

Gettysburg Foundation

**Financial Statements and
Supplementary Information**

September 30, 2014 and 2013

Gettysburg Foundation

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September 30, 2014 and 2013

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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, 2014, and the related statements of activities, changes in net assets, 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 of 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, 2014, 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.

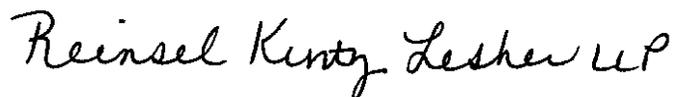
Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Prior Year Audited by Other Auditors

The financial statements of Gettysburg Foundation, as of and for the year ended September 30, 2013, were audited by other auditors whose report dated December 10, 2013, expressed an unmodified opinion on those statements.



December 18, 2014
York, Pennsylvania

Gettysburg Foundation

Statement of Financial Position

	September 30,	
	2014	2013
Assets		
Assets		
Cash and cash equivalents	\$ 3,891,776	\$ 4,147,424
Investments	2,504,998	2,468,013
Investments held in trust	5,134,996	3,951,229
Accounts receivable	293,236	339,887
Inventory	103,765	115,920
Prepaid expenses	112,680	102,641
Promises to give, net	1,050,542	1,642,641
Collections	175,493	830,493
Loan costs, net of amortization of \$139,585 and \$123,865, respectively	208,272	223,992
Property and equipment, net	82,746,552	83,552,728
Total Assets	\$ 96,222,310	\$ 97,374,968
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 466,902	\$ 391,786
Accounts payable to National Park Service	1,113,276	1,200,293
Accrued payroll and benefits	176,162	237,366
Deferred ticket income	178,940	162,994
Notes payable	678,720	870,876
Museum land lease liability	51,237	54,070
Deferred service contract revenue	1,682,292	1,807,292
Bonds payable	12,615,000	13,145,000
Interest rate swap liability	2,196,005	2,253,024
Split-interest annuity liability	268,101	281,545
Total Liabilities	19,426,635	20,404,246
Net Assets		
Unrestricted	64,046,394	63,510,533
Temporarily restricted	2,802,216	3,510,138
Permanently restricted	9,947,065	9,950,051
Total Net Assets	76,795,675	76,970,722
Total Liabilities and Net Assets	\$ 96,222,310	\$ 97,374,968

Gettysburg Foundation

Statement of Activities

	Year Ended September 30, 2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Ticket income	\$ 5,205,836	\$ -	\$ -	\$ 5,205,836
Tour income	3,318,842	-	-	3,318,842
Commission income	2,304,041	-	-	2,304,041
Contributions	1,319,741	688,260	-	2,008,001
In-kind contributions	1,430,492	-	-	1,430,492
Membership dues income	835,949	-	-	835,949
Event income	510,334	-	-	510,334
Sales revenue	90,561	-	-	90,561
Rental income	48,647	-	-	48,647
Other income	10,530	-	-	10,530
Total Support and Revenue	15,074,973	688,260	-	15,763,233
Net Assets Released from Restrictions	1,420,495	(1,420,495)	-	-
Total Support and Revenue and Net Assets Released	16,495,468	(732,235)	-	15,763,233
Expenses				
Program services				
Museum and Visitor Center operations	10,077,035	-	-	10,077,035
National Park Service and interpretive and office facilities Program	2,829,573	-	-	2,829,573
	878,768	-	-	878,768
Total Program Services	13,785,376	-	-	13,785,376
Supporting services				
Management and general	753,763	-	-	753,763
Fundraising	1,755,768	-	-	1,755,768
Total Supporting Services	2,509,531	-	-	2,509,531
Total Expenses	16,294,907	-	-	16,294,907
Excess (Deficiency) of Support and Revenue over Expenses	200,561	(732,235)	-	(531,674)
Change in Fair Value of Interest Rate Swap	57,019	-	-	57,019
Return on Investments, Net	278,281	29,732	-	308,013
Change in Value of Split-Interest Annuity Liability	-	(5,419)	(2,986)	(8,405)
Changes in Net Assets	\$ 535,861	\$ (707,922)	\$ (2,986)	\$ (175,047)

See accompany notes.

