National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Financial Statements,
Supplemental Schedules and
Independent Auditor's Report
Year Ended June 30, 2014

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National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Contents

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Independent Auditor's Report

The Board of Trustees
National Trust for Historic Preservation
and its Subsidiaries and Affiliates
Washington, D.C.

We have audited the accompanying consolidated financial statements of **National Trust for Historic Preservation and its Subsidiaries and Affiliates** (the Trust), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the consolidated financial statements of the National Trust Community Investment Corporation (NTCIC), a wholly-owned subsidiary which constitutes 4% of total consolidated assets and 22% of total consolidated revenues. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for NTCIC, is based solely on the report of the other auditors. 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **National Trust for Historic Preservation and its Subsidiaries and Affiliates** as of June 30, 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules presented on pages 41 and 42 of this report are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

BDO USA, LLP

February 10, 2015

Consolidated Financial Statements

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Consolidated Statement of Financial Position

June 30,		2014
Assets		
Current assets:		
Cash and cash equivalents	$	10,085,479
Accounts receivable		1,598,229
Contributions receivable, current (note 4)		4,378,069
Merchandise inventory		614,388
Prepaid expenses and other assets		837,366
Properties held for resale		369,000
Total current assets		17,882,531
Investments: (notes 6, 7, and 8)		
Revolving loan funds		525,422
Endowments and similar funds		291,685,068
Other investments		1,979,931
Total investments		294,190,421
Contributions receivable, net of current (note 4)		9,829,702
Properties held for resale		240,000
Property and equipment, net (note 3)		8,580,813
Deferred tax assets (note 1(p))		2,884,055
Total noncurrent assets		315,724,991
Total assets	$	333,607,522
Liabilities and net assets		
Liabilities		
Current liabilities:		
Accounts payable	$	7,256,127
Accrued expenses		1,983,206
Deferred revenue		1,555,371
Notes payable, current (note 10)		1,023,457
Total current liabilities		11,818,161
Notes payable, net of current (note 10)		3,450,623
Amounts held for others		16,364,565
Deferred rent		4,797,800
Other liabilities		1,501,147
Total liabilities		37,932,296
Commitments and Contingencies (note 14)		
Net assets (note 11)		
Unrestricted		110,337,203
Temporarily restricted		98,262,323
Permanently restricted		87,075,700
Total net assets		295,675,226
Total liabilities and net assets	$	333,607,522

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Consolidated Statement of Activities

Year ended June 30, 2014	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Operating revenues, gains, and other support				
Grant income	$ 1,148,783	$ -	$ -	$ 1,148,783
Contributions (note 4)	19,294,606	1,772,257	-	21,066,863
Membership dues	1,757,142	-	-	1,757,142
Admissions and special events	4,214,764	-	-	4,214,764
Investment income (note 6)	10,937,980	3,199,361	-	14,137,341
Contract services	9,263,616	-	-	9,263,616
Sales of articles	878,692	-	-	878,692
Advertising	709,429	-	-	709,429
Rental income	712,233	-	-	712,233
Public service announcements	497,032	-	-	497,032
Royalty income	1,123,041	-	-	1,123,041
Miscellaneous	1,842,962	-	-	1,842,962
Net assets released from restrictions	6,770,175	(6,770,175)	-	-
Total operating revenues, gains, and other support	59,150,455	(1,798,557)	-	57,351,898
Operating expenses				
Program services				
Historic sites	19,656,680	-	-	19,656,680
Preservation services	19,168,837	-	-	19,168,837
Publications	1,645,448	-	-	1,645,448
Education	5,578,480	-	-	5,578,480
Total program services	46,049,445	-	-	46,049,445
Support services				
Membership outreach	1,215,722	-	-	1,215,722
General and administrative	6,341,136	-	-	6,341,136
Fundraising	7,748,643	-	-	7,748,643
Total support services	15,305,501	-	-	15,305,501
Total operating expenses	61,354,946	-	-	61,354,946
Deficiency of operating revenues, gains, and other support under operating expenses	(2,204,491)	(1,798,557)	-	(4,003,048)
Nonoperating support				
Investment return in excess of amounts designated for operating (note 6)	10,141,044	17,549,055	-	27,690,099
Unexpended restricted contributions	-	3,221,541	202,070	3,423,611
Changes in net assets	7,936,553	18,972,039	202,070	27,110,662
Net assets, beginning of year	102,400,650	79,290,284	86,873,630	268,564,564
Net assets, end of year	$ 110,337,203	$ 98,262,323	$ 87,075,700	$ 295,675,226

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Consolidated Statement of Functional Expenses

Year ended June 30, 2014	Historic sites	Preservation services	Publications	Education	**Total program services**	Membership outreach	General and administrative	Fundraising	**Total support services**	Total
Employee costs:										
Salaries	$ 5,682,899	$ 8,354,467	$ 550,632	$ 2,388,868	**$ 16,976,866**	$ 241,785	$ 3,348,932	$ 3,862,825	**$ 7,453,542**	$ 24,430,408
Payroll taxes and benefits	999,317	1,540,324	106,642	540,458	**3,186,741**	120,134	664,291	678,619	**1,463,044**	4,649,785
	6,682,216	9,894,791	657,274	2,929,326	**20,163,607**	361,919	4,013,223	4,541,444	**8,916,586**	29,080,193
Professional services	1,737,418	2,538,571	161,342	643,350	**5,080,681**	272,297	1,029,049	970,693	**2,272,039**	7,352,720
Grants	1,196,751	2,444,017	-	138,226	**3,778,994**	-	-	-	**-**	3,778,994
Occupancy	1,448,570	863,209	33,632	308,792	**2,654,203**	49,530	495,370	231,681	**776,581**	3,430,784
Real estate	2,562,755	-	-	-	**2,562,755**	-	-	900	**900**	2,563,655
Property development	2,476,153	9,194	98	326	**2,485,771**	-	293	-	**293**	2,486,064
Printing	312,368	145,966	451,440	285,640	**1,195,414**	92,835	32,789	557,982	**683,606**	1,879,020
Travel	284,278	739,405	9,094	256,319	**1,289,096**	11,593	164,493	295,824	**471,910**	1,761,006
Postage	40,355	27,606	268,429	22,865	**359,255**	350,516	8,284	954,458	**1,313,258**	1,672,513
Tax expense	-	1,372,924	-	-	**1,372,924**	-	-	-	**-**	1,372,924
Maintenance	1,220,740	62,972	4,231	14,812	**1,302,755**	8,462	14,462	14,139	**37,063**	1,339,818
Computer	168,257	244,862	12,444	258,184	**683,747**	14,761	208,405	31,657	**254,823**	938,570
Insurance	575,737	93,470	3,461	13,466	**686,134**	6,922	32,061	11,643	**50,626**	736,760
Miscellaneous	110,458	250,282	6,653	66,768	**434,161**	20,161	156,986	41,759	**218,906**	653,067
Public service announcements	-	-	-	497,032	**497,032**	-	-	-	**-**	497,032
Depreciation	133,920	156,805	16,488	34,640	**341,853**	17,355	53,104	34,501	**104,960**	446,813
Cost of goods sold	390,194	6,940	149	16,585	**413,868**	851	1,521	871	**3,243**	417,111
Telephone	106,939	177,793	3,983	19,104	**307,819**	3,134	65,110	19,188	**87,432**	395,251
Reference	99,901	83,085	14,334	50,032	**247,352**	5,217	35,138	23,486	**63,841**	311,193
Office supplies	109,670	56,945	2,396	23,013	**192,024**	169	30,848	18,417	**49,434**	241,458
	12,974,464	9,274,046	988,174	2,649,154	**25,885,838**	853,803	2,327,913	3,207,199	**6,388,915**	32,274,753
	$ 19,656,680	$ 19,168,837	$ 1,645,448	$ 5,578,480	**$ 46,049,445**	$ 1,215,722	$ 6,341,136	$ 7,748,643	**$ 15,305,501**	$ 61,354,946

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Consolidated Statement of Cash Flows

