JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

Waterford, Virginia

FINANCIAL REPORT

September 30, 2018

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Journey Through Hallowed Ground Partnership (the Organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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, 2018, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Yount, Hyde & Barbour, P.C.

Winchester, Virginia
January 18, 2019

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

Statement of Financial Position
September 30, 2018

Assets		
Current Assets		
Cash and cash equivalents	$	380,876
Accounts receivable		30,982
Current portion of pledged receivables, net		3,434
Grants receivable		5,894
Other receivables		885
Prepaid expenses		31,489
Total current assets	$	453,560
Noncurrent Assets		
Pledged receivables, net	$	895,832
Deposits		619
Property and equipment, less depreciation		303,487
Intangible assets, less amortization		52,273
Total noncurrent assets	$	1,252,211
Total assets	$	1,705,771
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$	18,431
Accrued expenses		42,357
Line of credit		30,000
Total current liabilities	$	90,788
Net Assets		
Unrestricted	$	484,263
Temporarily restricted		1,130,720
Total net assets	$	1,614,983
Total liabilities and net assets	$	1,705,771

See Notes to Financial Statements.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

Statement of Activities
For the Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Government grants	$ 330,504	$ - -	$ 330,504
Contributions	91,375	866,721	958,096
National History Academy tuition and fees (net of scholarships of $756,105)	133,450	- -	133,450
Extreme Journey Camp admission fees	42,880	- -	42,880
Interest income	3,685	- -	3,685
Other income	8,589	- -	8,589
	$ 610,483	$ 866,721	$ 1,477,204
Net assets released from restrictions	947,088	(947,088)	- -
Total support and revenue	$ 1,557,571	$ (80,367)	$ 1,477,204
Expenses			
Program services	$ 1,447,990	$ - -	$ 1,447,990
Supporting services:			
Management and general	61,379	- -	61,379
Fundraising	94,863	- -	94,863
Total expenses	$ 1,604,232	$ - -	$ 1,604,232
Change in net assets	$ (46,661)	$ (80,367)	$ (127,028)
Net Assets, beginning of year	530,924	1,211,087	1,742,011
Net Assets, end of year	$ 484,263	$ 1,130,720	$ 1,614,983

See Notes to Financial Statements.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

Statement of Functional Expenses
For the Year Ended September 30, 2018

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Salaries	$ 435,438	$ 34,419	$ 65,189	$ 535,046
Payroll taxes	35,100	4,325	4,752	44,177
Employee benefits	30,094	146	15,372	45,612
Total personnel costs	$ 500,632	$ 38,890	$ 85,313	$ 624,835
Professional fees	183,253	16,285	964	200,502
Room & board - camp	227,072	- -	- -	227,072
Transportation, site visits and other travel	217,720	12	1,173	218,905
Marketing, advertising & student recruiting	79,534	- -	- -	79,534
Website, media and other communications	44,670	1,296	85	46,051
Supplies	82,859	117	486	83,462
Depreciation and amortization	20,424	917	1,827	23,168
Dues and subscriptions	12,809	4	95	12,908
Camp registration fees and software	9,464	- -	- -	9,464
Insurance	11,573	371	1,127	13,071
Printing, publication and copying	8,662	498	992	10,152
Events - catering and other	23,867	- -	65	23,932
Utilities and storage	9,056	686	1,367	11,109
Repairs and maintenance	434	33	65	532
Postage expense	3,247	143	844	4,234
Banking and credit card service fees	10,514	160	460	11,134
Interest	- -	977	- -	977
Other	2,200	990	- -	3,190
Total expenses	$ 1,447,990	$ 61,379	$ 94,863	$ 1,604,232

See Notes to Financial Statements.

JOURNEY THROUGH HALLOWED GROUND PARTNERSHIP

Statement of Cash Flows
For the Year Ended September 30, 2018

Cash Flows from Operating Activities		
Change in net assets	$	(127,028)
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation and amortization		23,168
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable		4,829
Grants receivable		(5,894)
Pledges receivable		23,441
Other receivables		(885)
Prepaid expenses		(9,955)
Deposits		(179)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses		43,140
Net cash (used in) operating activities	$	(49,363)
Cash Flows from Investing Activities, purchase of equipment and intangibles	$	(54,259)
Cash Flows from Financing Activities, payments on line of credit, net	$	(11,956)
Net (decrease) in cash and cash equivalents	$	(115,578)
Cash and Cash Equivalents		
Beginning of year		496,454
End of year	$	380,876
Supplemental Disclosures of Cash Flow Information cash payments for interest	$	977

See Notes to Financial Statements.

Note 1. Organization and Nature of Activities

Journey Through Hallowed Ground Partnership (JTHGP) is a nonprofit 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.

