciated, depreciation is computed on a straight-line basis over the estimated average useful lives of the assets as follows: furniture and equipment, three to seven years; land improvements, fifteen years; building, ten to forty years; and exhibits, twenty years. Land, cyclorama painting restoration, scenic easements, and historical buildings are not depreciated. Construction-in-progress is not depreciated until the assets are placed in service.

The cost and related accumulated depreciation of property and equipment sold, retired, or otherwise disposed of are removed from the appropriate accounts, and any resulting gains or losses are reflected on the statement of activities and changes in net assets as changes in net assets without donor restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets

Long-lived assets, excluding collections of items of historical significance and historic sites, are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and discount rates reflecting varying degrees of perceived risk. The management of Gettysburg Foundation concluded that no impairment adjustments were required for these other assets during the years ended September 30, 2019 and 2018.

Derivatives and Hedging Activity

Gettysburg Foundation is a party to an interest rate swap agreement to hedge the exposure to changing rates with respect to certain variable rate debt. In accordance, the accounting standard on Accounting for Derivative Instruments and Hedging Activities, all derivatives, whether designated in hedging relationships or not, are required to be recorded on the statement of financial position at fair value. Gettysburg Foundation's interest rate swap is valued at fair value as determined by a third party. Change in fair value of the swap is recorded in the statement of activities and changes in net assets as a component of changes in net assets without donor restrictions. The interest rate swap exposes Gettysburg Foundation to credit risk if and to the extent the swap has a positive fair value. A positive fair value indicates that the counterparty owes Gettysburg Foundation money while a negative fair value indicates that Gettysburg Foundation owes the counterparty. Gettysburg Foundation manages this risk by dealing with high-quality counterparties.

Split-Interest Annuity Liability

Charitable gift annuities are funds received by Gettysburg Foundation on the condition that Gettysburg Foundation is required to pay stipulated amounts to a beneficiary during their lifetime. Contribution revenues are recognized at the date the agreements are established and a liability is recorded for the present value of the estimated future payments to be made to the beneficiary. Gettysburg Foundation uses the applicable federal rate at the time of gift as the basis for determining the discount rate for recording annuity obligations at net present value. The discount rates used by Gettysburg Foundation range from 1.4% to 4.2%. Adjustments to annuities payable are recorded as change in value of split-interest annuity liability in the statement of activities and changes in net assets as a component of changes in net assets with donor restrictions.

Net Assets

Net assets of Gettysburg Foundation and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of Gettysburg Foundation and/or the passage of time or must be maintained permanently by Gettysburg Foundation.

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as increases in net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Gettysburg Foundation reports the support as support without donor restrictions.

Functional Expense Classifications - by Natural Classification

The cost of providing Gettysburg Foundation's various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses require allocation on a reasonable basis that is consistently applied. Facility costs, including salaries and benefits, are generally allocated based on the square footage of the Museum and Visitor Center and by specific identification for other costs. Supporting services consist of management and general expenses and fundraising expenses. Program services are as follows:

Museum and Visitor Center Operations is comprised of expenses associated with operating the 139,000 square foot Museum and Visitor Center, including expenses for ticketing and reservations, visitor services, and operating costs for the museum, film, and Cyclorama painting. Also included in this category are expenses related to sales and ticketing for the Eisenhower National Historic Site, bus tour operations, and operating costs for the David Wills House, and the Gettysburg Lincoln Railroad Station. Attractions at the Museum and Visitor Center include:

The Gettysburg Museum of the American Civil War, which features 12 exhibit galleries featuring artifacts, interactive exhibits, and hands-on displays that engage visitors of all ages with content that places the Battle of Gettysburg into the larger context of American history, helping visitors understand its magnitude and relevance. Multiple film experiences throughout the museum tell the story of the causes of the Civil War.

The Film, *A New Birth of Freedom*, narrated by Morgan Freeman, introduces visitors to the Civil War and the Battle of Gettysburg, placing those monumental events into the larger context of American history to enable visitors to understand that what happened in the past is very relevant in the present day.

The Cyclorama painting is a massive, 360-degree "Battle of Gettysburg" painting-in-the-round that was first exhibited in 1884. Today, this painting has been restored and is exhibited the way the artist originally intended with the painting (measuring 377 feet around and 42 feet high), a canopy that removes the building's architectural features from sight, and a three-dimensional diorama which carries the painted scene into the foreground.

