



National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Financial Statements,
Supplemental Schedules and
Independent Auditor's Report
Years Ended June 30, 2016 and 2015

**National Trust for Historic Preservation
and its Subsidiaries and Affiliates**

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National Trust for Historic Preservation and its Subsidiaries and Affiliates

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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 the **National Trust for Historic Preservation and its Subsidiaries and Affiliates** (the Trust), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 audits. We did not audit the consolidated financial statements of the National Trust Community Investment Corporation (NTCIC), a wholly-owned subsidiary which constitutes \$9,946,381 and \$11,247,211 of total consolidated assets as of June 30, 2016 and 2015, respectively and \$10,856,642 and \$9,500,474 of total consolidated revenues for the years ended June 30, 2016 and 2015, respectively. Those statements were audited in accordance with accounting principles generally accepted in the United States of America, were audited by other auditors, whose report has been furnished to us. 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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.

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of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Opinion

In our opinion, based on our audits 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, 2016 and 2015, 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 Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the basic 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

December 15, 2016

Consolidated Financial Statements

**National Trust for Historic Preservation
and its Subsidiaries and Affiliates**

Consolidated Statements of Financial Position

<i>June 30,</i>	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,296,017	\$ 3,989,001
Short-term investments (notes 7, 8, and 9)	6,748,542	5,841,627
Accounts receivable	1,638,396	4,343,089
Contributions receivable, current (note 4)	7,376,523	6,515,725
Merchandise inventory	481,854	618,576
Prepaid expenses and other assets	1,064,403	831,974
Donated properties held for resale	4,244,800	760,000
Total current assets	28,850,535	22,899,992
Noncurrent investments: (notes 7, 8, and 9)		
Revolving loan funds	161,517	178,315
Endowments and similar funds	229,781,781	254,652,576
Amounts held for others (note 4)	15,291,753	15,457,815
Other investments	13,875,016	1,828,546
Total noncurrent investments	259,110,067	272,117,252
Contributions receivable, net of current (note 4)	1,904,285	5,356,677
Deferred tax assets (note 1(p))	410,331	1,405,660
Property and equipment, net (note 3)	9,619,376	8,862,951
Other long-term assets	625,527	568,535
Total noncurrent assets	271,669,586	288,311,075
Total assets	\$ 300,520,121	\$ 311,211,067
Liabilities and net assets		
Liabilities		
Current liabilities:		
Accounts payable	\$ 6,111,796	\$ 5,370,319
Accrued expenses	2,014,798	2,017,872
Deferred revenue, current	1,957,490	1,960,534
Notes payable, current (note 11)	5,025,920	4,024,659
Total current liabilities	15,110,004	13,373,384
Notes payable, net of current (note 11)	1,400,039	2,425,957
Deferred revenue, net of current (note 1(r))	10,871,548	-
Amounts held for others (note 4)	15,291,753	15,457,815
Deferred rent	5,715,843	5,781,924
Other liabilities	1,810,414	1,699,516
Total liabilities	50,199,601	38,738,596
Commitments and contingencies (note 15)		
Net assets (note 12)		
Unrestricted	95,899,860	104,336,771
Temporarily restricted	69,101,261	81,288,854
Permanently restricted	85,319,399	86,846,846
Total net assets	250,320,520	272,472,471
Total liabilities and net assets	\$ 300,520,121	\$ 311,211,067

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Statements of Activities

<i>Year ended June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues, gains, and other support				
Grant income	\$ 1,707,318	\$ -	\$ -	\$ 1,707,318
Contributions	18,056,090	7,811,918	228,313	26,096,321
Membership dues	2,238,334	-	-	2,238,334
Admissions and special events	5,020,478	-	-	5,020,478
Investment income (note 7)	15,917,945	2,500,374	-	18,418,319
Contract services	10,108,176	-	-	10,108,176
Sales of articles	663,104	-	-	663,104
Advertising	584,545	-	-	584,545
Rental income	562,769	-	-	562,769
Public service announcements	483,791	-	-	483,791
Royalty income	937,828	-	-	937,828
Miscellaneous	1,459,468	631	-	1,460,099
Net assets released from restrictions	9,360,325	(9,360,325)	-	-
Total operating revenues, gains, and other support	67,100,171	952,598	228,313	68,281,082
Operating expenses				
Program services				
Historic sites	17,800,954	-	-	17,800,954
Preservation services	19,682,694	-	-	19,682,694
Publications	1,592,303	-	-	1,592,303
Education	8,509,071	-	-	8,509,071
Total program services	47,585,022	-	-	47,585,022
Support services				
Membership outreach	1,848,222	-	-	1,848,222
General and administrative	8,418,621	-	-	8,418,621
Fundraising	7,809,686	-	-	7,809,686
Total support services	18,076,529	-	-	18,076,529
Total operating expenses	65,661,551	-	-	65,661,551
Excess of operating revenues, gains, and other support over operating expenses	1,438,620	952,598	228,313	2,619,531
Nonoperating support				
Investment loss in excess of amounts designated for operations (note 7)	(9,975,291)	(13,865,691)	-	(23,840,982)
Transfer of permanently restricted assets to other classes	99,760	855,000	(954,760)	-
Transfer of endowment funds to another organization (note 9)	-	(129,500)	(801,000)	(930,500)
Changes in net assets	(8,436,911)	(12,187,593)	(1,527,447)	(22,151,951)
Net assets, beginning of year	104,336,771	81,288,854	86,846,846	272,472,471
Net assets, end of year	\$ 95,899,860	\$ 69,101,261	\$ 85,319,399	\$ 250,320,520