Year ended June 30,		**2014**
Cash flows from operating activities		
Change in net assets	$	27,110,662
Adjustments to reconcile change in net assets to cash used in operating activities		
Depreciation expense		446,813
Gain on sale of donated properties		(1,287,559)
Loss on disposal of other property and equipment		281,329
Loss on properties held for resale		2,614
NTCIC deferred tax asset		1,348,261
Net realized and unrealized gain on investments		(39,205,722)
Contributions restricted for long-term investment		(202,070)
Investment earnings allocated to endowments held for others		(1,679,436)
Accretion of discounts for long-term contribution receivables		153,927
Bad debt expense		104,500
Decrease (increase) in assets		
Accounts receivable		163,669
Contributions receivable		245,089
Merchandise inventory		47,674
Prepaid expenses		(157,041)
Increase (decrease) in liabilities		
Accounts payable		(4,297)
Accrued expenses		(8,354)
Deferred revenue		(174,850)
Amounts held for others		2,076,507
Deferred rent		4,797,800
Other liabilities		(74,262)
Net cash used in operating activities		(6,014,746)
Cash flows from investing activities		
Purchase of investments		(54,939,568)
Proceeds from sale of investments		65,991,867
Proceeds from sale of donated property		1,167,029
Revolving funds note receivables payments received		269,842
Change in accrued interest		(21,260)
Change in note receivable loss reserve		30,985
Purchase of property and equipment		(5,342,421)
Net cash provided by investing activities		7,156,474
Cash flows from financing activities		
Contributions restricted for long-term investment		202,070
Proceeds from notes payable		4,000,000
Principal payments on notes payable		(4,522,308)
Net cash used in financing activities		(320,238)
Net increase in cash and cash equivalents		821,490
Cash and cash equivalents, beginning of the year		9,263,989
Cash and cash equivalents, end of the year	$	10,085,479
Interest paid for loan	$	279,572

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

(a) Organization

The National Trust for Historic Preservation (the National Trust) and its subsidiaries and affiliates (collectively referred to as the Trust) is a private, nonprofit organization chartered by Congress. The Trust's mission is to protect significant places representing our diverse cultural experience by taking direct action and inspiring broad public support.

The National Trust Community Investment Corporation (NTCIC) was organized as a wholly owned for-profit subsidiary of the Trust in 2000. It is governed by its own board of directors, bylaws, and operating procedures. NTCIC serves as the managing member of a number of limited liability companies that invest in properties that qualify for the federal and state historic tax credits, the New Markets Tax Credits, Low-Income Housing Tax Credits (LIHTC) and Renewable Energy Tax Credits (RETC). Nearly all of its investments are in qualified low-income census tracts. Among other purposes, its certificate of incorporation allows it to provide other similar financial investment services related to the mission of historic preservation in the United States.

National Trust Insurance Services, LLC (NTIS), was formed by the Trust in 2003 to provide insurance services for the preservation community. NTIS was established to qualify as a licensed insurance producer. NTIS is 99% owned by NTCIC with the remaining ownership interest held by Maury, Donnelly & Parr, Inc. who acts as the agent for NTIS and markets and fulfills all insurance products as an experienced insurance producer.

Heritage Travel, LLC (HTLLC) was formed in 2008 and as of April 20, 2011 is a limited liability company wholly owned and governed by NTCIC to provide and promote services related to heritage travel.

NT CDFI, Inc. (NT CDFI) is a not-for-profit subsidiary of the Trust. NT CDFI is responsible for the operations of the National Trust Loan Funds, the revolving loan funds of the Trust established with donor contributions, program related investments from foundations, and low interest loans from financial institutions. NT CDFI is governed by its own board of directors, bylaws, and operating procedures and has a primary mission of providing loans to benefit preservation-based community development. NT CDFI is currently managed by NTCIC under an operations agreement effective January 1, 2011.

National Main Street Center, Inc. (NMSC) was established in 2012 as a not-for-profit corporation, with the National Trust as its sole member. The organization has received a determination letter from the Internal Revenue Service (IRS) granting an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). NMSC is committed to preservation-based community revitalization of historic commercial and neighborhood districts throughout the United States. NMSC is governed by its own board of directors, bylaws, and operating procedures.

The accompanying consolidated financial statements present the consolidated financial position and changes in net assets of the Trust. All significant inter-organizational accounts and transactions have been eliminated.

(b) Basis of Accounting

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

(c) Basis of Presentation

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Trust are classified and reported as follows:

Permanently Restricted

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Trust. Generally, the donors of these assets permit the Trust to use all or part of the income earned on related investments for general or specific purposes relating to the preservation purposes of the organization.

Temporarily Restricted

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met by actions of the Trust and/or the passage of time. Donations for specific purposes and gifts of properties are classified as temporarily restricted net assets.

Unrestricted

Unrestricted net assets are not subject to donor-imposed stipulations. Revenues from sources other than restricted contributions and investment income are reported as increases in unrestricted net assets. Expenses charged to unrestricted programs are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

(d) Recent Accounting Pronouncements

In October 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-05, *Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows (a consensus of the FASB Emerging Issues Task Force)* (ASU 2012-05). The amendments in ASU 2012-05 address the diversity in practice under accounting principles generally accepted in the United States of America (U.S. GAAP) about the presentation of the cash receipts from the sale of donated financial assets in the statement of cash flows as either an operating, investing or financing activity. The amendments are effective prospectively for fiscal years beginning after June 15, 2013. The adoption of this standard did not have a material effect on the Trust's financial position and activities.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This amendment establishes a comprehensive revenue recognition standard for virtually all industries under U.S. GAAP. The revenue standard's core principle is built on the contract between a vendor and a customer for the provision of goods and services. It attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The amendment is to be applied prospectively for annual periods beginning after December 15, 2017. Three basic transition methods are available – full retrospective, retrospective with certain practical expedients, and a cumulative effect approach. Under the third alternative, an entity would apply the new revenue standard only to contracts that are incomplete under legacy U.S. GAAP at the date of initial application (e.g. January 1, 2018) and recognize the cumulative effect of the new standard as an adjustment to the opening balance of retained earnings. That is, prior years would not be restated and additional disclosures would be required to enable users of the financial statements to understand the impact of adopting the new standard in the current year compared to prior years that are presented under legacy U.S. GAAP. The Trust is still in the process of assessing the impact this new standard will have on the financial statements.

(e) Accounting for Historic Sites

Historic Sites Owned by the Trust

The Trust owns certain historic sites that are operated as museums or are otherwise integral to the Trust's preservation programs.

The historic sites listed below are either owned and managed by the Trust or are managed for the Trust by other nonprofit preservation organizations, government entities, or other groups under various cooperative arrangements. Sites identified in italics below are managed by other entities as noted.

Historic Sites Open to the Public

Belle Grove, Middletown,Virginia *Belle Grove, Inc.*	*James Madison's Montpelier,* *Montpelier Station, Virginia* *The Montpelier Foundation*
Brucemore, Cedar Rapids, Iowa *Brucemore, Inc.*	*Kykuit, Pocantico Hills, New York* *Rockefeller Brothers Fund, Inc.*
Chesterwood, Stockbridge, Massachusetts	Lyndhurst, Tarrytown, New York
Cliveden, Philadelphia, Pennsylvania *Cliveden of the National Trust, Inc.*	*Oatlands, Leesburg, Virginia* *Oatlands, Inc.*

Cooper Molera Adobe, Monterey, California
State of California, Department of Parks and Recreation

Decatur House, Washington, District of Columbia
White House Historical Association

Drayton Hall, Charleston County, South Carolina

Farnsworth House, Plano, Illinois

Filoli, Woodside, California
Filoli Center

Gaylord Building, Lockport, Illinois

Philip Johnson Glass House, New Canaan, Connecticut

Pope Leighey House, Mount Vernon, Virginia

Shadows on the Teche, New Iberia, Louisiana

Villa Finale, San Antonio, Texas

Woodlawn, Mount Vernon, Virginia

Woodrow Wilson House, Washington, District of Columbia

Property the Trust May Own with Intent of Sale

Certain other properties may be held with the intent of sale. Upon sale, the Trust ensures the preservation of these historic properties by imposing perpetual preservation easements. Historic properties held with the intent of sale have been acquired by the Trust through outright gifts, bequests, gifts with retained life estates, purchases and other means.

Accounting Practice for Trust-Owned Property

The Trust follows the accounting practice of not including in its assets the cost or appraised value of any of its historic sites, which upon receipt may be retained by the Trust. Related expenditures for restoration, stabilization, reconstruction, and development are charged to expense as incurred. Properties accepted with the intent of sale are recognized as revenue at the time of receipt at the estimated fair value less costs for historic evaluation, repair, and maintenance costs, and impact of the easement. The historic sites, including objects and furnishings, owned by the Trust with the intent of retention are not reported in the accompanying balance sheets under the accounting policy stated above.