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Expense Classifications - by Natural Classification (continued)

NPS and interpretive and office facilities include all expenses associated with providing facilities for the interpretation, storage, research, and office space for the GNMP and the donations to GNMP and the NPS as required by the general agreement (see Note 1). Gettysburg Foundation also works closely with the GNMP and the NPS to preserve land, monuments, and artifacts and to rehabilitate the land, returning the ground as closely as possible to its 1863 appearance and includes costs associated with properties owned by the NPS as donations.

Other program expenses include expenses associated with the Ford Motor Company Education Center, *In the Footsteps of Leaders* leadership programs, Rupp House History Center, the George Spangler Farm education programs, and other educational and interpretive programs. Other program expenses also include expenses to rehabilitate and restore land not owned by GNMP but within the boundaries of the battlefield preservation area.

Management and general costs include the expenses associated with governance, executive management, finance, and human resources of Gettysburg Foundation.

Fundraising includes expenses associated with philanthropy, including membership and resource development.

Advertising and Promotion Costs

Gettysburg Foundation expenses advertising and promotion costs as incurred.

Change in Accounting Principle

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the financial reporting for not-for-profit entities. The standard improves requirements related to net asset classifications, liquidity assessment, expense reporting consistency, and methods used to present cash flow from operations. This guidance is effective for fiscal years beginning after December 15, 2017. Gettysburg Foundation implemented this standard during the year ended September 30, 2019. The ASU has been applied retrospectively to all periods presented, which had no effect on net asset restrictions.

Recent Accounting Pronouncements

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which provides a robust framework for addressing revenue recognition issues and, upon its effective date, replaces almost all existing revenue recognition guidance. This guidance is effective for annual reporting periods beginning after December 15, 2018.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The guidance is effective for fiscal years beginning after December 15, 2020.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions. The update provides a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance. For contributions received, this guidance is effective for annual periods beginning after December 15, 2018, or annual periods beginning after June 15, 2018 for public business entities. For contributions made, this guidance is effective for annual periods beginning after December 15, 2019, or annual periods beginning after December 15, 2018 for public business entities.

Gettysburg Foundation is currently evaluating the impact of the pending adoption of the new standards on the financial statements.

Note 3 - Tax Exempt Status

Gettysburg Foundation is a not-for-profit entity described in Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes on related activities pursuant to 509(a) of the Code. In addition, Gettysburg Foundation was organized under the Pennsylvania Nonprofit Corporation Law and is exempt from state income taxes. Accordingly, no provision for federal or state income taxes has been recorded in the financial statements.

Accounting principles generally accepted in the United States of America prescribe a recognition threshold and measurement attribute for financial statement measurement of the tax position taken or expected to be taken in a tax return and provides guidance related to classification and disclosure matters. Adjustments, if any, for uncertain tax positions would be recorded as a liability. Gettysburg Foundation would also recognize accruals for interest and penalties related to uncertain tax positions in its interest expense. Management evaluated the tax positions taken and concluded Gettysburg Foundation has taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Gettysburg Foundation files federal and various state income tax returns. With few exceptions Gettysburg Foundation is no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before September 30, 2016.

Gettysburg Foundation

Notes to Financial Statements

September 30, 2019 and 2018

Note 4 - Liquidity and Availability

Financial assets available for general expenditures, that is, without donor restrictions or other designations limiting their use, within one year of the date of the statement of financial position, comprise the following as of September 30:

	<u>2019</u>	<u>2018</u>
Financial Assets		
Cash and cash equivalents	\$ 3,977,090	\$ 3,587,412
Investments	4,773,598	3,952,267
Investments held in trust	6,374,435	6,103,097
Accounts receivable	273,993	328,474
Promises to give collectible in one year	767,551	478,382
	<u>16,166,667</u>	<u>14,449,632</u>
Less Amounts that are Internally Designated or Externally Restricted		
Investments held in trust	(6,374,435)	(6,103,097)
Donor-imposed restrictions		
Investments subject to donor restrictions	(4,261,405)	(3,343,263)
Promises to give collectible in one year subject to donor restrictions	(759,778)	(405,500)
	<u>(11,395,618)</u>	<u>(9,851,860)</u>
Total Amounts Not Available to be Used within One Year	<u>(11,395,618)</u>	<u>(9,851,860)</u>
Financial Assets Available to be Used within One Year	<u>\$ 4,771,049</u>	<u>\$ 4,597,772</u>

As part of Gettysburg Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

The endowment fund of Gettysburg Foundation is comprised of funds established by donors to be invested in perpetuity. The spending rate is the withdrawal rate from the endowment funds to fund specific expenditures consistent with specific endowment funds' objectives and is approved by the Board of Directors. The approved spending rate is up to 5% per annum, but a higher rate or special withdrawal can be authorized by the Board of Directors.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 5 - Promises to Give

