National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Financial Statements,
Supplemental Schedules and
Independent Auditor's Report
Years Ended June 30, 2017 and 2016

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

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Years Ended June 30, 2017 and 2016

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Contents

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of 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, 2017 and 2016, 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 $11,276,472 and $10,205,844 of total consolidated assets as of June 30, 2017 and 2016, respectively and $11,466,075 and $10,856,642 of total consolidated operating revenues for the years ended June 30, 2017 and 2016, respectively. Those statements were audited in accordance with accounting principles generally accepted in the United States of America, and 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.

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

Opinion

In our opinion, based on our 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 the **National Trust for Historic Preservation and its Subsidiaries and Affiliates** as of June 30, 2017 and 2016, 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 as of June 30, 2017 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 14, 2017

Consolidated Financial Statements

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Consolidated Statements of Financial Position

June 30,		**2017**		2016
Assets				
Current assets:				
Cash and cash equivalents	**$**	**7,029,995**	$	7,296,017
Short-term investments (notes 7 and 8)		**5,101,285**		6,212,312
Accounts receivable		**3,636,976**		1,638,396
Contributions receivable, current (note 4)		**6,451,634**		7,376,523
Merchandise inventory		**447,868**		481,854
Prepaid expenses and other assets		**1,115,186**		1,064,403
Donated properties held for resale		**250,000**		4,244,800
Total current assets		**24,032,944**		28,314,305
Noncurrent investments: (notes 7, 8, and 9)				
Revolving loan funds		**541,018**		697,747
Endowments and similar funds		**245,765,841**		229,781,781
Amounts held for others (note 4)		**16,797,313**		15,291,753
Other investments (notes 5 and 7)		**13,925,424**		13,875,016
Total noncurrent investments		**277,029,596**		259,646,297
Contributions receivable, net of current (note 4)		**1,779,731**		1,904,285
Deferred tax assets (note 1(q))		**472,370**		410,331
Property and equipment, net (note 3)		**12,488,307**		9,619,376
Other long-term assets		**694,185**		625,527
Total noncurrent assets		**292,464,189**		272,205,816
Total assets	**$**	**316,497,133**	$	300,520,121
Liabilities and net assets				
Liabilities				
Current liabilities:				
Accounts payable	**$**	**6,540,510**	$	6,111,796
Accrued expenses		**2,063,838**		2,014,798
Deferred revenue, current		**4,034,505**		1,957,490
Notes payable, current (note 11)		**2,527,248**		5,025,920
Total current liabilities		**15,166,101**		15,110,004
Notes payable, net of current (note 11)		**1,372,792**		1,400,039
Deferred revenue, net of current		**8,416,862**		10,871,548
Amounts held for others (note 4)		**16,797,313**		15,291,753
Deferred rent		**5,587,284**		5,715,843
Other liabilities		**1,845,493**		1,810,414
Total liabilities		**49,185,845**		50,199,601
Commitments and contingencies (note 15)				
Net assets (note 12)				
Unrestricted		**99,478,175**		95,899,860
Temporarily restricted		**81,710,960**		69,101,261
Permanently restricted		**86,122,153**		85,319,399
Total net assets		**267,311,288**		250,320,520
Total liabilities and net assets	**$**	**316,497,133**	$	300,520,121

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Consolidated Statements of Activities

Year ended June 30, 2017	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues, gains, and other support				
Grant income	$ 1,717,531	$ -	$ -	**$ 1,717,531**
Contributions	15,461,337	7,940,650	708,436	**24,110,423**
Membership dues	1,748,236	-	-	**1,748,236**
Admissions and special events	4,793,246	-	-	**4,793,246**
Investment income (note 7)	13,115,361	2,400,530	-	**15,515,891**
Contract services	10,811,624	-	-	**10,811,624**
Sales of articles	541,118	-	-	**541,118**
Advertising	757,856	-	-	**757,856**
Rental income	537,111	-	-	**537,111**
Public service announcements	466,964	-	-	**466,964**
Royalty income	574,754	-	-	**574,754**
Miscellaneous	836,005	550,000	-	**1,386,005**
Net assets released from restrictions	9,001,647	(9,001,647)	-	**-**
Total operating revenues, gains, and other support	60,362,790	1,889,533	708,436	**62,960,759**
Operating expenses				
Program services				
Historic sites	15,578,850	-	-	**15,578,850**
Preservation services	18,777,221	-	-	**18,777,221**
Publications	1,970,340	-	-	**1,970,340**
Education	7,740,343	-	-	**7,740,343**
Total program services	44,066,754	-	-	**44,066,754**
Support services				
Membership outreach	2,329,819	-	-	**2,329,819**
General and administrative	8,199,776	-	-	**8,199,776**
Fundraising	7,068,942	-	-	**7,068,942**
Total support services	17,598,537	-	-	**17,598,537**
Total operating expenses	61,665,291	-	-	**61,665,291**
(Deficiency) excess of operating revenues, gains, and other support over (under) operating expenses	(1,302,501)	1,889,533	708,436	**1,295,468**
Nonoperating support				
Investment gains in excess of amounts designated for operations (note 7)	4,880,816	10,803,206	11,278	**15,695,300**
Transfer of temporarily restricted assets to permanently restricted assets	-	(83,040)	83,040	**-**
Change in net assets	3,578,315	12,609,699	802,754	**16,990,768**
Net assets, beginning of year	95,899,860	69,101,261	85,319,399	**250,320,520**
Net assets, end of year	$ 99,478,175	$ 81,710,960	$ 86,122,153	**$ 267,311,288**