The Trust's Museum Collection includes structures, landscapes and objects that are available to the public or held for that purpose. It acquires its collections by purchase or by donation. The Trust's Collections Management Policy includes guidance on the documentation, preservation, care, and management of the collections and procedures related to the accession and deaccession of collections items.

In conformity with the practice generally followed by museums, no value is assigned to the collections in the statement of financial position. Purchases of collection items are recognized as reductions in unrestricted net assets in the period of acquisition. Per the

Trust's Collections Management Policy and following professional standards and guidelines, proceeds from deaccessions of collection items are designated for the replenishment or care of other objects within the museum collection and the preservation of historic structures or historic landscape features that are part of the Historic Structures and Landscapes Collection.

Leased and Contract Sites (Not Owned by the Trust)

The Trust entered into a long-term lease and a cooperative agreement with the United States Armed Forces Retirement Home of Washington for the restoration and interpretation of President Lincoln's Cottage at the Soldiers' Home including the Cottage and the Visitor Education Center. President Lincoln's Cottage is managed by the Trust.

(f) Cash and Cash Equivalents

Cash equivalents consist of amounts invested in money-market accounts. Cash and cash equivalents held in investment accounts are excluded as they are considered to be held for long-term purposes. As of June 30, 2014, the Trust's and NTCIC's cash accounts held in excess of federally insurance limits were approximately $1.63 million and $7.14 million, respectively.

(g) Accounts Receivable

Accounts receivable consist primarily of amounts due from advertising placed in the Trust's publications, royalties due, Historic Site receivables, government grants, conferences and accrued interest.

Accounts receivable are stated at their net realizable value and are deemed fully collectible. Accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon review by management. U.S. GAAP require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Management considers all accounts receivable at June 30, 2014 to be fully collectible.

(h) Contributions Receivable

Split-Interest Agreements

The Trust is the beneficiary in various split-interest agreements with donors primarily consisting of charitable gift annuities, irrevocable charitable remainder unitrusts, and retained life estates. In the year of the gift of charitable gift annuities and irrevocable charitable remainder unitrusts for which the Trust serves as the trustee (the agreements), the Trust recognizes contribution revenue on the net amount of assets received and liabilities assumed on the agreements, either as temporarily or permanently restricted based on donors' restrictions. Assets held under the agreements are stated at fair value and are included in contributions receivable and other investments, respectively.

The Trust pays a variable annuity amount equal to the specified percentage of the fair value of assets on the date of payment to the donors or the donors' designees for the remainder of their lives. The estimated life expectancies used are determined from Social Security Administration Period Life Tables, which range from 7 to 12 years at June 30, 2014. The liability under these agreements is recognized at the present value of estimated future payments based on actuarial assumptions and is included in amounts held for others and other liabilities, respectively. Adjustments to the liability to reflect changes in actuarial assumptions and amortization of discount are recognized in contributions revenue in the statement of activities. Discount rate is based on U.S. risk-free treasury rates commensurate with the expected remaining life of the donors or donors' designees and was 2.2% at June 30, 2014.

The Trust is also named as a beneficiary of the remaining assets of irrevocable charitable remainder unitrusts whose trust funds are managed by third parties. In the year of the gift, revenue is recognized for the fair values of the Trust's beneficial interest in the trust funds, as either temporarily or permanently restricted based on donors' restrictions and is included in contribution revenue. Assets are stated at fair value and are included in contributions receivable, and the related liabilities are stated at fair value and are included in amounts held for others on the statement of financial position.

The Trust is also a beneficiary in irrevocable retained life estates wherein the Trust has a remainder interest in property of the donor. The donor has the right to live in the property until their death at which time the Trust takes possession of the property. In the year of the gift, revenue is recognized for the assessed fair value of the property, as either temporarily or permanently restricted based on donors' restrictions and is included in contribution revenue. Property under retained life estates is stated at assessed fair value and is included in contributions receivable on the statement of financial position.

(i) Merchandise Inventory

Inventory, consisting primarily of books and other merchandise, is stated at the lower of cost or market. Cost is determined on an average-cost basis.

(j) Investments

The Trust categorizes its financial assets based on the stated purpose for each category of investment: revolving loan investments, endowment investments and other investments.

The revolving loan fund consists of cash, cash equivalents, notes receivable, debt securities and equities. The notes receivable are recorded at their net realizable value.

Endowment assets are the largest category of investments and consist of board-designated, temporarily restricted and permanently restricted endowment funds. The Investment Subcommittee, which reports to the Finance and Management Committee, monitors and approves all changes to the investment of these funds. Investments are reported at fair value. Investment results are reviewed by management on a monthly basis taking into consideration the pricing methodology and assumptions used by each fund manager in determining the fair value of the investment. Income from interest and dividends is recognized as investment income and realized and unrealized gains and losses net of board-authorized spending designated for operations are reported as non-operating support.

Other investments are defined as temporary excess cash from operations and consist principally of near cash investments.

(k) Property and Equipment

All property and equipment are capitalized at their historical cost. The Trust capitalizes all furniture, equipment, and computers purchased with a cost of $5,000 or more, and all individual items intended to be a part of an overall system with a cost of $2,000 or more.

Depreciation of equipment and vehicles and amortization of computer software is computed on the straight-line basis over estimated useful lives of 3 to 10 years. The leasehold improvements and fixtures for the Watergate headquarters building are amortized over the lesser of the 15 year term of the lease, or the estimated useful life of the leasehold improvement, using the straight line basis. Costs associated with renovation and construction projects at historic sites, which are not part of the historic site, are depreciated over 20 to 30 years using the straight-line basis once the project has been placed in service.

(l) Impairment of Long Lived Assets

The Trust reviews asset carrying amounts periodically in addition to whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, charged to the consolidated statement of activities, to its current fair value. No impairment loss has been recognized at June 30, 2014.

(m) Contributions

Contributions, including unconditional promises to give and intentions to give, are recognized as revenues in the period received or when the gift or intention is made. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift, except that contributions of works of art, historical treasures, historic sites, and similar assets held as part of collections are not recognized or capitalized.

Contributions received with donor restrictions are recorded as temporarily or permanently restricted revenue based on donor intent. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose for historic properties and preservation services has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired and placed in service.

Promises/pledges received with payments due in future periods are reported as temporarily restricted, unless the contribution is clearly intended to support current period, unrestricted activities or is received with permanent restrictions.

Contributions to be received after one year are discounted using the estimated risk adjusted rate of return on the contribution date. Amortization of the discount is recorded as additional contribution revenue and applied in accordance with donor-imposed restrictions, if any, on the contributions.

Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

(n) Measure of Operations

The Trust defines operations as all revenues and expenses that are an integral part of its current year programs and supporting activities. Non-operating support includes investment returns in excess of the Trust's aggregate board-authorized spending rate, if any, plus the unexpended portion of the current year's temporarily restricted contributions.

The Trust's authorized spending rate in 2014 was 5%, except for 6% related to one specific endowment (the Historic Sites Fund). Unexpended temporarily restricted contributions are purpose-restricted contributions that were not expended in the current year and uncollected unrestricted pledges.

(o) Functional Allocation of Expenses

The costs of providing various programs and support activities have been summarized on a functional basis in the statement of activities. Direct expenses are charged to the respective program or supporting activity. Certain costs have been allocated among the programs and support services benefited based upon management's estimate of each program's share of the allocated costs.

The Trust paid professional fundraisers $340,178 in 2014, for services related to capital campaigns, planned giving and general appeals, which are included as fundraising expense.

(p) Income Tax Status

The Trust accounts for uncertain tax positions in accordance with FASB Accounting Standards Codification (ASC) 740, *Income Taxes* (ASC 740), which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Trust does not believe its financial statements include any material uncertain tax positions. The Trust is still open to examination by taxing authorities from fiscal year ended June 30, 2012 forward.

The National Trust and NT CDFI are Section 501(c)(3) organizations exempt from income tax as provided under Section 501(a) of the Internal Revenue Code. Unrelated business taxable income is subject to income tax. NMSC filed for tax exempt status with the IRS on October 3, 2014 and received confirmation of tax exempt status on December 30, 2014.