Promises to give consist of the following as of September 30:

	<u>2019</u>	<u>2018</u>
Promises to give	\$ 1,247,225	\$ 1,784,550
Unamortized discount	(16,500)	(71,600)
Allowance for uncollectible promises to give	<u>(80,000)</u>	<u>(43,000)</u>
	<u>\$ 1,150,725</u>	<u>\$ 1,669,950</u>
Receivable in less than one year	\$ 767,551	\$ 478,382
Receivable in one to five years	366,707	1,135,036
Receivable in more than five years	<u>16,467</u>	<u>56,532</u>
	<u>\$ 1,150,725</u>	<u>\$ 1,669,950</u>

Due dates of promises to give, assuming no changes in current terms, consist of the following for the five years ending September 30 and thereafter:

2020	\$ 796,978
2021	352,747
2022	28,000
2023	28,000
2024	22,000
Thereafter	<u>19,500</u>
	<u>\$ 1,247,225</u>

Promises to give that were acquired during the years ended September 30, 2017 and prior, and are expected to be collected in more than one year, were discounted to present value using a risk-adjusted rate of return. Present value discount factors range from 2.22% to 3.13%. No long-term promises to give were received during the years ended September 30, 2019 and 2018.

At September 30, 2019 and 2018, five donors made up approximately 97% and 98% of promises to give, respectively.

Note 6 - In-kind Contributions

Contributed assets, including contributed equipment and materials, are reported in the accompanying financial statements at their fair market value as of the date the assets were received.

On December 27, 2017, a donor donated a war log from the Copse of Trees valued at \$450,000 to Gettysburg Foundation. This artifact is on display at the Museum and Visitor Center.

Gettysburg Foundation

Notes to Financial Statements

September 30, 2019 and 2018

Note 6 - In-kind Contributions (continued)

In-kind contributions meeting the requirements for recognition in the statement of activities consist of the following for the years ended September 30:

	<u>2019</u>	<u>2018</u>
Donated services	\$ 52,500	\$ -
Donated securities	14,510	35,333
Donated materials	2,420	-
Donated artifacts	-	450,000
	<u>\$ 69,430</u>	<u>\$ 485,333</u>

Gettysburg Foundation receives a substantial amount of services donated by individuals who assist with general activities, restorative work, and other services in support of Gettysburg Foundation and the NPS. No amounts have been reflected in the financial statements for these services for they do not meet the criteria for recognition under professional standards. For the years ended September 30, 2019 and 2018, Gettysburg Foundation had 579 and 378 volunteers, respectively, who donated approximately 8,000 and 7,800 hours of time, respectively, with an estimated value of \$203,491 and \$191,570, respectively.

Note 7 - Fair Value of Financial Instruments

Fair Value Measurements

The fair value hierarchy prioritizes the inputs to valuation methods used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 - Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly for substantially the full-term of the asset or liability.
- Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

An asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 7 - Fair Value of Financial Instruments (continued)

Fair Value Measurements (continued)

The following valuation techniques were used to measure fair value of assets and liabilities in the table on the following page on a recurring basis:

Cash and cash equivalents - The carrying amounts approximate fair value because of the short-term nature of those investments.

Mutual funds and U.S. Treasury bills and notes - Fair value of mutual funds and U.S. Treasury bills and notes was based on quoted market prices for the identical security.

Split-interest annuity - The split-interest annuity value represents principal and interest earned to date, which approximates fair market value.

Interest rate swap liability - Fair value of the interest rate swap is based on quoted market prices when available, or externally developed valuation models using forward looking assumptions of interest rates and the resulting effect on the underlying cash flows of the interest rate swap. Adjustments are not made for nonperformance risk on behalf of either party.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Gettysburg Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

For assets and liabilities measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy consist of the following as of September 30:

	2019			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 447,475	\$ 447,475	\$ -	\$ -
Mutual Funds				
Equity funds	4,008,995	4,008,995	-	-
Fixed income funds	1,474,529	1,474,529	-	-
U.S. Treasury Bills and Notes	5,190,745	5,190,745	-	-
Split-Interest Annuity	26,289	-	26,289	-
	<u>\$ 11,148,033</u>	<u>\$ 11,121,744</u>	<u>\$ 26,289</u>	<u>\$ -</u>
Interest Rate Swap Liability	<u>\$ 1,141,709</u>	<u>\$ -</u>	<u>\$ 1,141,709</u>	<u>\$ -</u>