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Statements of Activities

Year ended June 30, 2016	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)
Change 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 Functional Expenses

Year ended June 30, 2017	Historic sites	Preservation services	Publications	Education	Total program services	Membership outreach	General and administrative	Fundraising	Total support services	Total expenses
Employee costs:										
Salaries	$ 4,440,046	$ 9,115,928	$ 910,444	$ 2,638,282	$ 17,104,700	$ 855,181	$ 3,818,067	$ 2,906,101	$ 7,579,349	**$ 24,684,049**
Payroll taxes and benefits	838,365	1,775,375	175,622	526,174	3,315,536	156,301	860,512	573,585	1,590,398	**4,905,934**
	5,278,411	10,891,303	1,086,066	3,164,456	20,420,236	1,011,482	4,678,579	3,479,686	9,169,747	**29,589,983**
Professional services	932,868	2,608,345	55,620	849,384	4,446,217	574,020	1,874,862	969,427	3,418,309	**7,864,526**
Real estate	4,767,700	1,000	-	-	4,768,700	-	-	205	205	**4,768,905**
Occupancy	814,651	1,131,976	180,085	409,204	2,535,916	200,469	735,656	561,170	1,497,295	**4,033,211**
Grants	270,862	1,394,463	-	1,855,218	3,520,543	-	-	-	-	**3,520,543**
Printing	202,112	336,814	347,201	239,420	1,125,547	47,617	48,850	671,934	768,401	**1,893,948**
Travel	205,483	906,855	16,476	254,822	1,383,636	16,098	176,978	269,729	462,805	**1,846,441**
Postage	56,854	35,099	210,962	13,314	316,229	238,097	20,909	766,439	1,025,445	**1,341,674**
Tax expense	-	1,218,089	-	-	1,218,089	-	-	-	-	**1,218,089**
Computer	96,489	264,366	12,257	348,371	721,483	17,190	209,026	43,378	269,594	**991,077**
Maintenance	837,700	6,703	693	792	845,888	990	2,773	30,053	33,816	**879,704**
Depreciation and amortization	81,264	187,911	33,157	37,893	340,225	171,739	177,036	177,648	526,423	**866,648**
Insurance	562,661	103,876	9,803	11,203	687,543	14,004	68,589	34,322	116,915	**804,458**
Public service announcements	-	-	-	466,964	466,964	-	-	-	-	**466,964**
Cost of goods sold	292,806	11,014	-	8,610	312,430	-	-	2,421	2,421	**314,851**
Reference	57,230	106,066	4,782	51,177	219,255	11,169	41,184	20,121	72,474	**291,729**
Miscellaneous	33,700	120,080	6,315	4,988	165,083	17,838	105,590	14,102	137,530	**302,613**
Property development (note 3)	954,139	(716,873)	-	-	237,266	-	-	-	-	**237,266**
Telecommunications	72,024	103,356	1,606	12,710	189,696	1,926	34,024	10,526	46,476	**236,172**
Office supplies	61,896	66,778	5,317	11,817	145,808	7,180	25,720	17,781	50,681	**196,489**
	10,300,439	7,885,918	884,274	4,575,887	23,646,518	1,318,337	3,521,197	3,589,256	8,428,790	**32,075,308**
	$ 15,578,850	$ 18,777,221	$ 1,970,340	$ 7,740,343	$ 44,066,754	$ 2,329,819	$ 8,199,776	$ 7,068,942	$ 17,598,537	**$ 61,665,291**

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 expenses
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 and amortization	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
Telecommunications	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
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Consolidated Statements of Cash Flows