The National History Academy has been developed by Journey Through Hallowed Ground National Heritage Area, a 180-mile corridor from Gettysburg, Pennsylvania through Maryland and Harpers Ferry, West Virginia to Monticello in Charlottesville, Virginia. The mission of the National History Academy is to foster an understanding of key events, people and issues in the country's history and to engage our nation's future leaders in the rights and duties of American citizenship through place-based, experiential learning.

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 statement of cash flows, the Organization considers amounts in checking and certificates of deposit 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. 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 statement 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.

Donated Noncash Assets

Contributions of donated noncash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance nonfinancial 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 2018 were $11,892.

Income Tax Status

The Internal Revenue Service has determined that JTHGP is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. JTHGP will be taxed only to the extent it has taxable trade or business income unrelated to its exempt purpose.

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.

New Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for the Organization for its year ending September 30, 2021. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 842 will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for the Organization for its year ending September 30, 2019. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of ASU 2016-14 will have on its financial statements.

In June 2018, the FASB issued Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958), which clarifies the scope and the accounting guidance for contributions received and contributions made. Specifically, the update assists entities in determining whether a transaction should be accounted for as a contribution or an exchange transaction. If a transaction is accounted for as an exchange transaction, other accounting guidance, for example, in Topic 606, Revenue from Contracts with Customers, should be followed. If, however, a transaction is accounted for as a contribution, guidance in Subtopic 958-605 should be followed. Additionally, the update assists entities in determining whether a contribution is conditional. ASU 2018-08 is effective for contributions received by the Organization for its year ending September 30, 2020. ASU 2018-08 is effective for contributions made, if applicable, by the Organization for its year ending September 30, 2021. Early adoption is permitted. The Organization is currently evaluating the impact that the adoption of Topic 958 will have on its financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which provides guidance for recognizing revenue from contracts with customers. The core principle of ASU 2014-09 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. Generally, the ASU states that revenue should be recognized by following a five step process which include identifying the contract with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligation in the contract, and recognizing revenue as the entity satisfies a performance obligation. ASU 2014-09 is effective for the Organization for its year ending September 30, 2020. The Organization is currently evaluating the impact that the adoption of Topic 606 will have on its financial statements.

Note 3. Concentration of Credit Risk

The Organization maintains its cash accounts in bank accounts and certificates of deposits which, at times, may exceed federally insured limits.

Note 4. Unconditional Promises to Give

Written unconditional promises to give as of September 30, 2018 are due as follows:

Less than one year	$ 3,434
One to six years	1,000,000
	$ 1,003,434
Less present value component	(104,168)
	$ 899,266

Discount rate was 3.00% for the year ended September 30, 2018.

Note 5. Property and Equipment

At September 30, 2018, property and equipment consisted of the following:

Buildings and improvements	$	151,162
Land		186,100
Furniture and equipment		65,558
	$	402,820
Less accumulated depreciation		(99,333)
	$	303,487

Depreciation expense for the year ended September 30, 2018 was $11,573.

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 the 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.

At September 30, 2018, intangible assets consisted of the following:

Trademarks	$	7,421
Website		49,886
Software licenses		18,453
	$	75,760
Less accumulated amortization		(23,487)
	$	52,273

Amortization expense for the year ended September 30, 2018 was $11,595.

Note 7. Bank Line of Credit

JTHGP has two revolving bank lines of credit with Access National Bank for $250,000 and $65,000, secured by a $250,000 and $65,000 certificate of deposit, respectively. Both lines of credit have an interest rate of 2.95% and mature in June 2019. At September 30, 2018, the outstanding balance on the lines was $30,000.

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets were available at September 30, 2018, for the following purposes:

Marketing	$ 3,496
Strategic real estate holdings	120,529
Educational programs and camps	942,493
Living Legacy Tree planting and maintenance	27,665
Route 15 corridor efforts	36,037
Time restricted	500
	$ 1,130,220

Net assets during the year ended September 30, 2018 were released from donor restrictions by incurring expenses satisfying restricted purposes or by occurrence of other events specified by donors.

Educational programs and camps	$ 816,618
Living Legacy Tree planting and maintenance	36,600
Interpretive workshop	15,000
Documentary film sponsorship	5,000
Route 15 corridor efforts	73,870
	$ 947,088

Note 9. Concentration of Economic Support

Approximately 60 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 contributions up to 4% of compensation. JTHGP's expense amounted to $8,796 for the year ended September 30, 2018.

Note 11. Commitments

In May 2017, JTHGP signed agreements for marketing and website development totaling $250,500. The remaining amount due during the year ending September 30, 2019 is $143,375.

Note 12. Subsequent Events

Subsequent to year end, the Organization drew $110,000 of the $285,000 available lines of credit. The lines of credit have an interest rate of 2.95% and mature in June 2019 (see Note 7).

The Organization has evaluated all subsequent events through January 18, 2019, the date the financial statements were available to be issued. The Organization has determined there are no additional subsequent events that require recognition or disclosure.