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Statements of Activities

<i>Year ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues, gains, and other support				
Grant income	\$ 1,024,775	\$ -	\$ -	\$ 1,024,775
Contributions	21,646,792	1,814,693	425,581	23,887,066
Membership dues	1,795,116	-	-	1,795,116
Admissions and special events	4,055,417	-	-	4,055,417
Investment income (note 7)	14,431,282	2,434,253	-	16,865,535
Contract services	9,451,166	-	-	9,451,166
Sales of articles	775,410	-	-	775,410
Advertising	619,729	-	-	619,729
Rental income	633,706	-	-	633,706
Public service announcements	483,085	-	-	483,085
Royalty income	1,045,136	-	-	1,045,136
Miscellaneous	3,409,604	-	-	3,409,604
Net assets released from restrictions	9,972,558	(9,972,558)	-	-
Total operating revenues, gains, and other support	69,343,776	(5,723,612)	425,581	64,045,745
Operating expenses				
Program services				
Historic sites	18,726,634	-	-	18,726,634
Preservation services	20,998,556	-	-	20,998,556
Publications	1,503,386	-	-	1,503,386
Education	6,423,225	-	-	6,423,225
Total program services	47,651,801	-	-	47,651,801
Support services				
Membership outreach	1,685,455	-	-	1,685,455
General and administrative	7,354,127	-	-	7,354,127
Fundraising	7,629,875	-	-	7,629,875
Total support services	16,669,457	-	-	16,669,457
Total operating expenses	64,321,258	-	-	64,321,258
Excess (deficiency) of operating revenues, gains, and other support over (under) operating expenses	5,022,518	(5,723,612)	425,581	(275,513)
Nonoperating support				
Investment loss in excess of amounts designated for operations (note 7)	(11,022,950)	(10,991,180)	-	(22,014,130)
Transfer of endowment funds to another organization (note 9)	-	(258,677)	(654,435)	(913,112)
Changes in net assets	(6,000,432)	(16,973,469)	(228,854)	(23,202,755)
Net assets, beginning of year	110,337,203	98,262,323	87,075,700	295,675,226
Net assets, end of year	\$ 104,336,771	\$ 81,288,854	\$ 86,846,846	\$ 272,472,471

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Statements of Functional Expenses

Year ended June 30, 2016	Historic sites	Preservation services	Publications	Education	Total program services	Membership outreach	General and administrative	Fundraising	Total support services	Total
Employee costs:										
Salaries	\$ 4,465,830	\$ 8,854,307	\$ 665,383	\$ 3,168,957	\$ 17,154,477	\$ 630,729	\$ 3,657,119	\$ 3,647,532	\$ 7,935,380	\$ 25,089,857
Payroll taxes and benefits	814,646	1,701,193	124,241	638,408	3,278,488	145,517	1,001,188	599,172	1,745,877	5,024,365
	5,280,476	10,555,500	789,624	3,807,365	20,432,965	776,246	4,658,307	4,246,704	9,681,257	30,114,222
Professional services	742,587	2,937,702	35,946	1,457,530	5,173,765	496,731	1,709,819	1,189,482	3,396,032	8,569,797
Grants	1,088,508	2,048,587	-	657,467	3,794,562	-	-	-	-	3,794,562
Occupancy	845,506	750,502	130,054	541,756	2,267,818	150,210	856,375	574,880	1,581,465	3,849,283
Real estate	4,484,843	-	-	-	4,484,843	-	-	177	177	4,485,020
Property development	2,966,658	35,990	4	12	3,002,664	5	30	16	51	3,002,715
Printing	163,046	436,819	363,674	708,502	1,672,041	85,276	110,191	523,051	718,518	2,390,559
Travel	172,234	912,853	11,897	244,154	1,341,138	7,287	177,077	262,014	446,378	1,787,516
Postage	37,246	24,063	213,387	28,053	302,749	230,240	17,842	722,623	970,705	1,273,454
Tax expense	-	1,212,946	-	-	1,212,946	-	-	-	-	1,212,946
Maintenance	739,445	28,043	694	2,255	770,437	1,041	3,896	31,356	36,293	806,730
Computer	103,005	90,681	11,044	304,732	509,462	7,865	230,030	43,179	281,074	790,536
Insurance	568,816	84,425	5,069	16,474	674,784	7,604	70,123	27,962	105,689	780,473
Miscellaneous	18,679	189,083	3,421	98,790	309,973	23,559	264,888	7,122	295,569	605,542
Public service announcements	-	-	-	483,791	483,791	-	-	-	-	483,791
Depreciation	74,035	172,865	19,744	64,167	330,811	51,109	208,081	103,174	362,364	693,175
Cost of goods sold	322,758	25,387	62	7,878	356,085	359	171	2,024	2,554	358,639
Telephone	81,131	89,551	2,905	16,615	190,202	2,875	30,124	15,333	48,332	238,534
Reference	52,986	51,875	1,696	43,697	150,254	3,029	53,950	44,246	101,225	251,479
Office supplies	58,995	35,822	3,082	25,833	123,732	4,786	27,717	16,343	48,846	172,578
	12,520,478	9,127,194	802,679	4,701,706	27,152,057	1,071,976	3,760,314	3,562,982	8,395,272	35,547,329
	\$ 17,800,954	\$ 19,682,694	\$ 1,592,303	\$ 8,509,071	\$ 47,585,022	\$ 1,848,222	\$ 8,418,621	\$ 7,809,686	\$ 18,076,529	\$ 65,661,551

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Statements of Functional Expenses

Year ended June 30, 2015	Historic sites	Preservation services	Publications	Education	Total program services	Membership outreach	General and administrative	Fundraising	Total support services	Total
Employee costs:										
Salaries	\$ 5,134,941	\$ 8,504,870	\$ 633,536	\$ 2,615,282	\$ 16,888,629	\$ 612,498	\$ 3,548,394	\$ 3,416,187	\$ 7,577,079	\$ 24,465,708
Payroll taxes and benefits	890,242	1,616,820	129,177	567,246	3,203,485	156,625	985,561	702,665	1,844,851	5,048,336
	6,025,183	10,121,690	762,713	3,182,528	20,092,114	769,123	4,533,955	4,118,852	9,421,930	29,514,044
Professional services	1,101,705	2,906,655	123,737	1,203,629	5,335,726	360,227	1,017,149	976,028	2,353,404	7,689,130
Grants	2,063,627	2,098,182	-	103,831	4,265,640	-	-	-	-	4,265,640
Occupancy	953,052	764,579	82,129	456,292	2,256,052	99,552	769,042	435,117	1,303,711	3,559,763
Real estate	3,463,460	-	-	-	3,463,460	-	-	762	762	3,464,222
Property development	1,740,801	152,788	-	-	1,893,589	-	-	-	-	1,893,589
Printing	249,618	441,544	293,824	283,304	1,268,290	69,679	17,549	592,390	679,618	1,947,908
Travel	255,463	879,810	17,772	272,437	1,425,482	11,111	146,350	223,974	381,435	1,806,917
Postage	55,530	50,871	171,869	30,001	308,271	307,348	10,810	817,206	1,135,364	1,443,635
Tax expense	-	1,534,301	-	-	1,534,301	-	-	-	-	1,534,301
Maintenance	958,227	26,483	422	1,436	986,568	633	3,553	13,176	17,362	1,003,930
Computer	110,030	161,717	2,372	222,341	496,460	1,738	336,290	32,332	370,360	866,820
Insurance	569,598	74,520	4,579	14,932	663,629	6,894	63,639	25,359	95,892	759,521
Miscellaneous	461,666	1,338,738	1,175	15,020	1,816,599	23,298	187,806	234,897	446,001	2,262,600
Public service announcements	-	1,251	-	481,834	483,085	-	-	-	-	483,085
Depreciation	75,397	177,563	18,884	61,374	333,218	28,327	170,417	84,980	283,724	616,942
Cost of goods sold	396,614	7,444	-	16,608	420,666	-	-	509	509	421,175
Telephone	84,624	112,023	3,423	16,181	216,251	2,528	42,209	14,984	59,721	275,972
Reference	87,764	90,898	18,846	39,030	236,538	2,737	42,520	47,797	93,054	329,592
Office supplies	74,275	57,499	1,641	22,447	155,862	2,260	12,838	11,512	26,610	182,472
	12,701,451	10,876,866	740,673	3,240,697	27,559,687	916,332	2,820,172	3,511,023	7,247,527	34,807,214
	\$ 18,726,634	\$ 20,998,556	\$ 1,503,386	\$ 6,423,225	\$ 47,651,801	\$ 1,685,455	\$ 7,354,127	\$ 7,629,875	\$ 16,669,457	\$ 64,321,258