Year ended June 30,	2017	2016
Cash flows from operating activities		
Change in net assets	**$ 16,990,768**	$ (22,151,951)
Adjustments to reconcile change in net assets to cash (used in) provided by operating activities		
Depreciation and amortization expense	**866,648**	693,175
Gain on sale of donated properties	**(476,713)**	-
Loss on properties held for resale	**50,000**	455,000
Contributions of properties held for resale	**(280,000)**	(4,699,800)
NTCIC deferred tax asset	**(62,039)**	995,329
Net realized and unrealized (gain) loss on investments	**(31,942,745)**	9,180,152
Contributions restricted for long-term investment	**(607,115)**	(142,290)
Investment earnings (losses) allocated to endowments	**1,312,361**	(1,477,255)
Change in discount on long-term contribution receivables	**(31,964)**	(279,755)
Allowance for uncollectible pledges	**(148,547)**	(70,561)
Decrease (increase) in assets		
Accounts receivable	**(1,998,580)**	2,704,693
Contributions receivable	**1,229,954**	2,941,910
Merchandise inventory	**33,986**	136,722
Prepaid expenses and other assets	**(50,783)**	(232,429)
Other long-term assets	**(68,658)**	(56,992)
Increase (decrease) in liabilities		
Accounts payable	**428,714**	741,477
Accrued expenses	**49,040**	(3,074)
Deferred revenue	**(377,671)**	10,868,504
Amounts held for others	**193,199**	1,311,193
Deferred rent	**(128,559)**	(66,081)
Other liabilities	**35,079**	110,898
Net cash (used in) provided by operating activities	**(14,983,625)**	958,865
Cash flows from investing activities		
Purchase of investments	**(2,159,158)**	(32,160,090)
Proceeds from sale of investments	**17,682,778**	35,063,410
Proceeds from sale of donated property	**4,701,513**	760,000
Revolving funds note receivables payments received	**161,517**	16,798
Revolving funds note receivables advanced	**(14,665)**	-
Purchase of property and equipment	**(3,735,578)**	(1,449,600)
Net cash provided by investing activities	**16,636,407**	2,230,518
Cash flows from financing activities		
Contributions restricted for long-term investment	**607,115**	142,290
Proceeds from notes payable	**14,950,000**	14,750,000
Principal payments on notes payable	**(17,475,919)**	(14,774,657)
Net cash (used in) provided by financing activities	**(1,918,804)**	117,633
Net (decrease) increase in cash and cash equivalents	**(266,022)**	3,307,016
Cash and cash equivalents, beginning of the year	**7,296,017**	3,989,001
Cash and cash equivalents, end of the year	**$ 7,029,995**	$ 7,296,017
Supplemental cash flow information		
Cash paid for income tax	**$ 1,437,786**	$ 349,832
Interest paid for notes payable	**$ 142,501**	$ 248,357

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

(a) Organization

The National Trust for Historic Preservation (the National Trust) and its subsidiaries and affiliates (collectively referred to as the Trust) is a private, 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. NT CDFI was dissolved effective July 21, 2017.

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.

Cooper-Molera Preservation LLC (CMP LLC) is a joint venture between the Trust and FHP Adobe LLC (FHP) established in October 2016, to further the rehabilitation, reuse, and historic preservation of Copper-Molera Adobe, an important historic site located in downtown Monterey, California. The Trust is an 86% equity partner and FHP is a 14% equity partner. FHP is an affiliate of Foothill Partners. Foothill Partners is the managing partner who maintains the books and records on behalf of CMP LLC. Under the agreement between the partners, the Trust has an equity commitment of up to $2.3 million of which $1.1 million was funded as of June 30, 2017.

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 in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), 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. 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. 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.

Temporarily Restricted

Temporarily restricted net assets are subject to donor-imposed stipulations that limit their use for a specific purpose and/or the passage of time. Donations to be used 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 unrestricted or restricted purposes relating to the mission of the organization.

(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 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 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.

In November 2016, the FASB issued ASU 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 Pronouncements Adopted

In August 2014, the FASB issued ASU 2014-15, *Presentation of Financial Statements – Going Concern* (ASU-2014-15). 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. The Trust's adoption of the new standard did not have a significant impact 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. The Trust adopted this standard as of June 30, 2017, applying the standard retrospectively to the June 30, 2016 consolidated financial statements, as required. Other than the changes to disclosures required by the ASU, the Trust's adoption of the new standard did not have a significant impact on the consolidated financial statements.

(f) 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

Belle Grove, Middletown, Virginia	*Brucemore, Cedar Rapids, Iowa*
Chesterwood, Stockbridge, Massachusetts	*Cliveden, Philadelphia, Pennsylvania*
Decatur House, Washington, District of Columbia	*Drayton Hall, Charleston County, South Carolina*
Farnsworth House, Plano, Illinois	*Filoli, Woodside, California*
Gaylord Building, Lockport, Illinois	*Kykuit, Pocantico Hills, New York*
Lyndhurst, Tarrytown, New York	*Montpelier, Montpelier Station, Virginia*
Oatlands, Leesburg, Virginia	Philip Johnson Glass House, New Canaan, Connecticut
Pope-Leighey House, Mount Vernon, Virginia	*President Lincoln's Cottage, Washington, District of Columbia*

Shadows on the Teche, New Iberia, Louisiana	Villa Finale, San Antonio, Texas
Woodlawn, Mount Vernon, Virginia	Woodrow Wilson House, Washington, District of Columbia

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. On July 1, 2017, the management and operation of the Villa Finale historic site was turned over to another nonprofit preservation organization.