Gettysburg Foundation

Statement of Activities (continued)

	Year Ended September 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue				
Ticket income	\$ 6,139,762	\$ -	\$ -	\$ 6,139,762
Tour income	3,647,757	-	-	3,647,757
Commission income	2,963,981	-	-	2,963,981
Contributions	1,103,155	2,189,530	129,763	3,422,448
In-kind contributions	405,541	8,146	-	413,687
Membership dues income	874,504	-	-	874,504
Event income	470,573	2,079	-	472,652
Sales revenue	136,231	2,110	-	138,341
Rental income	35,375	-	-	35,375
Other income	12,082	-	-	12,082
Total Support and Revenue	15,788,961	2,201,865	129,763	18,120,589
Net Assets Released from Restrictions	2,378,614	(2,378,614)	-	-
Total Support and Revenue and Net Assets Released	18,167,575	(176,749)	129,763	18,120,589
Expenses				
Program services				
Museum and Visitor Center operations	10,821,521	-	-	10,821,521
National Park Service and interpretive and office facilities Program	3,680,666	-	-	3,680,666
	1,125,461	-	-	1,125,461
Total Program Services	15,627,648	-	-	15,627,648
Supporting services				
Management and general	746,068	-	-	746,068
Fundraising	1,738,442	-	-	1,738,442
Total Supporting Services	2,484,510	-	-	2,484,510
Total Expenses	18,112,158	-	-	18,112,158
Excess (Deficiency) of Support and Revenue over Expenses	55,417	(176,749)	129,763	8,431
Change in Fair Value of Interest Rate Swap	1,348,210	-	-	1,348,210
Return on Investments, Net	380,235	25,414	-	405,649
Change in Value of Split-Interest Annuity Liability	-	(48,996)	(24,712)	(73,708)
Changes in Net Assets	\$ 1,783,862	\$ (200,331)	\$ 105,051	\$ 1,688,582

See accompany notes.

Gettysburg Foundation

Statement of Changes in Net Assets

	Years Ended September 30, 2014 and 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets at September 30, 2012	\$ 61,726,671	\$ 3,710,469	\$ 9,845,000	\$ 75,282,140
Changes in net assets	<u>1,783,862</u>	<u>(200,331)</u>	<u>105,051</u>	<u>1,688,582</u>
Net Assets at September 30, 2013	63,510,533	3,510,138	9,950,051	76,970,722
Changes in net assets	<u>535,861</u>	<u>(707,922)</u>	<u>(2,986)</u>	<u>(175,047)</u>
Net Assets at September 30, 2014	<u>\$ 64,046,394</u>	<u>\$ 2,802,216</u>	<u>\$ 9,947,065</u>	<u>\$ 76,795,675</u>

Gettysburg Foundation

Statement of Cash Flows

	Years Ended September 30,	
	2014	2013
Cash Flows from Operating Activities		
Changes in net assets	\$ (175,047)	\$ 1,688,582
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	3,149,613	3,187,642
Amortization of loan costs	15,720	15,451
Provision for uncollectible promises to give and bad debts	(20,000)	48,000
Change in unamortized discount	7,434	15,100
Donated securities	-	(596,914)
Unrealized and realized gains on investments	(168,927)	(331,385)
In-kind contributions - donated assets	(1,426,992)	-
Donation of collection items to National Park Service	655,000	-
Change in interest rate swap liability	(57,019)	(1,348,210)
Restricted contributions - property and equipment	(156,860)	(450,000)
Permanently restricted contributions - Endowment	-	(129,763)
(Increase) decrease in assets		
Accounts receivable	46,651	(52,102)
Inventory	12,155	(36,774)
Prepaid expenses	(10,039)	(50,960)
Promises to give	390,771	60,871
Increase (decrease) in liabilities		
Accounts payable	26,152	(70,670)
Accounts payable to National Park Service	(87,017)	488,338
Accrued payroll and benefits	(61,204)	(61,189)
Deferred ticket income	15,946	56,706
Deferred service contract revenue	(125,000)	(125,000)
Split-interest annuity liability	(13,444)	271,143
Net Cash Provided by Operating Activities	2,017,893	2,578,866
Cash Flows from Investing Activities		
Capital expenditures	(867,481)	(732,802)
Purchase of investments	(4,110,358)	(8,021,786)
Proceeds from sale of investments	3,137,427	8,503,044
Net Cash Used in Investing Activities	(1,840,412)	(251,544)

Gettysburg Foundation

Statement of Cash Flows (continued)