HTLLC, a single member limited liability company, is a disregarded entity of NTCIC under the Internal Revenue Code. NTCIC is taxed on HTLLC's taxable income. HTLLC's net operating loss is available for NTCIC to offset future taxable income, if any, through 2031.

For the year ended June 30, 2014, NTCIC utilized $2,825,228 of the net operating loss. As of June 30, 2014, management has determined that HTLLC's remaining net operating loss totaling $5,350,237 will be realizable by NTCIC before its expiration on 2031, as such, no valuation allowance is required.

NTIS is treated as a partnership under the Internal Revenue Code. Accordingly, the members of the limited liability company are taxed on their proportionate share of NTIS's taxable income.

Therefore, no provisions or liability for federal or state income taxes has been included in the consolidated financial statements.

NTCIC accounts for income taxes under ASC 740. ASC 740 requires that deferred income taxes be recognized for the difference between the financial and the tax-reporting basis of assets and liabilities using enacted tax rates and laws that are expected to be in effect when differences are expected to reverse. NTCIC accounts for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards.

The components of the provision for NTCIC's income taxes for the periods ended June 30, 2014 were as follows:

June 30,	**2014**
Current tax expense	**$ 8,102**
Deferred tax expense	**1,348,261**
Provision for income taxes	**$ 1,356,363**

The components of NTCIC's deferred tax assets as of June 30, 2014 were as follows:

June 30,	**2014**
Net operating loss	**$ 2,352,767**
Organizational and start-up costs and depreciation	**300,684**
Other	**230,604**
Deferred tax assets	**$ 2,884,055**

(q) Fair Value of Financial Instruments

The following methods and assumptions were used by the Trust in estimating fair value disclosures for financial instruments:

Notes payable – The fair value of notes payable is estimated using rates currently available to the Trust for debt with similar terms and remaining maturities. The fair values of notes payable at June 30, 2014 approximate their carrying values.

Contributions receivable – The fair value of contributions receivable due in less than one year is equal to their stated value as of the date of the gift. For amounts due in one year or more, fair values are estimated using discount rates determined during the year that the contribution revenue is first recognized.

Split interests – The fair value of assets related to split interest agreements is stated at market value. Retained life estates included in contributions receivable may be stated at tax assessed value when market values are not readily obtainable. Liabilities related to split interest are stated at net realizable value.

Investments – the fair value of endowment assets is estimated using the practical expedient as allowed under ASU 2009-12, *Fair Value Measurements and Disclosures (Topic 820): Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent)* for those investments that are not publicly-traded.

All other assets and liabilities – Fair values of all other financial instruments approximate their reported values.

(r) Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires the Trust to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(s) Revenue Recognition

Grant Income

Amounts received from grants (principally the U.S. government), except for federally sponsored endowment funds, are recognized as income to the extent of related expenses incurred for grant purposes. Federally sponsored endowment funds are recognized as revenue at the time of receipt.

Contributions

Contribution revenue is recognized at fair value on the earlier of the receipt of cash or an unconditional promise to give. From time to time, the Trust receives promises to give that have certain conditions such as meeting specific milestones or revocable features to the promise to give. Conditional promises to give are recognized when the conditions are substantially met.

Membership Dues

Revenue from membership dues and subscription fees is recognized over the period to which the dues relate. The Trust receives advance payments for membership, which are for a period of one year. These advance payments are deferred and recognized ratably as membership revenue over the related term.

A portion of membership dues, which typically range from $20 to $1,000 per year, is considered a contribution and is recognized immediately. In 2014, the Trust recognized contribution revenue on all membership payment amounts in excess of $8, which is the internally assessed value of membership at the Trust.

Admissions and Special Events

Revenue from admissions and special events at historic sites managed by the Trust (which help to educate the public about historic preservation) are recognized when earned.

Investment Income

Revenues and gains on short-term investments are reported as increases in unrestricted net assets unless their use is limited by donor-imposed stipulations. Revenues and gains on long-term investments are reported as increases in designated net assets. Unrealized and realized gains and losses are recorded in investment return in the consolidated statement of activities.

Contract Services

Revenue from contract services, such as relating to educational services to local nonprofit revitalization organizations and consulting, planning and training services to assist communities with the revitalization of their traditional commercial districts, are recognized when services are provided.

NTCIC recognizes contract services revenue on acquisition, incentive asset management, asset management, reservation, consulting and administration fees, commissions and travel revenue when earned, with any amounts to be paid in future periods recorded as a receivable. Revenue is considered earned when specified events have taken place and/or when the company’s obligations have been met. In addition, fees received in advance are deferred and recognized when earned.

Sales of Articles

Revenue from Sales of Articles is primarily earned at the National Trust Historic Sites, which operate gift shops that sell books and merchandise that reflect the site's history and architecture and the field of historic preservation. The shops further the educational and interpretive missions of the historic sites and of the National Trust. Revenue is recognized when merchandise is sold.

Donated Professional Goods and Services

Donated professional services and goods are recognized as revenue at their fair value at the time the services are rendered. The value of donated services and goods recognized for the year ended June 30, 2014, amounted to $1,017,256 and includes public service announcements with the remainder included in contributions on the consolidated statement of activities.

Royalty Income

Royalty revenue consists primarily of revenues resulting from various third-party trademark licensing agreements for the use of the Trust's name on certain commercial products and marketing arrangements. Royalty revenue is recognized as earned.

(t) Guarantees

In accordance with FASB ASC 460, *Guarantees*, for all guarantees entered into after January 1, 2003, the Trust's obligation under the guarantee agreement (described at note 5) is estimated by calculating the net present value of future cash flows attributable to the difference between the contractual variable rates in the underlying debt agreement.

The Trust uses the U.S. risk-free treasury rate as the discount rate, which was 2.2% at June 30, 2014. Determining the fair value measurement of a contingent liability requires management to make significant estimates and assumptions as to the comparability of similar instruments with established market values and factors.

(u) Investments in Operating Entities

NTCIC accounts for its investments in various operating entities (the Investment Entities) under the equity method. Under the equity method, the investments are recorded at cost and adjusted for NTCIC's share of income or loss of the Investment Entities, additional investments, and cash distributions from the Investment Entities. Since NTCIC has no obligation to fund liabilities of the Investment Entities beyond its investments, including loans and advances, investments in the Investment Entities may not be reduced below zero. To the extent that equity losses are incurred when NTCIC carrying values of its investments in the Investment Entities have reached a zero balance, any losses will be suspended to be used against future income.

NTCIC has determined that the Investment Entities are variable interest entities and NTCIC is not the primary beneficiary. As a result, NTCIC is not required to consolidate its investments in the Investment Entities. This conclusion was based on the determination that NTCIC does not have the power to direct the activities that most significantly impact the Investment Entities economic performance.

(v) Risks and Uncertainties

The Trust's invested assets consist of money market funds, short term fixed income, marketable and nonmarketable equity and debt securities. As such, these investment assets are exposed to interest rate, market and credit risk. Due to the level of uncertainty related to changes in interest rate, market volatility, and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the statement of financial position. However, the diversification of the Trust's investment assets among these various asset classes is designed to mitigate the impact of any dramatic change on any one investment asset class.

2. Description of Program and Support Services

Descriptions of the program and support services in the accompanying consolidated financial statements are as follows:

Historic Sites – Preserves and manages for public benefit the Trust's property, real and personal; encourages an understanding of historic preservation and history through site-based educational programs; administers networks of historic sites that collaborate on preservation issues with the National Trust and reviews any potential acquisition opportunities for new historic sites.

Preservation Services – Provides direct action to save historic places at a revolving portfolio of important places – National Treasures – that are either nationally significant or the preservation of which will have national implications. Undertakes deep, sustained effort on four nationally important preservation priorities: 1) Building Sustainable Communities, 2) Saving Historic Places on Public Lands, 3) Promoting Diversity and Place, and 4) Re-imagining Historic Places.

Within the preservation category, the Legal and Preservation Divisions advocate national historic preservation policy positions before government agencies, Congress, and state and local legislative bodies, and in courts of law (both as a party litigant and as a friend of the court); conduct research on public policy issues relating to historic preservation; administers preservation easements on sites nationwide; and provide professional expertise on the protection of historic resources and educational materials to the legal and preservation communities.

Publications – Educates, fosters knowledge, stimulates interest, and facilitates participation in public and private historic preservation through the printing and publication of the Trust's general materials, newsletters, professional journals, and magazines.

