

Financial Statements

**JOURNEY THROUGH HALLOWED
GROUND PARTNERSHIP**

September 30, 2017

GENERAL ORGANIZATIONAL DATA

ORGANIZATION AND PURPOSE

The organization was incorporated under the laws of the Commonwealth of Virginia on June 1, 2005 to operate a non-stock, nonprofit organization. The organization was originally incorporated as Journey Through Hallowed Ground and on March 16, 2006 by amendment and restatement of the Articles of Incorporation changed its name to Journey Through Hallowed Ground Partnership (JTHGP).

JTHGP is dedicated to raising national and local awareness of the history in the region from Gettysburg, Pennsylvania through Maryland to Monticello in Albemarle County, Virginia.

JTHGP was granted income tax exempt status on August 9, 2006 effective June 7, 2005 under section 501(c)(3) of the Internal Revenue Code. The organization is also recognized as a public charity under IRC Section 170(b)(1)(A)(vi).

OFFICERS AND BOARD OF DIRECTORS

OFFICERS

Stuart A. Haney, Chair
Kathleen Kilpatrick, Co-Vice Chair
Charles Ledsinger, Co-Vice Chair
Christopher Miller, Treasurer
James Campi, Secretary
William W. Sellers, President/CEO

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James Campi	Elizabeth Merritt
Peter Friedman	Christopher Miller
Stuart A. Haney	James Moorman
Gertraud Hechl	Kristen Umstatt
Kathleen Kilpatrick	Elizabeth von Hassell
Charles Ledsinger	Christopher R. Wall
David F. Williams	

EX-OFFICIO

Ed. W. Clark

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
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FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Journey Through Hallowed Ground Partnership
Waterford, Virginia

We have audited the accompanying financial statements of Journey Through Hallowed Ground Partnership (a nonprofit organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, functional expenses and cash flows for the three months 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Journey Through Hallowed Ground Partnership as of September 30, 2017, and the changes in its net assets and its cash flows for the three months then ended in accordance with accounting principles generally accepted in the United States of America.

Leesburg, Virginia
December 6, 2017

Mitchell & Co., P.C.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

STATEMENT OF FINANCIAL POSITION

September 30, 2017

ASSETS

Current Assets

Cash and cash equivalents	\$ 496,454
Accounts receivable	35,811
Current portion of pledged receivables, net	242,719
Prepaid expenses	21,534
Total current assets	796,518

Pledged receivables, net	679,988
Deposits	440
Property and equipment, less depreciation	310,687
Intangible assets, less amortization	13,982

Total assets \$ 1,801,615

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 6,613
Payroll liabilities	11,035
Line of credit	41,956
Total current liabilities	59,604

Net Assets

Unrestricted	
Undesignated	206,255
Invested in capital and intangible assets	324,669
	<u>530,924</u>
Temporarily restricted	1,211,087
Total net assets	1,742,011

Total liabilities and net assets \$ 1,801,615

See Notes to Financial Statements.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

STATEMENT OF ACTIVITIES

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

	Unrestricted	Temporarily Restricted	Totals
SUPPORT AND REVENUE			
Government grants	\$ 164,760	\$ 15,000	\$ 179,760
Contributions	27,985	922,807	950,792
Camp admission fees	35,811	-	35,811
CTA program fees	70	-	70
Merchandise sales	946	-	946
Interest income	975	-	975
Other income	1,340	-	1,340
	<u>231,887</u>	<u>937,807</u>	<u>1,169,694</u>
Net assets released from restrictions:			
Satisfaction of usage restriction	-	-	-
Total support and revenue	<u>231,887</u>	<u>937,807</u>	<u>1,169,694</u>
EXPENSES			
Program services	154,476	-	154,476
Supporting services:			
Management and general	17,773	-	17,773
Fundraising	69,209	-	69,209
Total expenses	<u>241,458</u>	<u>-</u>	<u>241,458</u>
Change in net assets	(9,571)	937,807	928,236
Net Assets, beginning of year	<u>540,495</u>	<u>273,280</u>	<u>813,775</u>
Net Assets, end of year	<u>\$ 530,924</u>	<u>\$ 1,211,087</u>	<u>\$ 1,742,011</u>

See Notes to Financial Statements.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

STATEMENT OF FUNCTIONAL EXPENSES FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