	Years Ended September 30,	
	2014	2013
Cash Flows from Financing Activities		
Principal repayments of bonds payable	(530,000)	(500,000)
Principal repayments of notes payable	(192,156)	(491,199)
Payments on museum land lease	(2,833)	14,251
Restricted contributions - property and equipment	286,860	-
Permanently restricted contributions - Endowment	5,000	109,763
	<u>(433,129)</u>	<u>(867,185)</u>
Net Cash Used in Financing Activities		
	<u>(433,129)</u>	<u>(867,185)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		
	(255,648)	1,460,137
Cash and Cash Equivalents at Beginning of Year	<u>4,147,424</u>	<u>2,687,287</u>
Cash and Cash Equivalents at End of Year	<u>\$ 3,891,776</u>	<u>\$ 4,147,424</u>
Supplementary Cash Flows Information		
Interest paid	<u>\$ 809,987</u>	<u>\$ 856,909</u>
Supplementary Schedule of Noncash Investing and Financing Activities		

In 2014

Accounts payable includes \$48,964 of property and equipment.

Investments of \$78,894 were received as payment on promises to give.

Gettysburg Foundation

Notes to Financial Statements

September 30, 2014 and 2013

Note 1 - Nature of Operations

The Gettysburg Foundation (a Pennsylvania nonprofit corporation) (Foundation) 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 at 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 the Foundation dated November 7, 2002 provides that the 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 amount determined available each year after taking into consideration expenditures already incurred during the year in support of GNMP.

The General Agreement contains certain conditions under which the 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, the 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, the 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.

The 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 conformity 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, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents. The Foundation had no cash equivalents at September 30, 2014 and 2013.

Concentration of Cash

At times during the years ended September 30, 2014 and 2013, the 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 unrestricted net assets unless their use is temporarily or permanently 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 unrestricted net assets unless their use is temporarily or permanently 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. The 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

The 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 the Foundation), if the items were contributed. Gains and losses from deaccessions of these items are reflected on the statements of activities as changes in unrestricted net assets.

Loan Costs

Costs related to issuance of bonds payable and loan origination fees are capitalized and amortized over the straight-line terms of the related bonds and notes payable. Amortization expense of loan costs is expected to be \$15,720 annually, for the next five years.

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 real estate of a historical nature or 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. 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 in operations.

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 the Foundation concluded that no impairment adjustments were required for these other assets, during the years ended September 30, 2014 and 2013.

Derivatives and Hedging Activity

The 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. The 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 as a component of changes in net assets. The interest rate swap exposes the 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 the Foundation money while a negative fair value indicates that the Foundation owes the counterparty. The Foundation manages this risk by dealing with high-quality counterparties.

Split Interest Annuity Liability

Charitable gift annuities are funds received by the Foundation on the condition that the 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. The 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 the 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 as a component of changes in net assets.

Net Assets

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that must be maintained permanently by the 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 temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Functional Expense Classifications - by Natural Classification

The cost of providing the various programs and other activities are summarized on a functional basis in the statements of activities and in the schedule of functional expenses - by natural classification. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Facility costs including salaries and benefits are allocated to function 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. The functions are:

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, the Gettysburg Lincoln Railroad Station and the George Spangler Farm. 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.

GNMP 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). The 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.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2014 and 2013

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Expense Classifications - by Natural Classification (continued)

Program expenses include expenses associated with the Ford Motor Company Education Center, leadership programs, Rupp House History Center, and other educational and interpretive programs. 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 the Foundation.

Fundraising includes expenses associated with membership and resource development.

Advertising Costs

The Foundation expenses advertising costs as incurred. For the years ended September 30, 2014 and 2013, advertising expense amounted to \$200,151 and \$269,109, respectively.

Reclassifications

Certain information in the 2013 financial statements and related footnotes contain reclassifications necessary to make that information comparable to information presented in the 2014 financial statements.

Subsequent Events

The Foundation has evaluated subsequent events through December 18, 2014, which is the date the financial statements were available to be issued. No material events subsequent to September 30, 2014 were noted.

Note 3 - Tax Exempt Status

The 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, the 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. The 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 the 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

Notes to Financial Statements
September 30, 2014 and 2013

Note 3 - Tax Exempt Status (continued)

The Foundation files federal and various state income tax returns. With few exceptions the Foundation is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for years before September 30, 2011.

Note 4 - Promises to Give

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

	<u>2014</u>	<u>2013</u>
Promises to give	\$ 1,137,395	\$ 1,760,060
Unamortized discount	(34,988)	(27,554)
Allowance for uncollectible promises to give	<u>(51,865)</u>	<u>(89,865)</u>
	<u>\$ 1,050,542</u>	<u>\$ 1,642,641</u>
Receivable in less than one year	\$ 499,254	\$ 921,107
Receivable in one to five years	<u>551,288</u>	<u>721,534</u>
	<u>\$ 1,050,542</u>	<u>\$ 1,642,641</u>

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

2015	\$ 528,715
2016	345,000
2017	132,800
2018	80,280
2019	<u>50,600</u>
	<u>\$ 1,137,395</u>

The discount rates used to value long-term promises to give received for the years ending September 30, 2014 and 2013, were:

2014	2.86%
2013	2.66%

At September 30, 2014 and 2013, four donors made up approximately 66% and 71% of promises to give, respectively.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2014 and 2013

Note 5 - 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.