Education – Encourages an understanding of historic preservation through conferences and seminars, communications, training, internships, merchandising, public service announcements and preservation-related products.

Membership Outreach – Educates the general public on the value of and techniques for preserving our nation's architectural and cultural heritage, and develops membership.

General and Administration – Includes the functions necessary to maintain an equitable employment program; ensures an adequate working environment; provides general management, coordination, and articulation of the Trust's programs and operation; secures proper administrative functioning of the board of trustees and board of advisors; provides legal counsel; manages the Trust's information technology requirements; and manages the financial, endowment, and budgetary responsibilities of the Trust.

Fundraising – Provides the structure necessary to encourage and secure financial support from individuals, foundations, corporations, and other grant makers.

3. Property and Equipment

Property and equipment at June 30, 2014 comprised the following:

Buildings and improvements	$ 5,248,257
Leasehold improvements	3,208,245
Furniture and equipment	2,101,209
Computer equipment	1,575,225
	12,132,936
Less accumulated depreciation	(3,552,123)
Total	$ 8,580,813

4. Contributions, Split Interest Agreements, and Amounts Held for Others

Contributions Receivable

Contributions receivable are summarized as follows at June 30, 2014:

Unconditional promises to give expected to be collected in:	
Less than one year	$ 4,378,069
One to five years	6,395,500
More than five years	4,163,163
	14,936,732
Less:	
Allowances for uncollectible pledges	(200,000)
Unamortized discount	(528,961)
	14,207,771
Less current contributions receivable	(4,378,069)
Contributions receivable, net of current	$ 9,829,702

The discount rates used to calculate the present value of contributions receivable range from 0.6% to 2.2%.

Commitments from donors for conditional promises to give total $10,000,000 at June 30, 2014. These pledges will be accrued in future periods as the conditions for recognition are met.

Split-Interest Agreements

The Trust is a beneficiary of split-interest agreements in the form of charitable gift annuities included in investments, charitable remainder unitrusts, pooled income funds, and retained life estates that are included in contributions receivable on the statement of financial position, and include the following values at June 30, 2014:

Charitable gift annuities	$ 1,757,345
Charitable remainder unitrusts held by third parties	481,023
Charitable remainder unitrusts held by the Trust	983,942
Pooled income funds	100,698
Properties with life tenants	2,762,500
Total assets held under split-interest agreements	$ 6,085,508

As of June 30, 2014, liabilities associated with split-interest agreements total $2,128,192 which include a liability of $1,417,147 related to obligations under charitable gift annuities recorded in other liabilities, and $691,601 related to obligations under charitable remainder unitrusts held by the Trust recorded in amounts held for others on the statement of financial position. Liability balances represent the present value of future cash flows expected to be paid to the donor or the donor's designee over the estimated remaining term of the agreement.

During 2014, the Trust recognized $153,927 in accretion of discounts, which included accretion related to split-interest agreements and accretion of discounts related to contributions receivable. Gains and losses related to the value of split-interest agreements expected to be received for the year ended June 30, 2014 were $218,539. The accretion of discounts of split interest agreements expected to be received are recorded in non-operating revenue in temporarily restricted net assets on the statement of activities as change in value of split interest agreements.

Amounts Held for Others

At June 30, 2014 amounts held for others reported as liabilities comprised the following:

Charitable remainder trusts	$ 691,601
Endowment held for the benefit of Congressional Cemetery	5,216,467
Endowment held for the benefit of Cliveden	644,813
Endowment held for Montpelier	9,419,878
Endowment held for the benefit of Belle Grove	272,217
Endowment held for the benefit of Val-Kil property	109,772
Reserve held for Emerson School	9,817
Total amounts held for others	$ 16,364,565

5. Other Liabilities

Guarantee

On December 1, 2004, the Trust executed a Guaranty Agreement (the Agreement) with Wachovia Bank (Wachovia) with respect to the obligations of The Montpelier Foundation (the Foundation) under a Credit and Reimbursement Agreement between Wachovia and the Foundation for the issuance of approximately $9.1 million in variable rate tax exempt bonds by the Industrial Development Authority of the County of Orange, VA (the Bond). The financing funded improvements to Montpelier, a Trust historic site, including the construction of a visitors' center, a new bridge and a new entrance. The Foundation subsequently entered into a rate swap agreement with Lehman Brothers to stabilize the interest payment, which was replaced by a swap agreement with Wachovia in 2008.

On June 1, 2013, the Foundation refinanced the swap agreement and letter of credit for the Bond as a loan with Capital One Bank (Capital One). On the same day, the Trust executed a Guaranty Agreement (the Agreement) with Capital One with respect to the obligations of the Foundation under a Bond Purchase and Loan Agreement.

The Trust would be obligated to pay any outstanding obligation, without limitations, to Capital One in the event the Foundation defaults under the Bond Purchase and Loan Agreement. The maximum potential amount of future payments under the guarantee is $9.1 million at June 30, 2014.

Funds held by the Trust on behalf of the Foundation and Montpelier may be used to reimburse the Trust or offset costs or payments incurred by the Trust under the Agreement. The Montpelier endowment is included in temporarily restricted net assets. The amount held on behalf of Montpelier at June 30, 2014 was $9.4 million and is included in amounts held for others in the statement of financial position.

As of June 30, 2014, no liability was reported in the accompanying statement of financial position related to the Agreement since: (a) at this time, no information exists to indicate that a future event will occur that would cause the Trust to incur a contingent liability under the Agreement; and (b) the Trust is exempt from fair valuation treatment of non-contingent liabilities under FASB ASC 460-10-30-1 and 460-10-25-1 and (c) since the Trust and Foundation are considered related parties.

Line-of-Credit

Through the Amended and Restated Operations Agreement between NTCIC and the National Trust dated December 29, 2010, the Trust agreed to provide a line of credit of $1 million to be used for NTCIC's direct operating expenses. NTCIC must consult with the Trust in order to use this line of credit for any other purpose. The line of credit has never been drawn by NTCIC. The Trust has approved the extension of the line of credit after its maturity date on December 22, 2014 for an additional 3-year term to December 22, 2017.

Grant Obligation

Through the Amended and Restated Operations Agreement between National Main Street Center and the National Trust dated September 5, 2014, the Trust agreed to provide a $750,000 grant over the initial three years of operations to assist with its payroll, accounts payable and start-up costs. As of June 30, 2014, $169,859 had been paid to the NMSC leaving a grant balance of $580,141. This grant balance is eliminated in consolidation.

6. Investments

The composition of investments owned by the Trust at June 30, 2014 is presented below:

	Revolving Loan Funds	Endowment and Similar Funds	Other Investments	Total
Cash and cash equivalents	$ 329,943	$ 16,565,275	$ 110,591	$ 17,005,808
Notes receivable	195,479	-	-	195,479
Equities – U.S.	-	32,489,485	619,973	33,109,458
Equities - non U.S.	-	55,958,587	536,114	56,494,701
Equities - global	-	29,887,029	-	29,887,029
Fixed income	-	23,674,885	390,874	24,065,759
Hedge funds	-	61,464,290	-	61,464,290
Opportunistic	-	11,303,875	-	11,303,875
Real assets	-	39,661,865	207,569	39,869,434
Private equity	-	20,679,778	114,810	20,794,588
Total investments	$ 525,422	$ 291,685,068	$ 1,979,931	$ 294,190,421

The revolving loan funds include all assets restricted or designated to the revolving loan fund program. The endowment and similar funds include all permanently restricted contributions, temporarily restricted unrealized and realized cumulative gains, and assets designated by the board for long-term purposes. Funds held for others are a component of the endowment funds. Other investments mainly represent excess liquidity that the Trust has invested to obtain higher yields.

Within the revolving loan funds, notes receivable of $195,479 as of June 30, 2014 were investments in various partnerships.

Other investments at June 30, 2014 include $43,514 of excess operational cash invested in short-term investments, $1,757,345 in investments held in conjunction with charitable gift annuities, and $114,810 in partnership equity investments by subsidiaries.