Property the Trust May Own with Intent of Sale

Certain other properties may be held with the intent of sale. 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. Upon sale, the Trust ensures the preservation of these historic properties by imposing perpetual preservation easements where appropriate. 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 and Other Collections

The Trust's museum collection includes historic sites, 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 consolidated statements of financial position. The historic sites, including objects and furnishings, owned by the Trust with the intent of retention are not reported in the accompanying consolidated statements 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. Expenditures for restoration, stabilization, reconstruction, and development are charged to expense as incurred.

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. Management of the Cottage was transitioned to another nonprofit organization during fiscal year 2016.

(g) 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, 2017 and 2016, the Trust's cash accounts held in excess of federally insured limits were $4,738,309 and $5,266,192, respectively.

(h) 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.

(i) 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 other investments in the consolidated statements of financial position.

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 3 to 18 years and 5 to 12 years at June 30, 2017 and 2016, respectively. The 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, 2017 and 2016. The liability under these agreements is recognized at the present value of estimated future payments based on actuarial assumptions and is included in other liabilities in the consolidated statements of financial position. Adjustments to the liability to reflect changes in actuarial assumptions and amortization of discount are recognized in contributions revenue in the consolidated 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 other investments, and the related liabilities are stated at fair value and are included in amounts held for others on the consolidated statements of financial position.

The Trust may also be the 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.

(j) 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.

(k) 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 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.

(l) 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, 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.

(m) 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, 2017 and 2016.

(n) 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 depreciated.

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.

(o) 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.

The Trust’s authorized spending rate was 5% for restricted endowment funds in 2017 and 2016, and 5% and 5.5% for unrestricted endowment funds and 5% and 6% for the two general Historic Sites Funds in 2017 and 2016, respectively.

(p) Functional Allocation of Expenses

The costs of providing various programs and support activities have been summarized on a functional basis in the consolidated 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 $346,843 and $278,466 in 2017 and 2016, respectively, for services related to capital campaigns, planned giving and general appeals, which are included as fundraising expense.

(q) 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, 2014 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, 2017 and 2016, NTCIC utilized $0 and $4,110,177 of the net operating loss, fully exhausting all net operating loss carryforwards at June 30, 2016.

NTIS, NTHREDF and CMP LLC 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 NTHREDF's, and CMP LLC'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 carryforwards.

The components of the provision for NTCIC's income taxes, included in preservation services in the consolidated statements of activities for the years ended June 30, 2017 and 2016 were as follows:

June 30,	2017	2016
Current tax expense	$ 1,313,319	$ 207,138
Deferred tax (benefit) expense	(95,230)	1,005,808
Provision for income taxes	$ 1,218,089	$ 1,212,946

The components of NTCIC's deferred tax assets as of June 30, 2017 and 2016 were as follows:

June 30,	2017	2016
Net operating loss	$ 120,638	$ -
Depreciation	196,428	222,625
Other	213,104	187,706
Valuation allowance	(57,800)	-
Deferred tax assets	$ 472,370	$ 410,331

(r) 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, 2017 and 2016, 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.

(s) 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. See note 4.

Membership Dues

The Trust recognizes membership dues upon receipt. A portion of membership dues, which typically range from $20 to $1,000 per year, is considered a contribution and is recognized immediately. In 2017 and 2016, the Trust recognized contribution revenue on all membership payment amounts in excess of $10 which is the internally assessed cost of serving a member 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 restricted and unrestricted net assets. Unrealized and realized gains and losses are recorded in investment return in the consolidated statement of activities.

Contract Services

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

NTCIC 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.

Advertising

Advertising revenue consists primarily of revenue from the sale of advertisements in the "Preservation" magazine and on the Trust's web site.

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, 2017 and 2016 totaled $649,658 and $1,181,381, respectively, and includes public service announcements as well as donated professional services which would otherwise have been purchased and are included in public service announcements and contributions on the consolidated statement of activities, respectively.

Royalty Income

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

(t) Guarantees

In accordance with FASB ASC 460, *Guarantees*, for all guarantees entered into after January 1, 2003, the Trust's obligation under the guarantee agreement (described at note 6) is estimated at the face value in the underlying debt agreement.

(u) 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, 2017 and 2016, all costs were charged to fundraising as the programmatic value was considered de minimis.

(v) Investments in Operating Entities

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

(w) 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 consolidated 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.

(x) 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.

(y) Reclassifications

Certain amounts have been reclassified in the 2016 consolidated financial statements to conform to the 2017 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 Trust and reviews any potential acquisition opportunities for new historic sites.