The Foundation executed an agreement to accept the National Guard Armory located at 315 West Confederate Avenue in Gettysburg, PA (which is within the boundaries of the GNMP) as a direct conveyance from the Commonwealth of Pennsylvania. The Commonwealth of Pennsylvania passed Act 63 of 2013 which was signed by the governor in July 2013 to convey the Armory to the Gettysburg Foundation for \$1, settlement occurred in January 2014. The property and buildings are valued at \$1,426,992, and were recorded as in-kind donated property for the year ended September 30, 2014.

During the year ended September 30, 2014, an organization donated advertising space in their publication to the Foundation valued at \$3,500.

During the year ended September 30, 2013, consultants and nationally renowned speakers donated professional services to the Foundation valued at \$215,746. Additionally, other materials were donated with a value of \$197,941.

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

	<u>2014</u>	<u>2013</u>
Donated property	\$ 1,426,992	\$ -
Donated materials	-	197,941
Donated services	<u>3,500</u>	<u>215,746</u>
	<u>\$ 1,430,492</u>	<u>\$ 413,687</u>

The Foundation receives a substantial amount of services donated by individuals who assist with general activities, restorative work and other services in support of the 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, 2014 and 2013, the Foundation had over 640 and 1,150 volunteers, respectively, who donated approximately 9,600 and 16,500 hours of time, respectively.

Note 6 - 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.

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 the 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.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2014 and 2013

Note 6 - Fair Value of Financial Instruments (continued)

For assets (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:

	2014			
	Total	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 785,424	\$ 785,424	\$ -	\$ -
Mutual Funds				
Equity funds	3,517,104	3,517,104	-	-
Fixed income funds	1,309,668	1,309,668	-	-
U.S. Treasury Bills and Notes	1,999,450	1,999,450	-	-
Split-Interest Annuity	28,348	-	28,348	-
Total Investments	\$ 7,639,994	\$ 7,611,646	\$ 28,348	\$ -
Interest Rate Swap	\$ 2,196,005	\$ -	\$ 2,196,005	\$ -
	2013			
Cash and Cash Equivalents	\$ 438,871	\$ 438,871	\$ -	\$ -
Mutual Funds				
Equity funds	2,634,228	2,634,228	-	-
Fixed income funds	1,321,872	1,321,872	-	-
U.S. Treasury Bills and Notes	1,995,665	1,995,665	-	-
Split-Interest Annuity	28,606	-	28,606	-
Total Investments	\$ 6,419,242	\$ 6,390,636	\$ 28,606	\$ -
Interest Rate Swap	\$ 2,253,024	\$ -	\$ 2,253,024	\$ -

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.

We 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, 2014 and 2013, there were no transfers in or out of Level 3.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2014 and 2013

Note 7 - Split-Interest Annuity Liability

During the year ended September 30, 2002, the Foundation executed a \$30,000 split-interest annuity in accordance with a contribution received from a donor. The contribution required the Foundation to pay \$100 per month to a third-party beneficiary beginning November 1, 2003.

During the years ended September 30, 2014 and 2013, the annuity investments earned investment income of \$942 and \$851, respectively, and made required payments to the designated beneficiary in the amount of \$1,200 each year.

During the year ended September 30, 2013, the Foundation executed a \$372,257 charitable gift annuity with a donor in which the Foundation serves as trustee. Assets held in these trusts are included in investments on the statement of financial position. This annuity is valued at fair market value as of September 30, 2014 and 2013. The Foundation made required payments to the designated beneficiary for the years ended September 30, 2014 and 2013 of \$21,591 and \$10,316, respectively. During the years ended September 30, 2014 and 2013, the investments associated with this annuity earned net investment income of \$25,784 and \$22,244, respectively.

A loss was recorded for the years ended September 30, 2014 and 2013 on the change in the value of the annuity liability totaling \$8,405 and \$73,708, respectively. The prior year loss was due to implementing an updated actuarial table subsequent to the execution of the gift annuity.