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Statements of Cash Flows

Year ended June 30,	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (22,151,951)	\$ (23,202,755)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities		
Depreciation expense	693,175	616,942
Gain on sale of donated properties	-	(1,264,142)
Loss on disposal of property and equipment	-	115,192
Loss on properties held for resale	455,000	-
Contributions of properties held for resale	(4,699,800)	-
NTCIC deferred tax asset	995,329	1,478,395
Net realized and unrealized loss on investments	9,180,152	6,002,333
Contributions restricted for long-term investment	(142,290)	(35,555)
Investment earnings allocated to endowments	(1,477,255)	(1,026,356)
Change in discount on long-term contribution receivables	(279,755)	6,818
Allowance for uncollectible pledges	(70,561)	200,000
Bad debt expense	-	1,694,900
Decrease (increase) in assets		
Accounts receivable	2,704,693	(2,744,860)
Contributions receivable	2,941,910	433,651
Merchandise inventory	136,722	(4,188)
Prepaid expenses and other assets	(232,429)	5,392
Other long-term assets	(56,992)	(328,535)
Increase (decrease) in liabilities		
Accounts payable	741,477	(1,885,808)
Accrued expenses	(3,074)	34,666
Deferred revenue	10,868,504	405,163
Amounts held for others	1,311,193	(1,933,106)
Deferred rent	(66,081)	984,124
Other liabilities	110,898	198,369
Net cash provided by (used in) operating activities	958,865	(20,249,360)
Cash flows from investing activities		
Purchase of investments	(32,160,090)	(26,600,962)
Proceeds from sale of investments	35,063,410	38,865,719
Proceeds from sale of donated property	760,000	873,142
Revolving funds note receivables payments received	16,798	16,141
Change in accrued interest	-	1,023
Purchase of property and equipment	(1,449,600)	(1,014,272)
Net cash provided by investing activities	2,230,518	12,140,791
Cash flows from financing activities		
Contributions restricted for long-term investment	142,290	35,555
Proceeds from notes payable	14,750,000	7,000,000
Principal payments on notes payable	(14,774,657)	(5,023,464)
Net cash provided by financing activities	117,633	2,012,091
Net increase (decrease) in cash and cash equivalents	3,307,016	(6,096,478)
Cash and cash equivalents, beginning of the year	3,989,001	10,085,479
Cash and cash equivalents, end of the year	\$ 7,296,017	\$ 3,989,001
Supplemental cash flow information		
Interest paid for notes payable	\$ 248,357	\$ 232,112

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

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, non-profit 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.

National Main Street Center, Inc. (NMSC) was established in 2012 as a non-profit organization, with the National Trust as its sole member, but is governed by its own board of directors, bylaws, and operating procedures. NMSC is committed to preservation-based community revitalization of historic commercial and neighborhood districts throughout the United States.

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 and Low-Income Housing Tax Credits (LIHTC). 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 is wholly owned and governed by NTCIC to provide and promote services related to heritage travel.

NT Solar, Inc. (NTS) was organized as a wholly owned, for-profit subsidiary of NTCIC and was incorporated on July 2, 2014. NTS was established to participate in the financing, directly or indirectly, of renewable energy transactions for which the investment tax credit is being utilized.

NT CDFI, Inc. (NT CDFI) is a not-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 Trust Historic Real Estate Debt Fund, LLC (NTHREDF) was formed on March 8, 2016. NTHREDF was established to provide debt investment services and products for historic real estate under management by NTCIC, but with majority ownership by the National Trust.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

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:

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.

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.

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.

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Notes to Consolidated Financial Statements

(d) Recent Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). The update establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year. The guidance is effective for the Trust for the fiscal year ending June 30, 2020. Management is still in the process of assessing the impact this new standard will have on the consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements - Going Concern* (ASU-2015-15). ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an organization's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 provides guidance to an organization's management, with principles and definitions that are intended to reduce diversity in the timing and content of disclosures that are commonly provided by organizations today in the financial statement footnotes. For all entities, the new requirements are effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Management is in the process of assessing the impact this new standard will have on the consolidated financial statements.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). The amendments in ASU 2015-07 remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The guidance is effective for the Trust for the fiscal year ended June 30, 2018. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Earlier application is permitted. Management is in the process of assessing the impact this new standard will have on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The amendments in ASU 2016-14 make certain improvements to the financial reporting by not-for-profit entities to provide more useful information to donors, grantors, creditors, and other users of financial statements. The guidance is effective for the Trust for the fiscal year ended June 30, 2019. A reporting entity should apply the amendments retrospectively to all periods presented. Earlier application is permitted. Management is in the process of assessing the impact this new standard will have on the consolidated financial statements.

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In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows* (ASU 2016-18). The amendments in ASU 2016-18 require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance is effective for the Trust for the fiscal year ended June 30, 2020. A reporting entity should apply the amendments retrospectively to all periods presented. Earlier application is permitted. Management is in the process of assessing the impact this new standard will have on the consolidated 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 and 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.