Preservation Services – Provides direct action to save historic places at a revolving portfolio of important places—National Treasures—that are either nationally significant or the preservation of which will have national implications. Undertakes deep, sustained effort on 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:

June 30,	**2017**	2016
Buildings and improvements	**$ 7,885,288**	$ 5,240,418
Leasehold improvements	**3,313,131**	3,310,621
Furniture and equipment	**1,328,654**	1,291,204
Computer equipment	**4,748,234**	3,742,658
	17,275,307	13,584,901
Less accumulated depreciation	**(4,787,000)**	(3,965,525)
Total	**$ 12,488,307**	$ 9,619,376

Included in building and improvements are costs related to renovations that were a part of a comprehensive restoration and renovation plan, completed in multiple phases over the past several years. At the completion of the project, related expenses of $1,565,169 were capitalized in the current year resulting in a net reversal of expense of $841,022 for the year ended June 30, 2017.

4. Contributions Receivable and Amounts Held for Others

Contributions Receivable

Contributions receivable are summarized as follows:

June 30,	**2017**	2016
Unconditional promises to give expected to be collected in:		
Less than one year	**$ 6,451,634**	$ 7,376,523
One to five years	**1,747,184**	1,938,749
More than five years	**437,500**	551,000
	8,636,318	9,866,272
Less:		
Allowances for uncollectible pledges	**(180,892)**	(329,439)
Unamortized discount	**(224,061)**	(256,025)
	8,231,365	9,280,808
Less current contributions receivable	**(6,451,634)**	(7,376,523)
Contributions receivable, net of current	**$ 1,779,731**	$ 1,904,285

The discount rates used to calculate the present value of contributions receivable range from 0.32% to 2.91% as of June 30, 2017 and 2016. During the year ended June 30, 2017 and 2016, the Trust recognized $31,964 and $279,755, respectively, in accretion of discounts relating to contributions receivable.

Commitments from donors for conditional promises to give total $1,447,952 and $3,677,742 at June 30, 2017 and 2016, 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 an asset and liability in the consolidated statements of financial position, comprised the following:

June 30,		**2017**		2016
Charitable remainder trusts	**$**	**416,462**	$	415,534
Endowment held for the benefit of Congressional Cemetery		**4,908,019**		4,408,206
Endowment held for the benefit of Cliveden		**584,132**		543,852
Endowment held for Montpelier		**10,621,922**		9,682,067
Endowment held for the benefit of Belle Grove		**251,244**		232,277
Reserve held for Emerson School		**15,533**		9,817
Total amounts held for others	**$**	**16,797,313**	$	15,291,753

5. Split-Interest Agreements

The Trust is a beneficiary of split-interest agreements in the form of charitable gift annuities, charitable remainder unitrusts, and pooled income funds that are included in other investments on the consolidated statements of financial position, and include the following:

June 30,		**2017**		2016
Charitable gift annuities	**$**	**1,485,180**	$	1,448,171
Charitable remainder unitrusts held by third parties		**434,893**		413,910
Charitable remainder unitrusts held by the Trust		**802,022**		772,083
Pooled income funds		**93,183**		92,072
Total assets held under split-interest agreements	**$**	**2,815,277**	$	2,726,236

As of June 30, 2017 and 2016, liabilities associated with split-interest agreements total $1,827,960 and $1,861,517, respectively, which include a liability of $1,391,309 and $1,424,887, respectively, related to obligations under charitable gift annuities recorded in other liabilities, and $416,462 and $415,534, respectively, related to obligations under charitable remainder unitrusts held by the Trust recorded in amounts held for others on the consolidated 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, 2017 and 2016, the Trust recognized $142,411 and $(294,021), 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, 2017 and 2016. 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, 2017 and 2016 was $10,621,922 and $9,682,067, respectively, and is included in amounts held for others in the consolidated statements of financial position.

At June 30, 2017 and 2016, no liability was reported in the accompanying consolidated statements of financial position related to the Agreement as: (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; (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; (c) 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 2017, the Trust approved the extension of the line of credit from its maturity date on December 22, 2017 for an additional 2-year term to December 22, 2019.

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. In 2016, the remaining $144,873 was paid to NMSC resulting in a remaining grant payable balance of $0 as of June 30, 2017 and 2016.

7. Investments

The composition of investments owned by the Trust at June 30, 2017 is presented below:

	Revolving Loan Funds	Endowment and Similar Funds including Amounts Held for Others	Other Investments including Short-term Investments	Total
Cash holdings	**$ 526,353**	**$ 10,732,171**	**$ 3,217,257**	**$ 14,475,781**
Notes receivable	**14,665**	**-**	**-**	**14,665**
Short-term holdings	**-**	**-**	**4,256,499**	**4,256,499**
Equities – U.S.	**-**	**51,729,143**	**1,114,848**	**52,843,991**
Equities - non U.S.	**-**	**32,904,310**	**751,291**	**33,655,601**
Equities - global	**-**	**52,845,646**	**57,983**	**52,903,629**
Fixed income	**-**	**18,582,574**	**9,371,464**	**27,954,038**
Hedge funds	**-**	**54,446,379**	**32,464**	**54,478,843**
Opportunistic	**-**	**6,406,848**	**-**	**6,406,848**
Real assets	**-**	**18,684,110**	**224,903**	**18,909,013**
Private equity	**-**	**16,231,973**	**-**	**16,231,973**
Total investments	**$ 541,018**	**$ 262,563,154**	**$ 19,026,709**	**$ 282,130,881**