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 7 - Fair Value of Financial Instruments (continued)

Fair Value Measurements (continued)

	2018			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 265,355	\$ 265,355	\$ -	\$ -
Mutual Funds				
Equity funds	4,274,334	4,274,334	-	-
Fixed income funds	914,179	914,179	-	-
U.S. Treasury Bills and Notes	4,574,792	4,574,792	-	-
Split-Interest Annuity	26,704	-	26,704	-
	<u>\$ 10,055,364</u>	<u>\$ 10,028,660</u>	<u>\$ 26,704</u>	<u>\$ -</u>
Interest Rate Swap Liability	<u>\$ 805,507</u>	<u>\$ -</u>	<u>\$ 805,507</u>	<u>\$ -</u>

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management has evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total assets. For the years ended September 30, 2019 and 2018, there were no transfers in or out of Level 3.

Note 8 - Split-Interest Annuity Liability

During the year ended September 30, 2002, Gettysburg Foundation executed a \$30,000 split-interest annuity in accordance with a contribution received from a donor. The contribution requires Gettysburg Foundation to pay \$100 per month to a third-party beneficiary. During the years ended September 30, 2019 and 2018, the annuity investments earned investment income of \$784 and \$795, respectively, and made required payments to the designated beneficiary in the amount of \$1,200 each year.

During the year ended September 30, 2013, Gettysburg Foundation executed a \$372,257 charitable gift annuity with a donor in which Gettysburg Foundation serves as trustee. This annuity is valued at fair market value as of September 30, 2019 and 2018. Gettysburg Foundation made required payments to the designated beneficiary for each of the years ended September 30, 2019 and 2018 of \$21,591. The investments associated with this annuity experienced net investment income of \$3,967 and \$18,403 during the years ended September 30, 2019 and 2018, respectively.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 8 - Split-Interest Annuity Liability (continued)

The investments associated with the split-interest agreements at September 30, 2019 and 2018 total \$380,424 and \$398,462, respectively, and are included as investments on the statement of financial position. The aggregate annuity liability is valued at fair market value based upon the present value of the annuity payments which, as of September 30, 2019 and 2018, amounted to \$202,346 and \$214,622, respectively.

Note 9 - Investments

Investments

Gettysburg Foundation has an investment account, which holds short-term investments such as treasury bills or treasury notes. Additionally, Gettysburg Foundation has investment accounts for the purpose of holding investments for its donor restricted endowment, which includes investments associated with certain self-managed split-interest annuities.

Investments Held in Trust

Gettysburg Foundation also has an investment account with Wilmington Trust Company as required under the letter of credit to provide for a bond endowment reserve, a repair and replacement reserve, and an exhibit reserve. An annual sinking fund is also required by the bond agreement.

Investments, including investments held in trust consist of the following as of September 30:

	2019		
	Cost	Fair Value	Unrealized Appreciation
Cash and Cash Equivalents	\$ 447,475	\$ 447,475	\$ -
Mutual Funds			
Equity funds	3,673,770	4,008,995	335,225
Fixed income funds	1,431,438	1,474,529	43,091
U.S. Treasury Bills and Notes	5,088,684	5,190,745	102,061
Split-Interest Annuity	26,289	26,289	-
	<u>\$ 10,667,656</u>	<u>\$ 11,148,033</u>	<u>\$ 480,377</u>

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 9 - Investments (continued)**Investments Held in Trust (continued)**

	2018		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and Cash Equivalents	\$ 265,355	\$ 265,355	\$ -
Mutual Funds			
Equity funds	3,854,140	4,274,334	420,194
Fixed income funds	933,719	914,179	(19,540)
U.S. Treasury Bills and Notes	4,642,178	4,574,792	(67,386)
Split-Interest Annuity	26,704	26,704	-
	<u>\$ 9,722,096</u>	<u>\$ 10,055,364</u>	<u>\$ 333,268</u>

Return on investments, including investments held in trust consists of the following for the years ended September 30:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividend income, net	\$ 163,908	\$ 4,600	\$ 168,508
Unrealized gains (losses)	148,122	(1,012)	147,110
Realized gains	45,932	4,192	50,124
	<u>\$ 357,962</u>	<u>\$ 7,780</u>	<u>\$ 365,742</u>
	2018		
Interest and dividend income, net	\$ 188,060	\$ 9,256	\$ 197,316
Unrealized losses	(226,247)	(11,344)	(237,591)
Realized gains	290,594	27,978	318,572
	<u>\$ 252,407</u>	<u>\$ 25,890</u>	<u>\$ 278,297</u>