Historic Sites Open to the Public

<i>Belle Grove, Middletown, Virginia</i>	<i>Brucemore, Cedar Rapids, Iowa</i>
Chesterwood, Stockbridge, Massachusetts	<i>Cliveden, Philadelphia, Pennsylvania</i>
<i>Drayton Hall, Charleston County, South Carolina</i>	<i>Decatur House, Washington, District of Columbia</i>
<i>Filoli, Woodside, California</i>	Farnsworth House, Plano, Illinois
<i>Kykuit, Pocantico Hills, New York</i>	Gaylord Building, Lockport, Illinois
<i>Montpelier, Montpelier Station, Virginia</i>	Lyndhurst, Tarrytown, New York
Philip Johnson Glass House, New Canaan, Connecticut	<i>Oatlands, Leesburg, Virginia</i>
<i>President Lincoln's Cottage, Washington, District of Columbia</i>	Pope Leighey House, Mount Vernon, Virginia
Villa Finale, San Antonio, Texas	Shadows on the Teche, New Iberia, Louisiana
Woodrow Wilson House, Washington, District of Columbia	Woodlawn, Mount Vernon, Virginia

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In addition, the Trust owns Cooper Molera Adobe, a historic site in Monterey, California, which is not currently open to the public due to renovations that are currently in progress.

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 or 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 statement of financial position 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 (the Cottage) at the Soldiers' Home including the Cottage and the Visitor Education Center. The Cottage was managed by the Trust in fiscal year 2015 and management of the Cottage was transitioned to another nonprofit organization during fiscal year 2016.

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(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and 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, 2016 and 2015, the Trust's cash accounts held in excess of federally insured limits were \$3,077,373 and \$2,022,300, 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, accrued interest and acquisition fees.

Accounts receivable are stated at their net realizable value and are charged to bad debt expense when they are determined to be uncollectible based upon review by management. U.S. GAAP requires 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.

(h) Other Investments

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 unrestricted, 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 5 to 12 years and 5 to 11 years at June 30, 2016 and 2015, respectively. Discount rate is based on rates commensurate with the expected remaining life of the donors or donors' designees and was 3.375% at June 30, 2016 and 2015. 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. Adjustments to the liability to reflect changes in actuarial assumptions and amortization of discount are recognized in contributions revenue in the statements of activities.

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 unrestricted, temporarily or permanently restricted based on donors' restrictions and is included in contribution revenue. Assets are stated at fair value and are included in

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contributions receivable, and the related liabilities are stated at fair value and are included in amounts held for others on the statements 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 and notes receivable. 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 property and equipment purchased with a cost of \$5,000 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,

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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 to its current fair value, charged to the consolidated statement of activities. No impairment loss has been recognized at June 30, 2016 and 2015.

(m) Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received or when the gift or promise 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 and 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.

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Notes to Consolidated Financial Statements

The Trust's authorized spending rate in 2016 and 2015 was 5% for restricted endowment funds, 5.5% for unrestricted endowment funds and 6% for the two general Historic Sites Funds.

(o) Functional Allocation of Expenses

The costs of providing various programs and support activities have been summarized on a functional basis in the statements 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 \$278,466 and \$251,096 in 2016 and 2015, respectively, 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, 2013 forward.

The National Trust, NMSC, 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.

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 years ended June 30, 2016 and 2015, NTCIC utilized \$4,110,177 and \$1,221,401 of the net operating loss, fully exhausting all net operating losses at June 30, 2016.

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

ASC 740 also 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.

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The components of the provision for NTCIC's income taxes for the years ended June 30, 2016 and 2015 were as follows:

June 30,	2016	2015
Current tax expense	\$ 207,138	\$ 55,906
Deferred tax expense	1,005,808	1,478,395
Provision for income taxes	\$ 1,212,946	\$ 1,534,301

The components of NTCIC's deferred tax assets as of June 30, 2016 and 2015 were as follows:

June 30,	2016	2015
Net operating loss	\$ -	\$ 978,386
Organizational and start-up costs and depreciation	222,625	260,150
Other	187,706	167,124
Deferred tax assets	\$ 410,331	\$ 1,405,660

(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, 2016 and 2015, are not materially different from 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 FASB 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.

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(r) Revenue Recognition

Grant Income

Amounts received from local, state and federal grants, 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 as revenue when the conditions are substantially met.

Membership Dues

In 2016, the Trust recognized membership dues upon receipt. In 2015, revenue from membership dues was deferred and recognized ratably as membership revenue over the related term. Management concluded this change did not have a material impact on the consolidated financial statements for the year ended June 30, 2016.

A portion of membership dues, which typically range from \$20 to \$1,000 per year, is considered a contribution and is recognized immediately. In 2016 and 2015, the Trust recognized contribution revenue on all membership payment amounts in excess of \$10 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.

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NTCIC and its subsidiaries recognize 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 Trust's 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 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 years ended June 30, 2016 and 2015 totaled \$1,181,381 and \$483,085, respectively, and includes public service announcements included in contributions on the consolidated statement of activities as well as donated professional services which would otherwise have been purchased.

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.

(s) *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 at the face value in the underlying debt agreement.

(t) *Joint Costs*

In accordance with FASB ASC 958-720-50-2, *Not-For-Profit Entities - Other Expenses - Disclosure - Accounting for Costs of Activities That Include Fundraising*, the Trust allocates costs between fundraising and programmatic expenses where such joint costs serve education, advocacy or other programmatic purposes in addition to fundraising. During the years ended June 30, 2016 and 2015, all costs were charged to fundraising as the programmatic value was considered de minimis.

(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,

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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.

(w) Estimates

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

(x) Reclassifications

Certain amounts have been reclassified in the 2015 financial statements to conform to the 2016 presentation.

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.

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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 nationally important preservation priorities including the revitalization of urban areas.

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 comprised the following:

<i>June 30,</i>	2016	2015
Buildings and improvements	\$ 5,240,418	\$ 5,240,418
Leasehold improvements	3,310,621	3,299,477
Furniture and equipment	1,291,204	1,956,299
Computer equipment	3,742,658	2,329,399
	<u>13,584,901</u>	<u>12,825,593</u>
Less accumulated depreciation	<u>(3,965,525)</u>	<u>(3,962,642)</u>
Total	<u>\$ 9,619,376</u>	<u>\$ 8,862,951</u>

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4. Contributions, and Amounts Held for Others

Contributions Receivable

Contributions receivable are summarized as follows:

<i>June 30,</i>	2016	2015
Unconditional promises to give expected to be collected in:		
Less than one year	\$ 7,376,523	\$ 6,515,725
One to five years	1,938,749	6,054,956
More than five years	551,000	237,500
	<u>9,866,272</u>	<u>12,808,181</u>
Less:		
Allowances for uncollectible pledges	(329,439)	(400,000)
Unamortized discount	(256,025)	(535,779)
	<u>9,280,808</u>	<u>11,872,402</u>
Less current contributions receivable	<u>(7,376,523)</u>	<u>(6,515,725)</u>
Contributions receivable, net of current	<u>\$ 1,904,285</u>	<u>\$ 5,356,677</u>

The discount rates used to calculate the present value of contributions receivable range from 0.32% to 2.91% and 0.74% to 2.2% as of June 30, 2016 and 2015, respectively. During the year ended June 30, 2016 and 2015, the Trust recognized \$1,145 and \$6,818 respectively, in accretion of discounts relating to contributions receivable.