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	$ 536,230	$ 8,551,260	$ 620,067	$ 9,707,557
Notes receivable	161,517	-	-	161,517
Short-term holdings	-	-	5,319,651	5,319,651
Equities – U.S.	-	43,643,967	981,746	44,625,713
Equities - non U.S.	-	25,620,046	568,085	26,188,131
Equities - global	-	44,397,427	86,265	44,483,692
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	300,700	21,070,136
Private equity	-	16,939,596	57,336	16,996,932
Total investments	$ 697,747	$ 245,073,534	$ 20,087,328	$ 265,858,609

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 $14,665 and $161,517 as of June 30, 2017 and 2016, respectively, were investments in various partnerships.

The composition of investment income as follows:

Years ended June 30,	**2017**	2016
Interest and dividends from investments	**$ 994,058**	$ 1,894,696
Interest earned on cash, loan and notes receivable	**36,097**	89,052
Investment expenses	**(711,306)**	(945,326)
Amounts designated for operations	**15,197,042**	17,379,897
Investment income for operations	**15,515,891**	18,418,319
Net gains (losses)	**32,204,708**	(7,938,340)
Investment (earnings) losses allocated to endowments held for others	**(1,312,366)**	1,477,255
Amounts designated for operations	**(15,197,042)**	(17,379,897)
Total investment gain (loss) in excess of amounts designated for operations	**15,695,300**	(23,840,982)
Total investment income (loss)	**$ 31,211,191**	$ (5,422,663)

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.

The following table classifies all investments into the hierarchy set forth by ASC 820 as of June 30, 2017:

	Level 1	Level 2	Level 3	Reported at NAV *	Total
Cash holdings	$ 14,475,781	$ -	$ -	$ -	$ 14,475,781
Notes receivable	14,665	-	-	-	14,665
Short-term holdings	4,256,499	-	-	-	4,256,499
Equities – U.S.	2,306,087	-	-	50,537,904	52,843,991
Equities - non U.S.	806,900	-	-	32,848,701	33,655,601
Equities – global	14,041,693	-	-	38,861,936	52,903,629
Fixed income - domestic	10,122,434	-	-	17,439,655	27,562,089
Fixed income - international	391,949	-	-	-	391,949
Hedge funds - open mandate	32,464	-	-	10,872,070	10,904,534
Hedge funds - credit-driven/ distressed	-	-	-	14,149,934	14,149,934
Hedge funds - global long/ short	-	-	-	28,470,046	28,470,046
Hedge funds - remaining investment stubs	-	-	-	954,329	954,329
Opportunistic	6,406,848	-	-	-	6,406,848
Real assets	9,285,751	-	-	9,623,262	18,909,013
Private equity	-	-	-	16,231,973	16,231,973
Total	$ 62,141,071	$ -	$ -	$ 219,989,810	$ 282,130,881

* Certain investments that are measured at NAV, as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

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	Reported at NAV *	Total
Cash holdings	$ 9,707,557	$ -	$ -	$ -	$ 9,707,557
Notes receivable	161,517	-	-	-	161,517
Short-term holdings	5,319,651	-	-	-	5,319,651
Equities – U.S.	1,998,386	-	-	42,627,327	44,625,713
Equities - non U.S.	642,908	-	-	25,545,223	26,188,131
Equities – global	11,811,415	-	-	32,672,277	44,483,692
Fixed income - domestic	12,876,451	-	-	20,655,645	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	-	-	-	6,965,277	6,965,277
Hedge funds - credit-driven/ distressed	-	-	-	13,640,179	13,640,179
Hedge funds - global long/ short	-	-	-	25,383,222	25,383,222
Hedge funds - remaining investment stubs	-	-	-	1,534,982	1,534,982
Opportunistic	6,062,003	-	-	-	6,062,003
Real assets	11,925,661	-	-	9,144,475	21,070,136
Private equity	57,336	-	-	16,939,596	16,996,932
Total	$ 60,965,295	$ -	$ -	$ 204,893,314	$ 265,858,609

* Certain investments that are measured at NAV, as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

The following table sets forth a summary of the Trust's investments with a reported net asset value as of June 30, 2017:

	Fair Value	Unfunded Commitments	Redemption Frequency	Notice Period
Equities – U.S. (a)	$ 50,537,904	$ -	Monthly to quarterly	30 - 60 days
Equities - non U.S. (a)	32,848,701	-	Daily to monthly	10 - 60 days
Equities - global (a)	38,861,936	-	Daily to monthly	6 - 30 days
Fixed income (b)	17,439,655	-	Daily	3 days
Hedge funds - open mandate (c)	10,872,070	-	Annually	45 days
Hedge funds - credit-driven/ distressed (c)	14,149,934	-	Quarterly	60 - 90 days
Hedge funds - global long/short (c)	28,470,046	-	Quarterly	60 - 90 days
Hedge funds - remaining investment stubs (c)	954,329	-	On-going	N/A
Real assets (d)	9,623,262	-	Locked	N/A
Private equity (e)	16,231,973	5,500,000	Locked	N/A
Total investments valued using the practical expedient	$ 219,989,810	$ 5,500,000		

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)	$ 42,627,327	$ -	Monthly to quarterly	30 – 60 days
Equities - non U.S. (a)	25,545,223	-	Daily to monthly	10 – 60 days
Equities - global (a)	32,672,277	-	Daily to monthly	6 – 30 days
Fixed income (b)	20,655,645	-	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 - 90 days
Hedge funds - remaining investment stubs (c)	1,534,982	-	On-going	N/A
Real assets (d)	9,144,475	5,096,986	Daily to locked	N/A
Private equity (e)	16,939,596	9,146,840	Locked	N/A
Total investments valued using the practical expedient	$ 204,893,314	$ 15,443,868		

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) 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.
e) 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.

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 $63,752 and $587,759 of donor-restricted endowment funds as of June 30, 2017 and 2016, respectively, that fell below the level that the donor or the Act requires.

Endowment net assets consist of the following as of June 30, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 68,940,618	$ 85,731,602	$ 154,672,220
Liquidity fund	11,289,954	-	-	11,289,954
Board-designated endowment funds	80,300,250	-	-	80,300,250
Total	$ 91,590,204	$ 68,940,618	$ 85,731,602	$ 246,262,424

Changes in endowment net assets for year ended June 30, 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 86,795,407	$ 58,063,499	$ 84,975,447	$ 229,834,353
Contributions	489,779	-	756,155	1,245,933
Appropriation for operational expenditures	(7,099,493)	(7,492,230)	-	(14,591,723)
Interest and dividend income	20,516	103,276	-	123,791
Net appreciation	11,383,996	18,266,073	-	29,650,070
Endowment net assets, end of year	$ 91,590,204	$ 68,940,618	$ 85,731,602	$ 246,262,424

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
Liquidity fund	10,000,000	-	-	10,000,000
Board-designated endowment funds	76,795,407	-	-	76,795,407
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.

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 2022. Future minimum rental income from non-cancelable operating leases is as follows:

Years ending June 30,		
2018	$	**375,203**
2019		**157,772**
2020		**117,699**
2021		**81,487**
2022		**68,808**
Total	$	**800,969**

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 $2,755,948 and $2,770,062 for the years ended June 30, 2017 and 2016, respectively, and is included in occupancy expenses within the consolidated statements of functional expenses. Minimum future lease commitments on office space and equipment are as follows:

Years ending June 30,		
2018	$	**2,226,726**
2019		**2,250,896**
2020		**2,199,876**
2021		**2,032,996**
2022		**2,059,644**
Thereafter		**14,645,847**
Total	$	**25,415,985**

11. Notes Payable

Notes payable at June 30, 2017 and 2016 consist of the following:

		2017		2016
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. Final principal payment of $1,000,000 was due October 13, 2016. Note was unsecured.	**$**	**-**	$	1,000,000
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.		**1,400,040**		1,425,959
Bank of America, line-of-credit (LOC) $10,000,000 for operations at British Bankers Association (BBA) LIBOR Daily Floating Rate plus 1.5% paid monthly. LOC is secured with the deposits and accounts maintained with the Bank of America and expires on March 31, 2018.		**2,500,000**		4,000,000
Total	**$**	**3,900,040**	$	6,425,959

The Trust recognized $142,501 and $248,357 of interest expense for the years ended June 30, 2017 and 2016, respectively. Interest expense is allocated between preservation services and general and administrative 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, 2017 are as follows:

Years ending June 30,		
2018	**$**	**2,527,248**
2019		**28,638**
2020		**30,103**
2021		**31,644**
2022		**33,263**
Thereafter		**1,249,144**
Total	**$**	**3,900,040**

12. Net Assets

Unrestricted net assets consist of the following at June 30, 2017:

	Available for operations	Board designated	Total
Net investment in property and equipment	**$ 12,488,307**	**$ -**	**$ 12,488,307**
Other operating reserves	**1,053,028**	**-**	**1,053,028**
Funds functioning as endowment funds	**-**	**80,300,250**	**80,300,250**
Other board designated	**-**	**5,636,590**	**5,636,590**
	$ 13,541,335	**$ 85,936,840**	**$ 99,478,175**