	Program Services	Supporting Services		Totals
		Management and General	Fundraising	
Salaries	\$ 77,722	\$ 12,644	\$ 33,981	\$ 124,347
Payroll taxes	6,744	577	2,859	10,180
Employee benefits	5,496	316	4,398	10,210
Total personnel costs	89,962	13,537	41,238	144,737
Advertising	4,295	-	-	4,295
Professional fees	1,280	2,500	22,500	26,280
Depreciation and amortization	2,156	335	1,350	3,841
Dues and subscriptions	99	-	-	99
Insurance	1,198	186	752	2,136
Supplies	2,120	81	26	2,227
Travel	2,243	26	501	2,770
Camp programs	19,189	-	-	19,189
Other	570	467	199	1,236
Conferences and meetings	150	-	-	150
Occupancy	1,707	264	1,070	3,041
Communications	23,661	85	342	24,088
Fees	503	77	316	896
Development	3,640	-	-	3,640
Postage expense	313	-	43	356
Equipment rental and maintenance	1,390	215	872	2,477
Total expenses	\$ 154,476	\$ 17,773	\$ 69,209	\$ 241,458

See Notes to Financial Statements.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2017

Cash Flows from Operating Activities	
Change in Net Assets	\$ 928,236
Adjustments to reconcile change in net assets to cash provided by operating activities:	
Depreciation and amortization	3,841
Interest	206
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Grants receivable	(34,233)
Pledges receivable	(922,707)
Other receivables	6,388
Prepaid expenses	(4,458)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	(46,619)
Accrued payroll and severance	2,525
Net cash (used in) operations	<u>(66,821)</u>
Cash Flows from Financing Activities	
Draws on line of credit	41,750
Net cash provided by financing activities	<u>41,750</u>
Net decrease in cash and cash equivalents	(25,071)
Cash and cash equivalents	
Beginning	521,525
Ending	<u>\$ 496,454</u>

See Notes to Financial Statements.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Nature of Activities

Journey Through Hallowed Ground Partnership (JTHGP) is a non-profit organization which was formed in June 2005. The JTHGP is dedicated to raising national and local awareness of the history in the region from Gettysburg, Pennsylvania through Maryland, to Monticello in Albemarle County, Virginia. Its mission is to promote and support civic engagement through history education, economic development through heritage tourism, and the preservation of cultural landscapes in one of the nation's most important historic regions.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting: The financial statements of JTHGP have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) as defined in the FASB Accounting Standard Codification (ASC) Topic 958, *Not-For Profit Entities*. Under ASC Topic 958, the Organization 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.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Organization considers amounts in checking and certificates of deposits to be cash and cash equivalents.

Accounts and Pledges Receivable: Unconditional pledges receivable are recognized as revenues in the period the pledge is received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met. Any accounts receivable are primarily from fees due from program services. Management has determined that pledges and accounts receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary.

Grants Receivable: Grants receivable represents amounts due primarily from state and local government agency funding grants and are stated at invoice/billing amounts the amounts. Management considers all grants receivable to be fully collectible; therefore, no allowance for doubtful accounts has been established.

Property and Equipment: Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated over the estimated useful service lives ranging from five to ten years for furniture and equipment and ten to twenty years for building and improvements using the straight-line method.

The Organization capitalizes property and equipment acquired with a value in excess of \$1,000. When the assets are sold or disposed, the cost and corresponding accumulated depreciation are removed from the accounts with any gain or loss reported in the statements of activities. Maintenance and repairs that do not improve or extend the lives of property and equipment are expensed as incurred.

Contributions: Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give in future years are recorded at their net realized value.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (Continued)

Donated Non-Cash Assets: Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Public Support and Revenue: The Organization receives contributions from the general public. Unless specifically restricted by the donor, all contributions are considered to be available for unrestricted use.

The Organization receives grant funding from government agencies for various purposes. Grant revenues not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. The Organization defers grant revenues received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant restrictions.

Advertising: Advertising costs are expensed as incurred. Total advertising costs for 2017 were \$4,295.

Income Tax Status: JTHGP qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The Organization has adopted the guidance under ASC Topic 740, *Income Taxes* and management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax provisions that would require adjustment to, or disclosure in, the financial statements to comply with the provisions of this guidance. Income tax years open for IRS audit include years ended 2014, 2015, 2016 and 2017.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Direct expenses are charged to each program based on the expenditures incurred and other indirect costs have been allocated among the programs and supporting services benefited based upon the time devoted to each type of service.