Commitments from donors for conditional promises to give total \$3,677,742 and \$8,130,000 at June 30, 2016 and 2015, respectively. These include pledges that are letters of intent and those with matching requirements which will be accrued in future periods as the conditions for revenue recognition are met.

Amounts Held for Others

Amounts held for others reported as both on asset and liability comprised the following:

<i>June 30,</i>	2016	2015
Charitable remainder trusts	\$ 415,534	\$ 534,433
Endowment held for the benefit of Congressional Cemetery	4,408,206	4,898,439
Endowment held for the benefit of Cliveden	543,852	601,135
Endowment held for Montpelier	9,682,067	9,044,245
Endowment held for the benefit of Belle Grove	232,277	255,808
Endowment held for the benefit of Val-Kil property	-	113,938
Reserve held for Emerson School	9,817	9,817
	<u>\$ 15,291,753</u>	<u>\$ 15,457,815</u>
Total amounts held for others	<u>\$ 15,291,753</u>	<u>\$ 15,457,815</u>

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5. 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 other investments on the statement of financial position, and include the following:

<i>June 30,</i>	2016	2015
Charitable gift annuities	\$ 1,448,171	\$ 1,597,606
Charitable remainder unitrusts held by third parties	413,910	445,355
Charitable remainder unitrusts held by the Trust	772,083	840,295
Pooled income funds	92,072	93,990
Properties with life tenants	-	555,555
Total assets held under split-interest agreements	\$ 2,726,236	\$ 3,532,801

As of June 30, 2016 and 2015, liabilities associated with split-interest agreements total \$1,861,517 and \$1,942,050, respectively, which include a liability of \$1,424,887 and \$1,370,982, respectively, related to obligations under charitable gift annuities recorded in other liabilities, and \$415,534 and \$534,433, respectively, related to obligations under charitable remainder unitrusts held by the Trust recorded in amounts held for others on the statements 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 the year ended June 30, 2016 and 2015, the Trust recognized \$265,488 and \$(59), respectively, in accretion of discounts related to split-interest agreements.

6. 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 \$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, 2016 and 2015.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

Funds held by the Trust on behalf of The Montpelier Foundation 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, 2016 and 2015 was \$9,682,067 and \$9,044,245, respectively, and is included in amounts held for others in the statement of financial position.

As of June 30, 2016 and 2015, 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 June 16, 2016, 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. In October 2014, the Trust approved the extension of the line of credit from 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 NMSC and the National Trust dated September 5, 2014, the Trust agreed to provide a \$750,000 grant over the initial three years of operations of NMSC to fund operating costs. For the year ended, June 30, 2016 and 2015, \$144,873 and \$435,268, respectively, had been paid to the NMSC resulting in a remaining payable grant balance of \$0 and \$144,873 as of June 30, 2016 and 2015, respectively. This grant payable balance is eliminated in consolidation.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

7. Investments

The composition of investments owned by the Trust at June 30, 2016 is presented below:

	Revolving Loan Funds	Endowment and Similar Funds including Amounts Held for Others	Other Investments including Short-term Investments	Total
Cash holdings	\$ -	\$ 8,551,260	\$ 1,223,480	\$ 9,774,740
Notes receivable	161,517	-	-	161,517
Short-term holdings	-	-	5,319,651	5,319,651
Equities - U.S.	-	43,643,967	948,347	44,592,314
Equities - non U.S.	-	25,620,046	561,326	26,181,372
Equities - global	-	44,397,427	72,264	44,469,691
Fixed income	-	21,781,028	12,133,589	33,914,617
Hedge funds	-	57,308,771	19,889	57,328,660
Opportunistic	-	6,062,003	-	6,062,003
Real assets	-	20,769,436	287,676	21,057,112
Private equity	-	16,939,596	57,336	16,996,932
Total investments	\$ 161,517	\$ 245,073,534	\$ 20,623,558	\$ 265,858,609

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

The composition of investments owned by the Trust at June 30, 2015 is presented below:

	Revolving Loan Funds	Endowment and Similar Funds including Amounts Held for Others	Other Investments including Short-term Investments	Total
Cash holdings	\$ -	\$ 16,134,298	\$ 1,356,139	\$ 17,490,437
Notes receivable	178,315	-	-	178,315
Short-term holdings	-	-	4,631,970	4,631,970
Equities - U.S.	-	34,007,703	523,901	34,531,604
Equities - non U.S.	-	45,659,943	470,711	46,130,654
Equities - global	-	28,277,806	-	28,277,806
Fixed income	-	23,100,393	456,512	23,556,905
Hedge funds	-	60,181,019	-	60,181,019
Opportunistic	-	12,021,904	-	12,021,904
Real assets	-	31,982,641	127,327	32,109,968
Private equity	-	18,744,684	103,613	18,848,297
Total investments	\$ 178,315	\$ 270,110,391	\$ 7,670,173	\$ 277,958,879

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, assets designated by the board for long-term purposes, and an unrestricted fund for liquidity. 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 \$161,517 and \$178,315 as of June 30, 2016 and 2015, respectively, were investments in various partnerships.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

The composition of investment income as follows:

<i>Years ended June 30,</i>	2016	2015
Interest and dividends from investments	\$ 1,894,696	\$ 2,437,640
Interest earned on cash, loan and notes receivable	89,052	92,553
Investment expenses	(945,326)	(919,137)
Amounts designated for operations	17,379,897	15,254,479
Investment income for operations	18,418,319	16,865,535
Net losses	(7,938,340)	(7,786,007)
Investment earnings allocated to endowments held for others	1,477,255	1,026,356
Amounts designated for operations	(17,379,897)	(15,254,479)
Total investment loss in excess of amounts designated for operations	(23,840,982)	(22,014,130)
Total investment loss	\$ (5,422,663)	\$ (5,148,595)

8. 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.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