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 10 - Endowment

Gettysburg Foundation's endowment consists of several funds established by donors to be invested in perpetuity. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

On March 3, 2011, Gettysburg Foundation adopted PA Act 141. The Board of Directors of Gettysburg Foundation has interpreted Pennsylvania state law under PA Act 141 as seeking to enhance total return on their donor restricted investment funds. Income is defined by Act 141 as a fixed percentage of the "value of the assets" held by Gettysburg Foundation of not less than 2% nor more than 7% based on the average fair market value of the assets over a three-year period.

The Board of Directors of Gettysburg Foundation has interpreted the relevant state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, Gettysburg Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Accumulated and unspent earnings are considered donor-restricted until they are spent. Unless specifically defined by a donor-restricted endowment fund required by donor stipulation, Gettysburg Foundation considers the following factors in making a determination to accumulate or appropriate endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and appreciation of investments
- 6) Other resources of Gettysburg Foundation
- 7) The investment policies of Gettysburg Foundation

The following schedule represents the endowment net asset composition by type of endowment fund as of September 30:

	<u>2019</u>	<u>2018</u>
Endowment funds with donor restrictions	<u>\$ 327,152</u>	<u>\$ 289,872</u>

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 10 - Endowment (continued)

Interpretation of Relevant Law (continued)

The following schedule represents the changes in endowment net assets with donor restrictions for the years ended September 30:

	<u>2019</u>	<u>2018</u>
Endowment Net Assets with Donor Restrictions at Beginning of Year	\$ 289,872	\$ 158,796
Investment return		
Interest and dividends	6,280	7,881
Net gain (realized and unrealized)	2,359	9,033
Fees	(3,613)	(3,295)
Contributions	35,584	120,787
Change in value of split interest annuity liability	<u>(3,330)</u>	<u>(3,330)</u>
Endowment Net Assets with Donor Restrictions at End of Year	<u>\$ 327,152</u>	<u>\$ 289,872</u>

Funds with Deficiencies

The relevant state law has no requirement to restore permanent fund deficiencies and accounting standards provide that the generally accepted rule of reporting such deficiencies as net assets without donor restrictions should be applied only in the absences of donor stipulations or laws to the contrary. Gettysburg Foundation has interpreted state law to allow spending of the original principal with no requirement to restore fund deficiencies to the original value. As such, Gettysburg Foundation has no underwater endowments as of September 30, 2019 and 2018. Any fund deficiencies are reported as reductions to net assets with donor restrictions.

Return Objectives and Risk Parameters

Gettysburg Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Gettysburg Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results to allow Gettysburg Foundation to fund the appropriate programs while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

Gettysburg Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Gettysburg Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 10 - Endowment (continued)

Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy

The spending rate is the withdrawal rate from the endowment funds to fund specific expenditures consistent with specific endowment funds' objectives and is approved by the Board of Directors. Gettysburg Foundation's overall investment objective is to preserve capital, strive for consistent real returns, and preserve purchasing power by striving for long-term returns. This is accomplished through an investment policy that states that the spending rate, over the long term, should be less than the income generated from the endowment and should also provide for growth in the endowment to cover inflation. The approved spending rate is up to 5% per annum, but a higher rate or special withdrawal can be authorized by the Board of Directors. For the years ended September 30, 2019 and 2018, Gettysburg Foundation did not choose to withdraw an amount from the endowment.

Note 11 - Property and Equipment

Property and equipment consist of the following as of September 30:

	<u>2019</u>	<u>2018</u>
Building	\$ 47,651,781	\$ 46,073,677
Land and land improvements	19,467,525	19,451,385
Exhibits	17,935,547	17,935,547
Cyclorama painting restoration	10,908,281	10,908,281
Scenic easements	9,845,000	9,845,000
Furniture and equipment	3,669,839	3,474,151
	109,477,973	107,688,041
Accumulated depreciation	<u>(36,117,489)</u>	<u>(32,853,728)</u>
	<u>\$ 73,360,484</u>	<u>\$ 74,834,313</u>