The investments associated with the split-interest agreements at September 30, 2014 and 2013 total \$416,726 and \$412,791, respectively. The aggregate annuity liability is valued at fair market value based upon the present value of the annuity payments which, as of September 30, 2014 and 2013, amounted to \$268,101 and \$281,545, respectively.

Note 8 - Investments

Investments

The Foundation has an investment account which holds short-term investments such as treasury bills or treasury notes. Additionally, the 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

The Foundation also has an investment account with M&T Investment Group as required under the letters 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.

Note 9 - Endowment

The 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

The Board of Directors of the 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 the 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.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by the relevant state law. Unless specifically defined by a donor-restricted endowment fund required by donor stipulation, the 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 Foundation's and 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 the Foundation
- 7) The investment policies of the Foundation

Gettysburg FoundationNotes to Financial Statements
September 30, 2014 and 2013**Note 9 - Endowment (continued)**

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

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor- restricted endowment funds	\$ -	\$ 23,130	\$ 87,065	\$ 110,195

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor- restricted endowment funds	\$ -	\$ 10,585	\$ 85,051	\$ 95,636

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

	September 30, 2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - October 1, 2013	\$ -	\$ 10,585	\$ 85,051	\$ 95,636
Investment Return				
Interest and dividends	-	3,375	-	3,375
Net gain (realized and unrealized)	-	10,313	-	10,313
Fees	-	(1,143)	-	(1,143)
Contributions	-	-	5,000	5,000
Change in Value of Split Interest Annuity Liability	-	-	(2,986)	(2,986)
Endowment Net Assets - September 30, 2014	\$ -	\$ 23,130	\$ 87,065	\$ 110,195

Gettysburg Foundation

Notes to Financial Statements
September 30, 2014 and 2013

Note 9 - Endowment (continued)

	September 30, 2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets - October 1, 2012	\$ -	\$ -	\$ -	\$ -
Investment return				
Interest and dividends	-	946	-	946
Net gain (realized and unrealized)	-	10,182	-	10,182
Fees	-	(543)	-	(543)
Contributions	-	-	109,763	109,763
Change in Value of Split Interest Annuity Liability	-	-	(24,712)	(24,712)
Endowment Net Assets - September 30, 2013	<u>\$ -</u>	<u>\$ 10,585</u>	<u>\$ 85,051</u>	<u>\$ 95,636</u>

Funds with Deficiencies

Pennsylvania state law (Act 141) has no requirement to restore permanent fund deficiencies and accounting standards provide that the generally accepted rule of reporting such deficiencies as unrestricted net assets should be applied on in the absences of donor stipulations or laws to the contrary. Following our interpretation of state law, deficiencies are reported as reductions to permanently restricted net assets. There were no such deficiencies reported as of September 30, 2014 and 2013.

Return Objectives and Risk Parameters

The 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 the 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 the Foundation to fund the appropriate programs while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

The 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). The 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, 2014 and 2013

Note 9 - 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. The 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, 2014 and 2013, the Foundation did not choose to withdraw an amount from the endowment. Accumulated and unspent earnings are considered temporarily restricted until they are spent.

Note 10 - Property and Equipment

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

	<u>2014</u>	<u>2013</u>
Building	\$ 42,797,548	\$ 40,696,024
Land and land improvements	19,551,116	19,319,794
Exhibits	17,892,997	17,892,997
Cyclorama painting restoration	10,908,281	10,908,281
Scenic easements	9,845,000	9,845,000
Furniture and equipment	2,486,391	2,475,800
	103,481,333	101,137,896
Accumulated depreciation	<u>(20,734,781)</u>	<u>(17,585,168)</u>
	<u>\$ 82,746,552</u>	<u>\$ 83,552,728</u>

Depreciation expense for the years ended September 30, 2014 and 2013 amounted to \$3,149,613 and \$3,187,642, respectively. Land, cyclorama painting restoration, and scenic easements are not depreciated.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2014 and 2013

Note 11 - Notes Payable

On May 1, 2002, the 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 the Foundation. At September 30, 2014 and 2013, the outstanding balance on the note was \$378,720 and \$420,876, respectively. 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% of the prime rate, which was 2.28% for each of the years ended September 30, 2014 and 2013. The amended mortgage terms require monthly payments of \$4,883. The maturity date of November 2022 remains unchanged from the original note. Interest expense under this note amounted to \$9,251 and \$10,209 for the years ended September 30, 2014 and 2013, respectively

On September 24, 2004, the 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. The Foundation is to pay a fixed rate of interest of 5% 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, 2014 and 2013 was \$100,000. Interest expense under this note amounted to \$5,000 for each of the years ended September 30, 2014 and 2013.