Note 3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

Description	Balances	
	Bank Deposits	Accounting
Access National Bank	\$ 522,971	\$ 496,354
Petty cash held	-	100
	<u>\$ 522,971</u>	<u>\$ 496,454</u>

Individual bank combined cash account deposits up to \$250,000 are insured by the Federal Deposit Insurance Corporation (FDIC). At September 30, 2017, cash and cash equivalents exceeded the federally insured limit by \$272,971.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

Note 4. Pledges Receivable

JTHGP has pledged contributions which are to be funded over a period of years. These pledges of future contributions have been discounted to reflect their September 30, 2017 fair value as noted below:

Period to be funded	Pledged	Fair Value Discount	Net Fair Value
2018	\$ 250,000	\$ (7,281)	\$ 242,719
2019	225,000	(12,916)	212,084
2020	200,000	(16,972)	183,028
2021	175,000	(19,515)	155,485
2022	150,000	(20,609)	129,391
	<u>\$ 1,000,000</u>	<u>\$ (77,293)</u>	<u>\$ 922,707</u>

Pledged contributions receivable were discounted using the incremental borrowing rate of the Organizations line of credit held with Access National Bank. Management believes the entire pledge amount is fully collectible.

Note 5. Property and Equipment

At September 30, 2017 property and equipment consisted of the following:

Description	Amount
Buildings and improvements	\$ 151,162
Land	186,100
Furniture and equipment	16,282
Equipment	46,133
	<u>399,677</u>
Less: accumulated depreciation	(88,990)
	<u>\$ 310,687</u>

Depreciation expense for the three months ended September 30, 2017 was \$3,020.

Note 6. Intangible Assets

Intangible assets include software licenses, website development costs, trademarks, and rights to professional photographs purchased for use in marketing and branding efforts. Intangible assets having a determinable life are amortized over their estimated useful life. Intangible assets with an indefinite useful life are reviewed annually for value impairment and adjustment.

The JTHGP capitalizes the cost of creating and registering trademarks and costs of trademarks obtained through acquisition. These intangible assets are amortized on straight-line basis over estimated useful lives of ten years.

Purchased software licenses subject to annual renewal fees are amortized over seven years. Costs to renew or extend the licenses are expensed as incurred. The organization's future cash flows are not materially impacted by its ability to extend or renew agreements related to its intangible assets.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

Note 6. Intangible Assets (Continued)

At September 30, 2017 intangible assets consisted of the following:

Description	Amount
Trademarks	\$ 7,420
Website	57,187
Software license	18,453
	<u>83,060</u>
Less: accumulated amortization	(69,078)
	<u>\$ 13,982</u>

Amortization expense for the three months ended September 30, 2017 was \$820.

Note 7. Bank Line of Credit

JTHGP has \$65,000 revolving bank line of credit with Access National bank, secured by a \$65,000 certificate of deposit and an interest rate of 2.95%, maturing in June 2019. At September 30, 2017 the outstanding balance on the line was \$41,956.

Note 8. Temporarily Restricted Assets

Temporarily restricted net assets are available at September 30, 2017 for the following purposes:

Purpose/Project	Amount
Marketing	\$ 3,496
Strategic real estate holdings	120,529
Educational programs and camps	1,009,697
Living Legacy Tree planting and maintenance	57,365
Documentary film sponsorship	5,000
Interpretive workshop	15,000
	<u>\$ 1,211,087</u>

Note 9. Concentration of Economic Support

Approximately 94 percent of JTHGP's programs and operations are supported by governmental agencies and a single donor. JTHGP anticipates continued support for their programs but a reduction in funding could affect the level of program of activity.

Note 10. Retirement Plan

The Organization maintains a tax-deferred annuity plan (Plan) under Section 403(b) of the Internal Revenue Code. Substantially all employees are eligible to participate in the Plan and to contribute a percentage of their annual compensation to the maximum permitted by law. JTHGP matches employee contribution up to 4% of compensation. JTHGP expense amounted to \$2,388 for the three months ended September 30, 2017.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

Note 11. Fair Value of Instruments

JTHGP's financial instruments are cash deposits, grants and other receivable, accounts payable, accrued expenses, the recorded values of which approximate their fair values based on their short-term nature.

Note 12. Accounting Changes

JTHGP adopted a September 30 reporting year-end effective for the three months ended July 1, 2017 through September 30, 2017. Prior to this reporting three month period, JTHGP reported financial information on a fiscal year end July 1 to June 30.

Note 13. Subsequent Events

The Organization has evaluated events and transactions subsequent to September 30, 2017 through December 6, 2017, the date these financial statements were available to be issued. Based on the definitions and requirements of the U.S. generally accepted accounting principles, management has not identified any events that have occurred subsequent to September 30, 2017.