Note 12 - Notes Payable

On May 1, 2002, Gettysburg Foundation purchased a property located at 449 - 451 Baltimore Street, Gettysburg, Pennsylvania for the purpose of establishing the Rupp History Center and to provide for administrative office space. The property is secured by a mortgage in the amount of \$750,000 and a security interest in the assets of Gettysburg Foundation. On September 1, 2007, the mortgage terms were amended to provide for a fixed rate of 5.15% for the first five years following the date of amendment. Thereafter, the interest rate is indexed to 70.00% of the prime rate, which was 3.50% and 3.67% as of September 30, 2019 and 2018, respectively. The amended mortgage terms require monthly payments of \$4,458. The maturity date of November 2022 remains unchanged from the original note. At September 30, 2019 and 2018, the outstanding balance on the note was \$156,479 and \$203,037, respectively. Interest expense under this note amounted to \$6,959 and \$7,477 for the years ended September 30, 2019 and 2018, respectively.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 12 - Notes Payable (continued)

On September 24, 2004, Gettysburg Foundation obtained a \$100,000 note from an individual secured by a lien on the real estate located at 449 - 451 Baltimore Street, Gettysburg, Pennsylvania. Gettysburg Foundation is to pay a fixed rate of interest of 5.00% to be paid annually. On July 23, 2009, this note was refinanced and matures on July 23, 2039, at which time all remaining principal and interest is due. The balance at September 30, 2019 and 2018 was \$100,000. Interest expense under this note amounted to \$5,000 for each of the years ended September 30, 2019 and 2018.

On November 15, 2004, Gettysburg Foundation obtained a note payable in the amount of \$200,000 from an individual member. The note bears interest at a fixed rate of 4.80% per annum, payable monthly, with the right to pay any or all principal at any time. On July 23, 2009, this note was refinanced and matures on July 23, 2039, at which time all remaining principal and interest are due. The note is secured by a second lien on the real estate at 449 - 451 Baltimore Street, Gettysburg, Pennsylvania. The balance for each of the years ended September 30, 2019 and 2018 was \$200,000. Interest expense under this note amounted to \$9,600 for each of the years ended September 30, 2019 and 2018.

Aggregate maturities of notes payable, assuming no change in current terms, consist of the following for the five years ending September 30 and thereafter:

2020	\$	48,873
2021		50,699
2022		48,137
2023		8,770
2024		-
Thereafter		<u>300,000</u>
	\$	<u>456,479</u>

Note 13 - Bonds Payable and Related Accounts

Bonds Payable

On December 21, 2006, the Adams County Industrial Development Authority (ACIDA) issued two series of bonds as follows:

The ACIDA Variable-Rate Demand Revenue Bonds - Gettysburg Foundation Tax Exempt Series of 2006A were issued for \$15,000,000 at a variable rate of interest. The bonds, which have an outstanding balance of \$9,495,000 and \$10,190,000 as of September 30, 2019 and 2018, respectively, mature on December 1, 2027. The variable interest rate (reset weekly) at September 30, 2019 and 2018 was 1.63% and 1.61%, respectively. Total interest expense for this bond issue for the years ended September 30, 2019 and 2018 was \$296,035 and \$284,333, respectively. Principal payments made during the years ended September 30, 2019 and 2018 were \$695,000 and \$655,000, respectively. The bond is secured by all assets of Gettysburg Foundation.

The ACIDA Variable-Rate Demand Revenue Bonds - Gettysburg Foundation Taxable Series of 2006B were issued for \$5,000,000 at a variable rate of interest. These bonds were paid off on September 1, 2011.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 13 - Bonds Payable and Related Accounts (continued)

Bonds Payable (continued)

Gettysburg Foundation is considered to be the borrower of these funds. In connection with the borrowing, a letter of credit was issued by Manufacturers and Traders Trust Company (the Trustee) to provide payment on and to secure the principal and interest on both series. The annual letter of credit fee at September 30, 2019 and 2018 was 1.125% of the outstanding bonds payable and annual interest payable at December 1st of each year. This is included in interest expense disclosed in the preceding paragraph. The bond proceeds were used for the construction, equipping, and furnishing of the museum and visitor center at 1195 Baltimore Pike, Gettysburg, Pennsylvania. The letter of credit was renewed on November 7, 2016 with an effective date of December 20, 2016 and expires in December 2021.

Gettysburg Foundation is required to remain in compliance with financial covenants under terms of the letter of credit related to the bond issuance. Gettysburg Foundation was not aware of any violations of the financial covenants at September 30, 2019.