The following table classifies all investments into the hierarchy set forth by ASC 820 as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Cash holdings	\$ 9,774,740	\$ -	\$ -	\$ 9,774,740
Notes receivable	161,517	-	-	161,517
Short-term holdings	5,319,651	-	-	5,319,651
Equities - U.S.	1,240,696	10,910,436	32,441,182	44,592,314
Equities - non U.S.	274,240	25,907,132	-	26,181,372
Equities - global	11,797,414	32,672,277	-	44,469,691
Fixed income - domestic	12,513,056	21,019,040	-	33,532,096
Fixed income - international	382,521	-	-	382,521
Hedge funds - open mandate	19,889	-	9,785,111	9,805,000
Hedge funds - diversified arbitrage	-	3,775,305	3,189,972	6,965,277
Hedge funds - credit-driven/distressed	-	-	13,640,179	13,640,179
Hedge funds - global long/short	-	2,683,381	22,699,841	25,383,222
Hedge funds - remaining investment stubs	-	-	1,534,982	1,534,982
Opportunistic	6,062,003	-	-	6,062,003
Real assets	11,810,537	102,100	9,144,475	21,057,112
Private equity	-	-	16,996,932	16,996,932
Total	\$ 59,356,264	\$ 97,069,671	\$ 109,432,674	\$ 265,858,609

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

The following table classifies all investments into the hierarchy set forth by ASC 820 as of June 30, 2015:

	Level 1	Level 2	Level 3	Total
Cash holdings	\$ 17,490,437	\$ -	\$ -	\$ 17,490,437
Notes receivable	178,315	-	-	178,315
Short-term holdings	4,631,970	-	-	4,631,970
Equities - U.S.	1,894,289	32,397,765	239,550	34,531,604
Equities - non U.S.	37,560,798	8,569,856	-	46,130,654
Equities - global	974,384	27,303,422	-	28,277,806
Fixed income - domestic	691,893	14,221,838	-	14,913,731
Fixed income - international	527,215	8,115,959	-	8,643,174
Hedge funds - open mandate	-	-	9,484,881	9,484,881
Hedge funds - diversified arbitrage	-	8,074,796	8,184,081	16,258,877
Hedge funds - credit-driven/distressed	-	5,281,713	10,909,913	16,191,626
Hedge funds - global long/short	-	7,408,702	10,754,171	18,162,873
Hedge funds - remaining investment stubs	-	-	82,762	82,762
Opportunistic	5,618,903	6,403,001	-	12,021,904
Real assets	21,313,984	88,314	10,707,670	32,109,968
Private equity	-	-	18,848,297	18,848,297
Total	\$ 90,882,188	\$ 117,865,366	\$ 69,211,325	\$ 277,958,879

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

The following table summarizes activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2016:

	Equities	Hedge Funds	Real Assets	Private Equity	Total
Balance at June 30, 2015	\$ 239,550	\$ 39,415,808	\$ 10,707,670	\$ 18,848,297	\$ 69,211,325
Transfers to Level 3	31,873,865	13,852,874	-	-	45,726,739
Additions	-	10,750,958	1,870,273	1,141,062	13,762,293
Redemptions	-	(9,783,038)	-	-	(9,783,038)
Net unrealized gains (losses)	327,767	(3,386,517)	(3,433,468)	(2,992,427)	(9,484,645)
Balance at June 30, 2016	\$ 32,441,182	\$ 50,850,085	\$ 9,144,475	\$ 16,996,932	\$ 109,432,674

Transfers to Level 3 represent changes in the composition of underlying funds during the year ended June 30, 2016.

The following table summarizes activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2015:

	Equities	Hedge Funds	Real Assets	Private Equity	Total
Balance at June 30, 2014	\$ 260,232	\$ 36,613,101	\$ 12,991,008	\$ 20,794,588	\$ 70,658,929
Transfers to Level 3	-	-	-	-	-
Additions	-	5,050,000	1,738,255	455,000	7,243,255
Redemptions	-	(724,046)	(743,069)	(1,841,113)	(3,308,228)
Net realized losses	-	(351,889)	(1,057,830)	(3,271,690)	(4,681,409)
Net unrealized (losses) gains	(20,682)	(1,171,358)	(2,220,694)	2,711,512	(701,222)
Balance at June 30, 2015	\$ 239,550	\$ 39,415,808	\$ 10,707,670	\$ 18,848,297	\$ 69,211,325

There were no transfers to or from Level 3 for the year ended June 30, 2015.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

The following table sets forth a summary of the Trust's investments with a reported net asset value as of June 30, 2016:

	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Equities - U.S. (a)	\$ 43,351,618	\$ -	Monthly to quarterly	30 - 90 days
Equities - non U.S. (a)	25,907,132	-	Daily to monthly	10 - 60 days
Equities - global (a)	32,672,277	-	Daily to Monthly	6 - 30 days
Fixed income (b)	21,019,040	-	Daily	3 days
Hedge funds - open mandate (c)	9,785,111	-	Annually	45 days
Hedge funds - diversified arbitrage (c)	6,965,277	-	Quarterly to annually	45 days
Hedge funds - credit- driven/distressed (c)	13,640,179	1,200,042	Quarterly	60 - 90 days
Hedge funds - global long/short (c)	25,383,222	-	Quarterly	60 to 90 days
Hedge funds - remaining investment stubs (c)	1,534,982	-	On-going	N/A
Real assets (e)	9,246,575	5,096,986	Daily to locked	N/A
Private equity (f)	16,996,932	9,146,840	Locked	N/A
Total investments valued using the practical expedient	\$ 206,502,345	\$ 15,443,868		

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

The following table sets forth a summary of the Trust's investments with a reported net asset value as of June 30, 2015:

	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Equities - U.S. (a)	\$ 32,637,315	\$ -	Daily to quarterly	3 - 90 days
Equities - non U.S. (a)	8,569,856	-	Daily to monthly	3 - 60 days
Equities - global (a)	27,303,422	-	Monthly	6 - 8 days
Fixed income (b)	22,337,797	-	Daily	3 - 7 days
Hedge funds - open mandate (c)	9,484,881	-	Annually	45 days
Hedge funds - diversified arbitrage (c)	16,258,877	-	Quarterly to annually	45 - 90 days
Hedge funds - credit- driven/distressed (c)	16,191,626	1,950,000	Quarterly to annually	45 - 90 days
Hedge funds - global long/short (c)	18,162,873	-	Quarterly to locked	60 days or N/A
Hedge funds - remaining investment stubs (c)	82,762	-	On-going	N/A
Opportunistic (d)	6,403,001	-	Daily	3 days
Real assets (e)	10,795,984	6,834,826	Daily to locked	1 day or N/A
Private equity (f)	18,848,297	10,121,501	Locked	N/A
Total investments valued using the practical expedient	\$ 187,076,691	\$ 18,906,327		

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

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., non-U.S., and global equity investments and share in the returns and risks associated with exposure to their respective markets.
- b) 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.
- c) Hedge fund investments are comprised of a diversified portfolio and share in the returns and risks associated with the 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.
- d) Opportunistic investments are invested globally and share in the returns and risks of the equity, fixed income, commodities and currency markets.
- e) Real assets investments are invested globally, principally in the energy and materials sector with smaller amounts invested in land, timber and renewable energy and share in the returns and risks associated with equity markets, interest rates and commodities markets.
- f) Private equity investments are invested globally in consumer, computer, medical/pharmaceuticals, communications, financials, services, energy and electronics and share in the risks and returns associated with the equity markets and credit market risks.