On November 15, 2004, the Foundation obtained a note payable in the amount of \$200,000 from an individual member. The note bears interest at a fixed rate of 4.8% 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, 2014 and 2013 was \$200,000. Interest expense under this note amounted to \$9,600 for each of the years ended September 30, 2014 and 2013.

On October 8, 2012, the Foundation took possession of a collection of historical items related to Civil War General John Reynolds with a down payment of \$55,000 and entered into a note agreement secured by the historical items for \$600,000. The agreement, which does not bear interest, required payments of \$450,000 during the year ended September 30, 2013 with the remaining amount of \$150,000 paid on December 3, 2013.

Aggregate maturities of notes payable, assuming no change in current terms, consist of the following for the five years ending September 30, 2019, and thereafter:

2015	\$	43,241
2016		44,235
2017		52,519
2018		53,726
2019		54,962
Thereafter		<u>430,037</u>
	\$	<u>678,720</u>

Gettysburg Foundation

Notes to Financial Statements

September 30, 2014 and 2013

Note 12 - 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 \$12,615,000 and \$13,145,000 as of September 30, 2014 and 2013, respectively, mature on December 1, 2027. The variable interest rate (reset weekly) at September 30, 2014 and 2013, was 0.09% and 0.12%, respectively. Total interest expense for this bond issue for the years ended September 30, 2014 and 2013 was \$146,199 and \$160,243, respectively. Principal payments made during the years ended September 30, 2014 and 2013 were \$530,000 and \$500,000, respectively. The bond is secured by all assets of the 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.

The 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 is 0.875% 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, PA. The letter of credit expires in December 2016.

The Foundation is required to remain in compliance with financial covenants under terms of the letter of credit related to the bond issuance. The Foundation was not aware of any violations of the financial covenants at September 30, 2014 and 2013.

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

	<u>Series 2006A</u>
2015	\$ 560,000
2016	590,000
2017	620,000
2018	655,000
2019	695,000
2020 - 2024	4,705,000
2025 - 2028	<u>4,790,000</u>
	<u>\$ 12,615,000</u>

Note 12 - Bonds Payable and Related Accounts (continued)**Museum Land Lease Agreement**

On October 5, 2006, The Foundation entered into an agreement with the Adams County Industrial Development Authority (ACIDA). In exchange for the use of the ACIDA's sales-tax exempt status, the 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. The 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, 2014 and 2013, this liability amounted to \$51,237 and \$54,070, respectively.

ACIDA has title to the museum land and facility that constitutes ownership, not a security interest. However, the Foundation is entitled to deduct all depreciation on and take any available tax credits with respect to the land and facility. The 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.

Derivative Instruments

During the fiscal year ending September 30, 2006, the 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 \$15,000,000 tax exempt and \$5,000,000 non-tax exempt. 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%. The Foundation is paying interest related to the swap agreement. Total interest expense for this derivative instrument for the years ended September 30, 2014 and 2013 was \$636,538 and \$652,046, respectively. The taxable bonds were paid off in 2011 but the swap instrument remains in place on the full amount of the bonds' originally scheduled maturity.

The swap was issued at market terms so that it had no fair value at its inception. At September 30, 2014 and 2013, the swap agreement had a carrying value of \$2,196,005 and \$2,253,024, 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 \$57,019 and \$1,348,210 for the years ended September 30, 2014 and 2013, respectively, and are recorded in the statement of activities as a component of the changes in net assets. At September 30, 2014 and 2013, the notional value of the swap was \$16,830,000 and \$17,535,000, respectively.

Gettysburg Foundation

Notes to Financial Statements

September 30, 2014 and 2013

Note 13 - Deferred Service Contract Revenue

The 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 the Foundation of \$2,500,000. No additional monthly payments are required. The initial deposit is being recognized by the Foundation on a straight-line basis over a period of twenty years. Deferred revenue related to the remainder of the agreement amounted to \$1,682,292 and \$1,807,292 as of September 30, 2014 and 2013, respectively.