Payments of interest are due monthly to the Trustee by Gettysburg Foundation. The following is a summary of Gettysburg Foundation's principal debt service commitments to the Trustee for debt outstanding as of September 30:

	<u>Series 2006A</u>
2020	\$ 730,000
2021	925,000
2022	970,000
2023	1,015,000
2024	1,065,000
2025 - 2028	<u>4,790,000</u>
	<u>\$ 9,495,000</u>

Bond Rebate Interest Payable

Gettysburg Foundation is required by U.S. Treasury regulations to report any arbitrage earned on investments pledged as collateral on the letter of credit. Under these regulations the yield earned on pledged investments cannot be materially higher than the yield paid on the bond issue. Arbitrage represents the difference between the actual earnings on the pledged investments and what the investments could have earned had they been invested at the yield paid on the bond issue. If actual earnings exceed potential earnings, the bond issue is in positive arbitrage. If the actual earnings are less than the bond yield, the bond issue is in negative arbitrage. This arbitrage calculation is required to be performed every five years from the date of issue of Gettysburg Foundation's Tax Exempt Series of 2006A bonds.

Gettysburg Foundation last recorded bond rebate interest in September 2016 and paid the amounts due in October 2016. The next calculation is required by September 30, 2021. Gettysburg Foundation's investments that have been pledged as collateral on the letter of credit have been invested in yield restricted accounts. It is not anticipated that a positive arbitrage will exist, thus no liability has been recorded as of September 30, 2019 or 2018.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 13 - Bonds Payable and Related Accounts (continued)

Derivative Instruments

During the year ended September 30, 2006, Gettysburg Foundation entered into a forward start interest rate swap to hedge the interest rate risk associated with a \$20,000,000 variable-rate, tax-free demand revenue bond issue. The bonds were issued during the year ended September 30, 2007 with Tax Exempt Series of 2006A bonds of \$15,000,000 and Taxable Series of 2006B bonds of \$5,000,000. The swap was effective on October 3, 2005 and terminates on October 1, 2027. It effectively provides for a fixed rate of interest of 3.84%. Gettysburg Foundation is paying interest related to the swap agreement. Total interest expense for this derivative instrument for the years ended September 30, 2019 and 2018 was \$219,189 and \$265,160, respectively.

The swap was issued at market terms so that it had no fair value at its inception. At September 30, 2019 and 2018, the swap agreement had a carrying value of \$1,141,709 and \$805,507, respectively. This amount is reported as interest rate swap liability on the statement of financial position. The carrying amount of the swap has been adjusted to its fair value, which because of changes in the forecasted levels of LIBOR, a Level 2 fair value input, resulted in reporting a liability, obligation due under interest rate swaps, for the fair value of the future net disbursements under the swap. Changes in the fair value of the swap amounted to (\$336,202) and \$501,353 for the years ended September 30, 2019 and 2018, respectively, and are recorded in the statement of activities and changes in net assets as a component of the changes in net assets without donor restrictions. At September 30, 2019 and 2018, the notional value of the swap was \$9,495,000 and \$10,190,000, respectively.

Museum Land Lease Agreement

On October 5, 2006, Gettysburg Foundation entered into an agreement with the ACIDA. In exchange for the use of the ACIDA's sales-tax exempt status, Gettysburg Foundation transferred title to the visitor center land and agreed to pay the ACIDA an initial payment of \$10,000, as well as monthly payments of \$500 for the following 20 years. Gettysburg Foundation may cancel the agreement at any time, but would owe the ACIDA a termination fee equal to the present value of the remaining payments. The transaction does not qualify as a sale-leaseback under generally accepted accounting principles. During 2007, the agreement's present value of \$80,139 was capitalized as part of construction in progress. The remaining liability for the monthly payments is reflected in the statement of financial position at its present value. As of September 30, 2019 and 2018, this liability amounted to \$34,226 and \$38,048, respectively.

ACIDA has title to the museum land and facility that constitutes ownership, not a security interest. However, Gettysburg Foundation is entitled to deduct all depreciation on and take any available tax credits with respect to the land and facility. Gettysburg Foundation will purchase the museum land and facility from ACIDA by paying the principal and interest on the Series 2006 Bonds when they become due and payable. The value of the land is included in net property and equipment in the statement of financial position.

Gettysburg Foundation

Notes to Financial Statements

September 30, 2019 and 2018

Note 14 - Deferred Service Contract Revenue

Gettysburg Foundation entered into an agreement with an unrelated entity, which granted this entity the exclusive right to operate the food, beverage, and certain retail business at the Museum and Visitor Center. The agreement called for an initial deposit to Gettysburg Foundation of \$2,500,000. No additional monthly payments are required. The initial deposit is being recognized by Gettysburg Foundation on a straight-line basis over a period of twenty years. Deferred revenue related to the remainder of the agreement amounted to \$1,057,292 and \$1,182,292 as of September 30, 2019 and 2018, respectively.