Quantitative Information

Quantitative information as of June 30, 2016, 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
Equities - U.S.	\$ 32,441,182	Use of income and/or cost approach	See below	N/A
Hedge funds	50,850,085		See below	N/A
Real assets	9,144,475		See below	N/A
Private equity	16,996,932		See below	N/A
Total	\$ 109,432,674			

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

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.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

9. Management of Endowment 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 \$1,168,652 and \$359,889 of donor-restricted endowment funds as of June 30, 2016 and 2015, respectively, that fell below the level that the donor or the Act requires.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

Endowment net assets consist of the following as of June 30, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 58,063,499	\$ 84,975,447	\$ 143,038,946
Board-designated endowment funds	86,795,407	-	-	86,795,407
Total	\$ 86,795,407	\$ 58,063,499	\$ 84,975,447	\$ 229,834,353

Changes in endowment net assets for year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 97,215,097	\$ 71,886,418	\$ 85,117,737	\$ 254,219,252
Contribution	99,760	-	658,710	758,470
Transfers of endowments to other organizations	-	(129,500)	(801,000)	(930,500)
Appropriation for operational expenditures	(9,726,968)	(6,927,524)	-	(16,654,492)
Interest and dividend income	285,492	495,529	-	781,021
Net depreciation	(1,077,974)	(7,261,424)	-	(8,339,398)
Endowment net assets, end of year	\$ 86,795,407	\$ 58,063,499	\$ 84,975,447	\$ 229,834,353

During the year ended June 30, 2016, the Trust transferred \$930,500 of endowment funds to the Green-Wood Cemetery.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

Endowment net assets consist of the following as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 71,886,418	\$ 85,117,737	\$ 157,004,155
Board-designated endowment funds	97,215,097	-	-	97,215,097
Total	\$ 97,215,097	\$ 71,886,418	\$ 85,117,737	\$ 254,219,252

Changes in endowment net assets for year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 106,545,164	\$ 82,719,426	\$ 85,181,592	\$ 274,446,182
Contributions	675,139	73,393	590,580	1,339,112
Transfers of endowments to other organizations	-	(258,677)	(654,435)	(913,112)
Appropriation for operational expenditures	(7,583,776)	(7,190,265)	-	(14,774,041)
Interest and dividend income	539,987	910,114	-	1,450,101
Net depreciation	(2,961,417)	(4,367,573)	-	(7,328,990)
Endowment net assets, end of year	\$ 97,215,097	\$ 71,886,418	\$ 85,117,737	\$ 254,219,252

During the year ended June 30, 2015, the Trust transferred \$913,112 of endowment funds to the Wisconsin Historical Foundation for the management and care of a national historic landmark.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

10. Rental Income and Expense

The Trust 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 through 2021. Future minimum rental income from non-cancelable operating leases is as follows:

Years ending June 30,

2017	\$	322,096
2018		190,136
2019		78,163
2020		52,797
2021		42,528
Total		\$ 685,720

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 \$2,770,062 and \$2,533,433 for the years ended June 30, 2016 and 2015, respectively, and is included in occupancy expenses within the consolidated statement of functional expenses. Minimum future lease commitments on office space and equipment are as follows:

Years ending June 30,

2017	\$	2,193,126
2018		2,145,190
2019		2,201,282
2020		2,178,367
2021		2,038,010
Thereafter		16,674,543
Total		\$ 27,430,518

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

11. Notes Payable

Notes payable at June 30, 2016 and 2015 consist of the following:

	2016	2015
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 payment of \$1,000,000 due October 13, 2016. Note is unsecured.	\$ 1,000,000	\$ 2,000,000
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.	1,425,959	1,450,616
Bank of America, line of credit (LOC) \$10,000,000 for operations at British Bankers Association (BBA) LIBOR Daily Floating Rate plus 1.5% paid monthly. LOC is unsecured and expires on March 31, 2017.	4,000,000	3,000,000
Total	\$ 6,425,959	\$ 6,450,616

The Trust recognized \$248,357 and \$232,112 of interest expense for the years ended June 30, 2016 and 2015, respectively. Interest expense is allocated between preservation services and historic sites program expenses in the consolidated statements of activities.

The MetLife note was fully repaid in October 2016.

Future principal payments of notes payable outstanding at June 30, 2016 are as follows:

<i>Years ending June 30,</i>	
2017	\$ 5,025,920
2018	27,248
2019	28,638
2020	30,103
2021	31,643
Thereafter	1,282,407
Total	\$ 6,425,959

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

12. Net Assets

Unrestricted net assets consist of the following at June 30, 2016:

	Available for operations	Board designated	Total
Net investment in property and equipment	\$ 9,619,375	\$ -	\$ 9,619,375
Other operating reserves	3,040,022	-	3,040,022
Funds functioning as endowment funds	-	76,795,407	76,795,407
Other board designated	-	6,445,056	6,445,056
	\$ 12,659,397	\$ 83,240,463	\$ 95,899,860

Unrestricted net assets consist of the following at June 30, 2015:

	Available for operations	Board designated	Total
Net investment in property and equipment	\$ 8,862,951	\$ -	\$ 8,862,951
Other operating deficit	(6,745,706)	-	(6,745,706)
Funds functioning as endowment funds	-	97,215,098	97,215,098
Other board designated	-	5,004,428	5,004,428
	\$ 2,117,245	\$ 102,219,526	\$ 104,336,771

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

	2016	2015
CDFI Subsidiary	\$ 535,667	\$ 345,810
NMSC Subsidiary	422,709	658,706
Contributions for specific properties or programs or subject to time restrictions	10,079,386	8,397,919
Cumulative gains on endowment funds for the preservation and maintenance of specific historic properties or programs	58,063,499	71,886,419
	\$ 69,101,261	\$ 81,288,854

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

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

	2016	2015
Specific properties	\$ 54,693,971	\$ 45,427,873
Specific programs	19,755,296	32,761,495
General operations	10,870,132	8,657,478
	\$ 85,319,399	\$ 86,846,846

13. 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 for the years ended June 30:

	2016	2015
Board-designated net assets, beginning of period	\$ 102,219,526	\$ 107,799,299
Activity for the period:		
Amounts transferred to Board-designated	3,530,786	7,177,317
Amounts transferred from Board-designated	(10,000,000)	-
Net losses on quasi-endowments	(10,419,690)	(10,005,209)
Funds expended for Board-designated purposes	(2,090,159)	(2,751,881)
Total activity for the period	(18,979,063)	(5,579,773)
Board-designated net assets, end of period	\$ 83,240,463	\$ 102,219,526

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

14. 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 \$778,875 and \$869,407 for the year ended 2016 and 2015, respectively. 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 or upon reaching age 55. 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 November 18, 2015 specifying that a select group of management or highly compensated employees are eligible to participate.