Note 14 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following as of September 30:

	<u>2014</u>	<u>2013</u>
Promises to give	\$ 1,035,542	\$ 1,622,641
Spangler Farm	403,577	-
Battlefield rehabilitation	383,900	327,960
Defense of Cemetery Hill	369,447	568,039
Education programs	156,594	273,228
Gettysburg Railroad Station	138,799	466,986
Stewardship 150 projects	182,494	89,720
Split-interest annuity	105,594	93,826
Endowment earnings accumulated	23,130	10,585
Museum exhibits	3,139	19,489
Cultural resources management	-	37,664
	<u>\$ 2,802,216</u>	<u>\$ 3,510,138</u>

Gettysburg Foundation

Notes to Financial Statements

September 30, 2014 and 2013

Note 15 - Permanently Restricted Net Assets

Permanently restricted net assets include 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 the 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. Other permanently restricted net assets include a portion of a split-interest annuity restricted for the endowment and promises to give and contributions restricted for land and monument preservation projects and acquisitions of properties or artifacts.

Permanently restricted net assets consist of the following as of September 30:

	<u>2014</u>	<u>2013</u>
Scenic Easements	\$ 9,845,000	\$ 9,845,000
Endowment investments	173,494	175,691
Promises to give	15,000	20,000
Present value of split-interest annuity liability	<u>(86,429)</u>	<u>(90,640)</u>
	<u>\$ 9,947,065</u>	<u>\$ 9,950,051</u>

Note 16 - Retirement Plan

The Foundation sponsors a defined-contribution retirement plan covering employees who meet certain age and length of service requirements. The total retirement expense for the years ended September 30, 2014 and 2013 amounted to \$102,547 and \$115,487, respectively.

Note 17 - Deferred Compensation

The Foundation entered into a deferred compensation agreement during 2009 with a former president of the Foundation. This agreement calls for annual payments through the year 2014. During the years ended September 30, 2014 and 2013, \$59,750 and \$80,950, respectively, was paid out under this agreement. An amount of \$-0- and \$59,750 is included as a liability in accrued payroll and benefits as of September 30, 2014 and 2013, respectively.

Gettysburg Foundation

Notes to Financial Statements
September 30, 2014 and 2013

Note 18 - Related Party Transactions

The Chairperson of the Foundation's Board of Directors is related through common management to various related parties. In addition, other members of the Board of Directors have various transactions with the Foundation.

The Foundation had the following balances with these related parties as of September 30:

	<u>2014</u>	<u>2013</u>
Promises to give	\$ 829,951	\$ 1,286,440
Accounts payable	3,590	24,299

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

	<u>2014</u>	<u>2013</u>
Property and equipment expenditures, capitalized	\$ 142,245	\$ 122,050
Contributions	133,214	1,183,350
Maintenance and supplies, expensed	81,884	40,389

Note 19 - Rental Income

The Foundation leases two owned facilities to unrelated parties. One is an annual lease, the second lease extends through December 2016. Lease payments under the lease agreements for the years ended September 30, 2014 and 2013 amounted to \$32,000 and \$24,000, respectively.

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

2015	\$ 24,000
2016	24,000
2017	<u>6,000</u>
	<u>\$ 54,000</u>

Gettysburg Foundation

Notes to Financial Statements
September 30, 2014 and 2013

Note 20 - Commitments

The Foundation leases three pieces of real estate located in Gettysburg, Pennsylvania under month-to-month operating leases, including properties located at 150 North Third Street, a storage unit behind 451 Baltimore Street, and a property from the NPS located on Emmitsburg Road.

Additionally, the Foundation leases various office equipment under operating leases expiring through 2017.

Future minimum lease payments consist of the following for the remaining three years ending September 30:

2015	\$	6,656
2016		6,656
2017		<u>2,504</u>
	\$	<u>15,816</u>

Rent expense related to these lease, for the years ended September 30, 2014 and 2013 amounted to \$41,279 and \$40,430, respectively.