The composition of investment income for the year ended June 30, 2014 is as follows:

Interest and dividends from investments	$ 2,167,659
Interest earned on cash, loan and notes receivable	54,093
Investment expenses	(1,279,470)
Amounts designated for operations	13,195,059
Investment income for operations	14,137,341
Net gains	39,205,722
Investment earnings allocated to endowments held for others	1,679,436
Amounts designated for operations	(13,195,059)
Total investment return in excess of amounts designated for operations	27,690,099
Total investment income	$ 41,827,440

7. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures* (ASC 820) defines fair value, requires disclosures about fair value measurements, and establishes a three-level hierarchy for fair value measurements based on the inputs to the valuations of an asset or liability at the measurement date. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following three-level hierarchy classifies the inputs used to determine fair value:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs, other than quoted prices, that are observable by a marketplace participant, either directly or indirectly; and
- Level 3 - unobservable inputs that are significant to the fair value measurement.

The Trust applies the guidance in ASC 820 to its investments including equities, bonds and fixed income, hedge funds, real assets and private equity. This guidance permits, as a practical expedient, the fair values of investments within its scope to be estimated using net asset value per share or its equivalent.

It should be noted that investment risk cannot be estimated based on this classification methodology. The following table classifies all investments into the hierarchy set forth by ASC 820 as of June 30, 2014:

	(Level 1)	(Level 2)	(Level 3)	Total
Cash and cash equivalents (a)	$ 17,201,287	$ -	$ -	$ 17,201,287
Equities – U.S. (b)	3,522,696	29,326,530	260,232	33,109,458
Equities - non U.S. (b)	42,201,529	14,293,172	-	56,494,701
Equities - global (b)	1,443,511	28,443,518	-	29,887,029
Fixed income - domestic (d)	746,556	13,939,559	-	14,686,115
Fixed income - international (d)	515,435	8,864,209	-	9,379,644
Hedge funds - open mandate (d)	-	-	5,313,300	5,313,300
Hedge funds - global macro (d)	-	6,013,857	-	6,013,857
Hedge funds - diversified arbitrage (d)	-	8,375,401	9,889,906	18,265,307
Hedge funds - credit-driven/distressed (d)	-	-	10,451,724	10,451,724
Hedge funds - global long/short (d)	-	10,461,931	10,660,949	21,122,880
Hedge funds - remaining investment stubs (d)	-	-	297,222	297,222
Opportunistic (e)	5,859,303	5,444,572	-	11,303,875
Real assets (f)	26,731,687	146,739	12,991,008	39,869,434
Private equity (g)	-	-	20,794,588	20,794,588
Total	$ 98,222,004	$ 125,309,488	$ 70,658,929	$ 294,190,421

a) Cash and cash equivalents are composed of cash held in the Trust's bank accounts, investments in money market funds awaiting reinvestment in the categories shown below and notes receivable.

b) Equity investments are made through commingled accounts, managed accounts, common trust or mutual funds that hold primarily common stock of U.S., Non-U.S., emerging markets and global companies.

c) Fixed income investments are made through commingled accounts, managed accounts or mutual funds that may hold a variety of debt securities such as U.S. and international sovereign, agency, and corporate debt.

d) Hedge funds are investments made through domestic or offshore limited partnerships that may invest in a wide variety of assets globally, including equity and debt.

e) Opportunistic investments are investments made through funds that invest broadly in equity, fixed income, commodities and currencies.

f) Real assets are investments made through funds that invest in debt and equity securities of domestic and international companies whose principal investments are real estate holdings or commodities such as oil and gas, industrial and precious metals, minerals, forestry products, etc.

g) Private equity investments are made directly or through funds of funds encompassing all sectors of the economy in privately owned U.S. and non-U.S. companies.

The Trust 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 Trust targets a diversified asset allocation that achieves its long-term return objectives within prudent risk constraints.

The following table summarizes activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), which includes primarily domestic and international hedge funds, private equity and real assets for the year ended June 30, 2014.

	Equities	Hedge Funds	Real Assets	Private Equity	Total
Balance at June 30, 2013	$ 249,108	$ 29,895,240	$ 10,183,971	$ 20,187,425	$ 60,515,744
Transfers to Level 3	-	4,486,403	-	-	4,486,403
Additions	-	8,985,134	2,152,902	1,406,561	12,544,597
Redemptions	-	(6,296,914)	(369,059)	(2,120,185)	(8,786,156)
Net realized losses	(35,000)	(5,042,351)	(577,755)	(3,544,977)	(9,200,084)
Net unrealized gains	46,124	4,585,589	1,600,949	4,865,764	11,098,429
Balance at June 30, 2014	$ 260,232	$ 36,613,101	$ 12,991,008	$ 20,794,588	$ 70,658,929

Transfers to Level 3 represent the investments whose level classification was changed from Level 2 to Level 3 during the year ended June 30, 2014.

Quantitative Information

Quantitative information as of June 30, 2014, with respect to assets measured and carried at fair value on a recurring basis with the use of significant unobservable inputs (Level 3) follows:

Level 3 Funds Investment Type		Fair Value	Principal Valuation Techniques	Unobservable Inputs	Weighted Average
U.S. equities	$	260,232	Use of income and/or cost approach	See below	N/A
Hedge funds		36,613,101		See below	N/A
Real assets		12,991,008		See below	N/A
Private equity		20,794,588		See below	N/A
Total	**$**	**70,658,929**			

Unobservable inputs for the income approach takes into account future income streams such as earnings, interest, and dividends which is discounted at a rate deemed representative of future market or credit risks or inherent cost of capital. The market approach takes into account enterprise value via earnings multiples for comparable and recent transactions that are adjusted for lack of control or marketability. The cost approach takes into account fair market value usually with an eye to liquidation. Due to the numerous holdings within these funds, all three approaches may be used by a fund singularly or concurrently.

Level 3 Valuation Process

Inputs broadly refer to the assumptions that market participants use to make valuation decisions. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in aggregate that is significant to the fair value measurement. Observable inputs include market data that are readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The inputs or methodologies used for valuing investments are not necessarily an indication of the risk associated with investing in those investments.

The Trust uses the net asset value as a practical expedient to determine the fair value of all level 3 investments which do not have a readily determinable fair value. The Trust reserves the right to adjust the reported net asset value if it is deemed to be not reflective of fair value.

Because of the inherent uncertainty of valuations of investments in level 3 investments, their estimated values may differ significantly from the values that would have been used had a ready market for these investments existed, and the difference could be material.

The categorization of level 3 investments with the hierarchy is based on the availability of reported net asset values and liquidity and does not necessarily correspond to the Trust's perceived investment risks.

Redemption provisions vary by fund and typically range from quarterly to distributions only (non-marketable funds). Depending on the redemption options available, the NAV may be considered a level 2 input. However, all level 3 funds with a redemption feature have the ability to impose a suspension or postponement of redemptions until further notice ("Gate"). In addition, certain of these funds may delay payment of a portion of a redemption classified as illiquid. In general, the Trust classifies all hold backs in excess of a 12 month period as level 3. In addition, the Trust considers the amounts at risk versus the overall portfolio, the known timeline, and the risk that the holdback amount will not be fully realized to determine whether a discount to current net asset value is warranted.

Level 3 Sensitivity of Fair Value Measurements and Changes in Significant Unobservable Inputs

The significant unobservable inputs used in the fair value measurement of the organization's hedge funds, private equity and other marketable and non-marketable funds, are subject to market risks resulting from changes in the market value of its investments. Each non publicly-traded fund, regardless of level, is required to provide independently audited financial statements on an annual basis that are reviewed by the Trust for unusual valuation fluctuations against observable and unobservable inputs.