15. 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. Management believes that the outcome of litigation, if any, will not be material to the financial statements.

16. Subsequent Events

The Trust has evaluated events subsequent to June 30, 2016 and through December 15, 2016, which is the date the consolidated financial statements were available to be issued. There were no events noted other than as described in Note 11 related to debt repayment that required adjustment to or disclosure in these consolidated financial statements.

Supplemental Schedules

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidating Statement of Financial Position

<i>June 30, 2016</i>	National Trust	Subsidiaries and affiliates	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,721,810	\$ 4,575,302	\$ (1,095)	\$ 7,296,017
Short-term investments	837,286	5,911,256	-	6,748,542
Accounts receivable	761,244	1,136,615	(259,463)	1,638,396
Contributions receivable, current	7,376,523	-	-	7,376,523
Merchandise inventory	481,854	-	-	481,854
Prepaid expenses and other assets	910,539	153,864	-	1,064,403
Donated properties held for resale	4,244,800	-	-	4,244,800
Investment in subsidiaries	7,417,440	-	(7,417,440)	-
Total current assets	24,751,496	11,777,037	(7,677,998)	28,850,535
Noncurrent investments:				
Revolving loan funds	161,517	-	-	161,517
Endowments and similar funds	229,781,781	-	-	229,781,781
Amounts held for others	15,291,753	-	-	15,291,753
Other investments	13,875,016	-	-	13,875,016
Total investments	259,110,067	-	-	259,110,067
Contributions receivable, net of current	1,904,285	-	-	1,904,285
Deferred tax assets	-	410,331	-	410,331
Property and equipment, net	9,462,172	157,204	-	9,619,376
Other long-term assets	625,527	-	-	625,527
Total noncurrent assets	271,102,051	567,535	-	271,669,586
Total assets	\$ 295,853,547	\$ 12,344,572	\$ (7,677,998)	\$ 300,520,121
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 3,692,287	\$ 2,678,971	\$ (259,462)	\$ 6,111,796
Accrued expenses	1,905,068	109,730	-	2,014,798
Deferred revenue, current	1,673,133	284,357	-	1,957,490
Notes payable, current	5,025,920	-	-	5,025,920
Total current liabilities	12,296,408	3,073,058	(259,462)	15,110,004
Notes payable, current	1,400,039	-	-	1,400,039
Deferred revenue, net of current	10,871,548	-	-	10,871,548
Amounts held for others	15,291,753	-	-	15,291,753
Deferred rent	5,458,214	257,629	-	5,715,843
Other liabilities	1,810,414	-	-	1,810,414
Total liabilities	47,128,376	3,330,687	(259,462)	50,199,601
Commitments and contingencies				
Net assets				
Unrestricted	95,262,887	8,055,509	(7,418,536)	95,899,860
Temporarily restricted	68,142,885	958,376	-	69,101,261
Permanently restricted	85,319,399	-	-	85,319,399
Total net assets	248,725,171	9,013,885	(7,418,536)	250,320,520
Total liabilities and net assets	\$ 295,853,547	\$ 12,344,572	\$ (7,677,998)	\$ 300,520,121

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidating Statement of Activities

<i>Year ended June 30, 2016</i>	National Trust	Subsidiaries and affiliates	Eliminations	Total
Operating revenues, gains, and other support				
Grant income	\$ 1,668,688	\$ 97,017	\$ (58,387)	\$ 1,707,318
Contributions	25,663,837	560,683	(128,199)	26,096,321
Membership dues	1,597,010	641,324	-	2,238,334
Admissions and special events	3,199,168	1,821,310	-	5,020,478
Investment income	20,538,655	184,442	(2,304,778)	18,418,319
Contract services	251,458	10,025,104	(168,386)	10,108,176
Sales of articles	662,879	225	-	663,104
Advertising	583,445	1,100	-	584,545
Rental income	562,769	-	-	562,769
Public service announcements	483,791	-	-	483,791
Royalty income	1,663,544	-	(725,716)	937,828
Miscellaneous	788,520	671,579	-	1,460,099
Total operating revenues, gains, and other support	57,663,764	14,002,784	(3,385,466)	68,281,082
Operating expenses				
Program services				
Historic sites	17,800,954	-	-	17,800,954
Preservation services	9,929,326	10,834,056	(1,080,688)	19,682,694
Publications	1,592,303	-	-	1,592,303
Education	8,509,071	-	-	8,509,071
Total program services	37,831,654	10,834,056	(1,080,688)	47,585,022
Support services				
Membership outreach	1,848,222	-	-	1,848,222
General and administration	6,407,726	2,010,895	-	8,418,621
Fundraising	7,809,686	-	-	7,809,686
Total support services	16,065,634	2,010,895	-	18,076,529
Total operating expenses	53,897,288	12,844,951	(1,080,688)	65,661,551
Excess (deficiency) of operating revenues, gains, and other support (under) over operating expenses	3,766,476	1,157,833	(2,304,778)	2,619,531
Nonoperating support				
Investment (loss) gain in excess of amounts designated for operations	(25,174,965)	1,333,983	-	(23,840,982)
Transfer of endowment funds to another organization	(930,500)	-	-	(930,500)
Change in net assets before inter-organizational capital contributions and dividends	(22,338,989)	2,491,816	(2,304,778)	(22,151,951)
Inter-organizational capital contributions and dividends	-	(3,652,018)	3,652,018	-
Changes in net assets	(22,338,989)	(1,160,202)	1,347,240	(22,151,951)
Net assets, beginning of year	271,064,160	10,174,087	(8,765,776)	272,472,471
Net assets, end of year	\$ 248,725,171	\$ 9,013,885	\$ (7,418,536)	\$ 250,320,520