Note 15 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of September 30:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specific purpose		
Battlefield rehabilitation	\$ 2,979,781	\$ 2,176,414
Education programs	183,177	119,414
Other	169,016	94,549
Gettysburg Railroad Station	137,365	137,365
Split-interest annuity	126,080	129,726
Gettysburg Fund	123,890	199,156
Museum exhibits	116,744	116,744
Spangler Farm and trail	98,200	80,023
Endowment earnings accumulated	74,319	69,184
Subject to the passage of time		
Promises to give	1,150,725	1,664,950
Perpetual in nature		
Scenic easements	9,845,000	9,845,000
Endowment investments	318,880	290,494
Promises to give	-	5,000
Present value of split-interest annuity liability	(66,047)	(69,806)
	<u>\$ 15,257,130</u>	<u>\$ 14,858,213</u>

Gettysburg Foundation has a scenic easement on 61 acres of land that is adjacent to the Museum and Visitor Center. The purpose of the easement is to aid Gettysburg Foundation to preserve, and protect and maintain, in perpetuity the residential or agricultural use and size of the property. This was received as an in-kind contribution from a donor and is based on the appraised value of \$9,845,000 when it was transferred in 2009.

Gettysburg Foundation

Notes to Financial Statements

September 30, 2019 and 2018

Note 16 - Retirement Plan

Gettysburg Foundation sponsors a defined-contribution 403(b) retirement plan covering employees who meet certain age and length of service requirements. All employees with over 1,000 hours of service per year are eligible to participate in the plan. Gettysburg Foundation matches contributions for certain covered employees up to 6% of eligible compensation. Employee contributions are vested immediately, and employer contributions are vested 50% after one year of covered employment and 100% after two years. The total retirement expense for the years ended September 30, 2019 and 2018 amounted to \$154,585 and \$140,126, respectively.

Note 17 - Health Benefit Plan

On August 1, 2019, Gettysburg Foundation entered into an agreement for a self-funded health insurance plan for employee health benefits. Gettysburg Foundation covers health care claims up to a maximum of \$50,000 per individual on an annual basis. The aggregate maximum exposure is adjusted based on the number of plan participants. Gettysburg Foundation has purchased stop-loss coverage for claims exceeding Gettysburg Foundation's individual liability. As required by the plan, funds are deposited into a Health Benefit Trust which is held as a reserve to cover future claims. Gettysburg Foundation has funded and expensed the monthly amount based on the maximum deductible. For the year ended September 30, 2019, the cost of the plan, including the administrative services and processing fees, amounted to \$83,924.

Note 18 - Related Party Transactions

Certain members of the Board of Directors have various transactions with Gettysburg Foundation. Gettysburg Foundation had the following balances with these related parties as of September 30:

	<u>2019</u>	<u>2018</u>
Promises to give	\$ 131,286	\$ 139,691

Gettysburg Foundation had the following transactions with related parties during the years ended September 30:

	<u>2019</u>	<u>2018</u>
Contributions	\$ 122,902	\$ 59,322
Professional fees	54,725	8,694
Donated artifacts	-	450,000

Gettysburg Foundation

Notes to Financial Statements
September 30, 2019 and 2018

Note 19 - Commitments

Gettysburg Foundation leases real estate located in Gettysburg, Pennsylvania under month-to-month operating leases, at a storage unit behind 451 Baltimore Street.

In January 2016, Gettysburg Foundation entered into another lease agreement to lease a third piece of real estate located on Emmitsburg Road in Gettysburg, Pennsylvania. The lease term is for a period of ten years commencing on January 1, 2016 and expiring on December 31, 2025. During the first year of the lease, Gettysburg Foundation will pay rent in monthly installments of \$1,500. The monthly payment will be adjusted annually based on the increase in the Consumer Price Index.

Future minimum lease payments, assuming no change in current terms, consist of the following for the five years ending September 30 and thereafter:

2020	18,816
2021	18,816
2022	18,816
2023	18,816
2024	18,816
Thereafter	23,520
	<hr/>
	\$ 117,600

Rent expense related to these leases for the years ended September 30, 2019 and 2018 amounted to \$22,882 and \$21,620, respectively.

Note 20 - Reclassifications

Certain information in the 2018 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2019 financial statements.

Note 21 - Subsequent Events

Gettysburg Foundation has evaluated subsequent events through December 13, 2019. This date is the date the financial statements were available to be issued. No material events subsequent to September 30, 2019 were noted.