The following tables present information on the Trust's investments by major category where net asset value as a practical expedient was used:

	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Equities – U.S. (a)	$ 29,586,762	$ -	Daily to quarterly	3 – 90 days
Equities - non U.S. (b)	14,293,172	-	Daily to monthly	3 – 60 days
Equities - global (c)	28,443,518	-	Monthly	6 – 8 days
Fixed income (d)	22,803,768	-	Daily	3 – 7 days
Hedge funds - open mandate (e)	5,313,300	-	Annually	45 days
Hedge funds - global macro (e)	6,013,857	-	Quarterly	33 days
Hedge funds - diversified arbitrage (e)	18,265,306	-	Quarterly to annually	45 – 90 days
Hedge funds - credit-driven/distressed (e)	10,451,724	-	Quarterly to annually	45 – 90 days
Hedge funds - global long/short (e)	21,122,879	-	Quarterly to locked	60 days or N/A
Hedge funds - remaining investment stubs (e)	297,222	-	On-going	N/A
Opportunistic (f)	5,444,572	-	Daily	3 days
Real assets (g)	13,137,747	8,565,293	Daily - locked	1 day or N/A
Private equity (h)	20,794,588	2,575,838	N/A	N/A
Total investments valued using the practical expedient	$ 195,968,415	$ 11,141,131		

The nature and risks inherent in each of the Trust's major categories of investments where the fair value was estimated using the practical expedient are summarized as follows:

a) This category includes U.S. equity investments and share in the returns and risks associated with exposure to the U.S. equity markets.

b) This category includes non-U.S. equity investments and share in the returns and risks associated with exposure to foreign equity markets and foreign currencies.

c) This category includes global equity investments and share in the returns and risks associated with exposure to global equity markets and foreign currencies.

d) This category includes fixed income investments and share in the returns and risks associated with exposure to U.S. and non-U.S. credit markets, interest rates and foreign currencies.

e) Hedge fund investments are 21% of total investments and are comprised of a diversified portfolio of 16 different funds as of June 30, 2014. No one fund constitutes 5% or more of total investment assets. These hedge funds share in the returns and risks associated with U.S. and non-U.S. equity markets, credit markets, interest rates and foreign currencies. In addition, some of these funds may present lower liquidity, organizational risk, event and deal risks, leverage, and counterparty risk. Reduced redemption rights have been accepted for certain funds in order to access these funds.

   Hedge funds may use a wide array of investment instruments over and above equity holdings, including but not limited to corporate, bank and sovereign debt (of varying credit quality), asset-backed securities, preferred securities, options, warrants, swap agreements (including debt and equity swaps), futures contracts, trade claims, foreign currency contracts, and to a lesser extent, put and call equity options and private placements. As a limited partner in these funds, the Trust's downside risk is limited to its investment in each fund.

f) Opportunistic investments are 4% of total investments and consist of two funds as of June 30, 2014. These funds are invested globally and share in the returns and risks of U.S. and non-U.S. equity, fixed income, commodities and currency markets.

g) Real assets investments are 14% of total investments and consist of 13 funds as of June 30, 2014. No one fund constitutes 5% or more of total investment assets. These funds are invested globally with a concentration in North America, Europe and Asia, principally in the energy and materials sector with smaller amounts invested in land, timber and renewable energy.

   The funds share in the returns and risks associated with U.S. and non-U.S. equity markets, interest rates and commodities markets. Other risks may be liquidity, leverage and counterparty risks. Seven of these funds, worth $12.9 million or slightly more than 4% of total investments are long-term investments that are not redeemable and where returns consist of distributions, some on-going, of the proceeds of the assets when they are liquidated. The terms of the agreements call for a complete liquidation over a remaining period of five to ten years, with the possibility of a one to two year extension at the discretion of the fund managers.

   The real assets funds are invested in debt and equity securities, both public and private, limited partnership funds of funds, and miscellaneous other investment instruments including but not limited to warrants, futures and foreign currency exchange contracts, swaps, options and swaptions. As a limited partner in these funds, the Trust's downside risk is limited to its investment in each fund.

h) Private equity investments are 7% of total investments and consist of 11 funds as of June 30, 2014. No one fund constitutes 5% or more of total investment assets. These funds are invested globally with a concentration in North America, Europe and Asia. Principal invested sectors are consumer, computer, medical/pharmaceuticals, communications, financials, services, energy and electronics.

These funds share in the risks and returns associated with U.S. and non-U.S. equity markets and credit market risks. Liquidity and deal risks are present. All these funds are long-term investments that are not redeemable and where returns consist of distributions, some on-going, of the proceeds of the assets when they are liquidated. The terms of the agreements call for a complete liquidation of all funds over a remaining period of two to six years. Two year extensions have been triggered by several of the funds.

The private equity funds are invested largely in limited partnerships, with small allocations to cash, preferred and straight debt. As a limited partner in these funds, the Trust's downside risk is limited to its investment in each fund.

8. Management of Endowment Funds

The Trust’s endowment consists of approximately 139 individual funds. The Trust’s endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Donor-restricted endowment funds may either be classified as permanently restricted or temporarily restricted.

The Trust has interpreted the District of Columbia “Uniform Prudent Management of Institutional Funds Act of 2007” (the Act) as requiring the Trust, absent explicit donor stipulations to the contrary, to act in good faith and with the care that an ordinarily prudent person in a like position would exercise under similar circumstances in making determinations to appropriate or accumulate donor-restricted endowment funds, taking into account both its obligation to preserve the value of the endowment and its obligation to use the endowment to achieve the purposes for which it was donated. The Trust 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 required by the applicable donor gift instrument. The remaining portion of donor-restricted endowment funds that are not classified as permanently restricted are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Trust. In making a determination to appropriate or accumulate, the Trust adheres to the standard of prudence prescribed by the Act and considers the following factors:

1) The duration and preservation of the fund;

2) The purpose of the Trust and the donor-restricted endowment;

3) General economic conditions;

4) The possible effect of inflation and deflation;

5) The expected unrealized appreciation and depreciation of the investments;

6) Other resources of the Trust; and

7) The investment policy of the Trust.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires. There were no deficiencies reported in unrestricted net assets as of June 30, 2014.

Endowment net assets consist of the following as of June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 82,719,426	$ 85,181,592	$ 167,901,018
Board-designated endowment funds	106,545,164	-	-	106,545,164
Total	$ 106,545,164	$ 82,719,426	$ 85,181,592	$ 274,446,182

Changes in endowment net assets for year ended June 30, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 96,932,756	$ 64,728,627	$ 84,751,878	$ 246,413,261
Contributions	-	40,000	429,714	469,714
Appropriation for operational expenditures	(6,480,066)	(6,597,070)	-	(13,077,136)
Interest and dividend income	317,054	541,896	-	858,950
Net appreciation	15,775,420	24,005,973	-	39,781,393
Endowment net assets, end of year	$ 106,545,164	$ 82,719,426	$ 85,181,592	$ 274,446,182

9. Rental Income and Expense

The Trust previously maintained its headquarters at 1785 Massachusetts Avenue, N.W., Washington, D.C. On June 24, 2013, the Trust sold its headquarters building for $36.5 million and in December 2013 relocated to leased office space at the Watergate Office Building.

The Trust also rents buildings at its historic sites to staff or unrelated parties as housing or other uses and also leases space for site staff offices, visitor facilities and related uses with various lease expiration dates. Future minimum rental income from non-cancelable operating leases is as follows:

Years ending June 30,		
2015	$	**328,906**
2016		**188,993**
2017		**114,051**
2018		**42,528**
2019		**42,528**
Thereafter		**467,808**
Total	$	**1,184,814**

The Trust rents certain office space for field offices and the headquarters building, and equipment under operating leases. Total rental expense under such leases was $1,727,553 for the year ended June 30, 2014. Minimum future lease commitments on office space and equipment are as follows:

Years ending June 30,		
2015	$	**856,061**
2016		**1,733,658**
2017		**1,777,109**
2018		**1,821,481**
2019		**1,880,098**
Thereafter		**20,613,227**
Total	$	**27,836,779**

10. Notes Payable

Notes payable at June 30, 2014 consist of the following:

	2014
MetLife note with principal up to $3,000,000 for the purpose of working capital for HTLLC at 4.5% quarterly interest beginning February 28, 2010. Principal payments of $1,000,000 due October 13, 2014, 2015 and 2016. Note is unsecured.	**$ 3,000,000**
Larry A. Nelson and Ruth Falkenberg $1,500,000 loan for the renovation of Emerson School Building in Denver at 5% monthly interest with interest and principal payments of $8,052 due May 1, 2013 through September 30, 2022. Secured with the deed of trust on the Emerson School Building.	**1,474,080**
Bank of America, line of credit (LOC) $5,000,000 for operations at British Bankers Association (BBA) LIBOR Daily Floating Rate plus 1.5 percentage points paid monthly. LOC is unsecured and expires on March 31, 2015.	**-**
Total	**$ 4,474,080**

The Trust recognized $279,572 of interest expense for the year ended June 30, 2014. Interest expense is allocated between preservation services and historic sites program expenses in the statement of activities.