Gettysburg Foundation

Schedule of Functional Expenses - by Natural Classification

	Year Ended September 30, 2014					
	Program Services			Supporting Services		
	Museum and Visitor Center Operations	National Park Service and Interpretive and Office Facilities	Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 1,539,807	\$ 161,440	\$ 282,187	\$ 372,762	\$ 782,887	\$ 3,139,083
Employee benefits and payroll tax	397,858	31,576	77,701	149,687	127,568	784,390
Professional fees	107,101	848	25,022	62,499	110,219	305,689
Advertising and promotion	181,692	-	7,504	-	10,955	200,151
Office, telephone and postage	40,001	2,150	21,669	5,804	116,356	185,980
Travel, meals and entertainment	76,489	1,630	105,153	44,869	96,505	324,646
Printing	37,935	-	38,799	540	160,869	238,143
Supplies	294,581	88,494	41,329	40,677	70,941	536,022
Repairs and maintenance	205,124	45,636	13,826	3,438	15,941	283,965
Museum exhibits and artifacts	16,338	7,673	-	-	-	24,011
Trash and janitorial	8,760	2,008	1,280	154	5,313	17,515
Information technology	163,050	23,391	9,431	12,025	49,789	257,686
Dues, subscriptions and professional development	23,354	1,431	3,551	2,124	13,142	43,602
Rent expense	-	17,555	2,640	4,734	9,695	34,624
Real estate taxes	50,418	10,920	540	840	2,625	65,343
Utilities	282,660	63,239	8,934	4,865	8,424	368,122
Insurance	45,156	10,351	512	16,920	57	72,996
Bank and credit card processing fees	188,618	-	1,793	-	11,355	201,766
Admission taxes	215,263	-	701	-	-	215,964
Cost of sales and bus rentals	1,348,086	-	62,036	-	5,873	1,415,995
Guide and speaker fees	1,617,363	-	72,155	2,702	2,685	1,694,905
Registration and filing fees	-	-	-	-	4,632	4,632
Membership expenses	-	-	907	-	114,598	115,505
Donation and restoration expenses	-	421,140	-	6,175	-	427,315
Donations to Gettysburg National Military Park and National Park Service	-	726,768	-	-	-	726,768
Donation of Reynolds Collection to National Park Service	-	655,000	-	-	-	655,000
Depreciation and amortization	2,451,477	558,323	86,787	42,948	25,798	3,165,333
Interest expense	785,904	-	14,311	-	9,541	809,756
Bad debt expense	-	-	-	(20,000)	-	(20,000)
	<u>\$ 10,077,035</u>	<u>\$ 2,829,573</u>	<u>\$ 878,768</u>	<u>\$ 753,763</u>	<u>\$ 1,755,768</u>	<u>\$ 16,294,907</u>

Gettysburg Foundation

Schedule of Functional Expenses - by Natural Classification (continued)

	Year Ended September 30, 2013					
	Program Services			Supporting Services		
	Museum and Visitor Center Operations	National Park Service and Interpretive and Office Facilities	Programs	Management and General	Fundraising	Total
Salaries and wages	\$ 1,535,278	\$ 161,054	\$ 266,637	\$ 356,643	\$ 774,462	\$ 3,094,074
Employee benefits and payroll tax	384,171	36,257	56,775	72,953	145,761	695,917
Professional fees	30,367	861	82,453	55,097	93,195	261,973
Advertising and promotion	263,404	-	3,176	-	2,529	269,109
Office, telephone and postage	39,708	2,198	26,961	5,624	158,386	232,877
Travel, meals and entertainment	82,407	10,439	173,250	49,102	94,405	409,603
Printing	44,839	-	125,849	855	140,747	312,290
Supplies	310,844	78,545	51,762	47,032	76,744	564,927
Repairs and maintenance	257,129	58,643	6,914	4,448	18,004	345,138
Museum exhibits and artifacts	444,898	-	-	-	-	444,898
Trash and janitorial	9,342	2,132	796	163	4,435	16,868
Information technology	150,258	146,004	14,738	12,250	61,982	385,232
Dues, subscriptions and professional development	16,891	288	2,973	1,177	10,165	31,494
Rent expense	-	17,063	2,640	-	14,071	33,774
Real estate taxes	50,301	10,956	528	840	1,686	64,311
Utilities	286,898	65,784	7,123	5,044	7,461	372,310
Insurance	35,233	8,105	391	14,958	36	58,723
Bank and credit card processing fees	191,466	-	-	-	14,368	205,834
Admission taxes	254,663	-	816	-	-	255,479
Cost of sales and bus rentals	1,464,791	-	109,835	-	1,950	1,576,576
Guide and speaker fees	1,684,682	196,700	67,267	460	1,250	1,950,359
Registration and filing fees	-	-	-	-	4,727	4,727
Membership expenses	-	-	1,545	26,366	61,929	89,840
Donation and restoration expenses	-	821,097	-	2,094	-	823,191
Donations to Gettysburg National Military Park and National Park Service	-	1,504,190	-	-	-	1,504,190
Depreciation and amortization	2,451,410	560,350	108,146	42,962	40,225	3,203,093
Interest expense	832,541	-	14,886	-	9,924	857,351
Bad debt expense	-	-	-	48,000	-	48,000
	<u>\$ 10,821,521</u>	<u>\$ 3,680,666</u>	<u>\$ 1,125,461</u>	<u>\$ 746,068</u>	<u>\$ 1,738,442</u>	<u>\$ 18,112,158</u>