Future principal payments of notes payable outstanding at June 30, 2014 are as follows:

Years ending June 30,	
2015	**$ 1,023,457**
2016	**1,024,659**
2017	**1,025,920**
2018	**27,246**
2019	**28,638**
Thereafter	**1,344,160**
Total	**$ 4,474,080**

11. Net Assets

Unrestricted net assets consist of the following at June 30, 2014:

	Available for operations	Board designated	Total
Net investment in property and equipment	$ 8,580,813	$ -	$ 8,580,813
Other operating reserves (deficit)	(6,042,909)	-	(6,042,909)
Funds functioning as endowment funds	-	106,545,164	106,545,164
Other board designated	-	1,254,135	1,254,135
	$ 2,537,904	$ 107,799,299	$ 110,337,203

Temporarily restricted net assets consist of the following at June 30, 2014:

CDFI Subsidiary	$ 329,697
NMSC Subsidiary	580,141
Contributions for specific properties or programs or subject to time restrictions	14,633,059
Cumulative gains on endowment funds for the preservation and maintenance of specific historic properties or programs	82,719,426
Total	$ 98,262,323

Permanently restricted net assets at June 30, 2014 consist of investments in perpetuity, the income from which is expendable to support:

Specific properties	$ 45,049,228
Specific other programs	33,368,994
General uses	8,657,478
Total	$ 87,075,700

12. Designated by Board of Trustees

Funds designated by the Board of Trustees represent the portion of unrestricted funds that have been set aside for specific purposes or as quasi-endowments by action of the Board of Trustees.

Following is a summary of activity in funds designated by the Trustees:

Board-designated net assets, beginning of period	**$ 97,611,694**
Activity for the period:	
Deficit amounts transferred to Board-designated	**(7,028,062)**
Board designations net gains on quasi-endowments	**18,841,899**
Funds expended for Board-designated purposes	**(1,626,232)**
Total activity for the period	**10,187,605**
Board-designated net assets, end of period	**$ 107,799,299**

13. Retirement Plan

The Trust adopted a noncontributory defined contribution pension plan effective January 1, 1986. The plan provides benefits to all eligible employees of the Trust. Contributions are currently determined based on 5% of the eligible employees' earnings for the calendar year. Employer contributions for eligible employees were approximately $778,000 in fiscal year 2014. Participants are 20% vested after 2 years of service, 50% vested after 3 years of service, 75% vested after 4 years of service and 100% vested after 5 years of service. Forfeitures of non-vested participant balances are used to offset future employer contributions.

The Trust adopted a voluntary employee contribution 403(b) retirement plan in 2007 to provide retirement benefits to eligible employees on an elective deferral contribution basis. The Plan is subject to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA).

The Trust adopted a nonqualified deferred retirement savings plan (457(b)) for senior management and highly compensated employees on January 1, 2003. The plan currently allows eligible employees less than 50 years old to defer up to an additional $17,500 annually and an additional $5,500 catch-up contribution for employees 50 or more years old. The Retirement Committee adopted a resolution on July 31, 2012 specifying that senior management and highly compensated individuals who are on the Executive Team are eligible to participate.

14. Contingencies

Government Grants

The Trust receives federal grants which are subject to audit. Until such audits have been completed and final settlement reached, there exists a contingency to refund amounts received in excess of allowable costs. Management believes that adjustments, if any, would not have a significant effect on the consolidated financial statements.

Litigation

The Trust occasionally has participated as plaintiff or defendant in litigation to defend its general corporate interests, for example in matters relating to contractual, employment, or tort-related claims. There are no such current legal matters.

15. Subsequent Events

The Trust has evaluated events subsequent through February 10, 2015, which is the date the financial statements were issued. Other than the drawdown of $4,000,000 on the Bank of America Line of Credit described in note 10 since June 30, 2014, no other subsequent events were noted that require disclosure in the consolidated financial statements.

Supplemental Schedules

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Consolidating Statement of Financial Position

June 30, 2014	National Trust	Subsidiaries and affiliates	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 1,803,470	$ 8,282,786	$ (777)	$ 10,085,479
Accounts receivable, net	727,663	1,476,588	(606,022)	1,598,229
Contributions receivable, net	4,378,069	-	-	4,378,069
Merchandise inventory	614,388	-	-	614,388
Prepaid expenses and other assets	751,200	86,166	-	837,366
Properties held for resale	369,000	-	-	369,000
Investment in subsidiaries	9,938,870	-	(9,938,870)	-
Total current assets	18,582,660	9,845,540	(10,545,669)	17,882,531
Investments:				
Revolving loan funds	195,479	329,943	-	525,422
Endowments and similar funds	291,685,068	-	-	291,685,068
Other investments	1,798,044	181,887	-	1,979,931
Total investments	293,678,591	511,830	-	294,190,421
Contributions receivable, net of current	9,829,702	-	-	9,829,702
Properties held for resale	240,000	-	-	240,000
Property and equipment, net	8,397,465	183,348	-	8,580,813
Deferred tax assets	-	2,884,055	-	2,884,055
Total noncurrent assets	312,145,758	3,579,233	-	315,724,991
Total assets	$ 330,728,418	$ 13,424,773	$ (10,545,669)	$ 333,607,522
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 5,900,784	$ 1,961,365	$ (606,022)	$ 7,256,127
Accrued expenses	1,913,753	69,453	-	1,983,206
Deferred revenue	1,288,757	266,614	-	1,555,371
Notes payable	1,023,457	-	-	1,023,457
Total current liabilities	10,126,751	2,297,432	(606,022)	11,818,161
Notes payable	3,450,623	-	-	3,450,623
Amounts held for others	16,364,565	-	-	16,364,565
Deferred rent	4,797,800	-	-	4,797,800
Other liabilities	1,417,146	84,001	-	1,501,147
Total liabilities	36,156,885	2,381,433	(606,022)	37,932,296
Net assets				
Unrestricted	110,143,348	10,133,502	(9,939,647)	110,337,203
Temporarily restricted	97,352,485	909,838	-	98,262,323
Permanently restricted	87,075,700	-	-	87,075,700
Total net assets	294,571,533	11,043,340	(9,939,647)	295,675,226
Total liabilities and net assets	$ 330,728,418	$ 13,424,773	$ (10,545,669)	$ 333,607,522

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Consolidating Statement of Activities

Year ended June 30, 2014	National Trust	Subsidiaries and affiliates	Eliminations	Total
Operating revenues, gains, and other support				
Grant income	$ 1,120,186	$ 59,452	$ (30,855)	$ 1,148,783
Contributions	21,238,981	818,031	(990,149)	21,066,863
Membership dues	1,129,754	627,388	-	1,757,142
Admissions and special events	3,765,353	449,411	-	4,214,764
Investment income	14,900,711	337,452	(1,100,822)	14,137,341
Contract services	422,589	9,034,651	(193,624)	9,263,616
Sales of articles	865,656	13,036	-	878,692
Advertising	709,429	-	-	709,429
Rental income	798,047	-	(85,814)	712,233
Public service announcements	497,032	-	-	497,032
Royalty income	1,707,338	-	(584,297)	1,123,041
Miscellaneous	753,244	1,098,994	(9,276)	1,842,962
Total operating revenues, gains, and other support	47,908,320	12,438,415	(2,994,837)	57,351,898
Operating expenses				
Program services				
Historic sites	19,656,680	-	-	19,656,680
Preservation services	12,453,768	8,599,808	(1,884,739)	19,168,837
Publications	1,645,448	-	-	1,645,448
Education	5,578,480	-	-	5,578,480
Total program services	39,334,376	8,599,808	(1,884,739)	46,049,445
Support services				
Membership outreach	1,215,722	-	-	1,215,722
General and administration	4,193,929	2,147,207	-	6,341,136
Fundraising	7,732,329	16,314	-	7,748,643
Total support services	13,141,980	2,163,521	-	15,305,501
Total operating expenses	52,476,356	10,763,329	(1,884,739)	61,354,946
Operating revenues, gains, and other support (under) over operating expenses	(4,568,036)	1,675,086	(1,110,098)	(4,003,048)
Nonoperating support				
Investment return in excess of amounts designated for operations	27,690,099	-	-	27,690,099
Unexpended restricted contributions	3,423,611	-	-	3,423,611
Change in net assets before inter-organizational capital contributions and dividends	26,545,674	1,675,086	(1,110,098)	27,110,662
Inter-organizational capital contributions and dividends	-	(1,539,891)	1,539,891	-
Changes in net assets	26,545,674	135,195	429,793	27,110,662
Net assets, beginning of year	268,025,859	10,908,145	(10,369,440)	268,564,564
Net assets, end of year	$ 294,571,533	$ 11,043,340	$ (9,939,647)	$ 295,675,226