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

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

	2017	2016
CDFI subsidiary	**$ -**	$ 535,667
NMSC subsidiary	**324,023**	422,709
Contributions for specific properties or programs or subject to time restrictions	**12,446,319**	10,079,386
Cumulative gains on endowment funds for the preservation and maintenance of specific historic properties or programs	**68,940,618**	58,063,499
	$ 81,710,960	$ 69,101,261

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

	2017	2016
Specific properties	**$ 55,389,126**	$ 54,693,971
Specific programs	**19,808,895**	19,755,296
General operations	**10,924,132**	10,870,132
	$ 86,122,153	$ 85,319,399

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:

		2017		2016
Board-designated net assets, beginning of year	**$**	**83,240,463**	$	102,219,526
Activity for the year:				
Amounts transferred to Board-designated		**601,714**		3,530,786
Amounts transferred from Board-designated		**-**		(10,000,000)
Net gains (losses) on quasi-endowments		**3,442,066**		(10,419,690)
Funds expended for Board-designated purposes		**(1,347,403)**		(2,090,159)
Total activity for the year		**2,696,377**		(18,979,063)
Board-designated net assets, end of year	**$**	**85,936,840**	$	83,240,463

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 $793,139 and $778,875 for the year ended 2017 and 2016, 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 to defer salary amounts up to the maximum allowed under IRS regulations (up to $18,000 in calendar year 2017) annually. 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 consolidated financial statements.

16. Subsequent Events

The Trust has evaluated events subsequent to June 30, 2017 and through December 14, 2017, which is the date the consolidated financial statements were available to be issued. There were no events noted 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

June 30, 2017	National Trust	Subsidiaries and affiliates	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 1,610,590	$ 5,419,405	$ -	$ 7,029,995
Short-term investments	844,786	4,256,499	-	5,101,285
Accounts receivable	1,780,520	3,125,429	(1,268,973)	3,636,976
Contributions receivable, current	6,451,634	-	-	6,451,634
Merchandise inventory	447,868	-	-	447,868
Prepaid expenses and other assets	901,491	213,695	-	1,115,186
Donated properties held for resale	250,000	-	-	250,000
Investment in subsidiaries	9,298,718	-	(9,298,718)	-
Total current assets	21,585,607	13,015,028	(10,567,691)	24,032,944
Noncurrent investments:				
Revolving loan funds	-	541,018	-	541,018
Endowments and similar funds	245,765,841	-	-	245,765,841
Amounts held for others	16,797,313	-	-	16,797,313
Other investments	13,925,424	-	-	13,925,424
Total noncurrent investments	276,488,578	541,018	-	277,029,596
Contributions receivable, net of current	1,779,731	-	-	1,779,731
Deferred tax assets	-	472,370	-	472,370
Property and equipment, net	11,264,241	1,224,066	-	12,488,307
Other long-term assets	694,185	-	-	694,185
Total noncurrent assets	290,226,735	2,237,454	-	292,464,189
Total assets	$ 311,812,342	$ 15,252,482	$ (10,567,691)	$ 316,497,133
Liabilities and net assets				
Current liabilities:				
Accounts payable	$ 3,997,183	$ 3,812,300	$ (1,268,973)	$ 6,540,510
Accrued expenses	1,938,096	125,742	-	2,063,838
Deferred revenue, current	3,574,765	459,740	-	4,034,505
Notes payable, current	2,527,248	-	-	2,527,248
Total current liabilities	12,037,292	4,397,782	(1,268,973)	15,166,101
Notes payable, net of current	1,372,792	-	-	1,372,792
Deferred revenue, net of current	8,416,862	-	-	8,416,862
Amounts held for others	16,797,313	-	-	16,797,313
Deferred rent	5,330,453	256,831	-	5,587,284
Other liabilities	1,845,493	-	-	1,845,493
Total liabilities	45,800,205	4,654,613	(1,268,973)	49,185,845
Net assets				
Unrestricted	98,503,045	10,273,848	(9,298,718)	99,478,175
Temporarily restricted	81,386,939	324,021	-	81,710,960
Permanently restricted	86,122,153	-	-	86,122,153
Total net assets	266,012,137	10,597,869	(9,298,718)	267,311,288
Total liabilities and net assets	$ 311,812,342	$ 15,252,482	$ (10,567,691)	$ 316,497,133

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation
and its Subsidiaries and Affiliates

Consolidating Statement of Activities

Year ended June 30, 2017	National Trust	Subsidiaries and affiliates	Eliminations	Total
Operating revenues, gains, and other support				
Grant income	$ 1,712,531	$ 13,923	$ (8,923)	$ 1,717,531
Contributions	23,594,882	1,092,932	(577,391)	24,110,423
Membership dues	1,080,542	667,694	-	1,748,236
Admissions and special events	2,984,284	1,808,962	-	4,793,246
Investment income	17,038,353	82,916	(1,605,378)	15,515,891
Contract services	239,921	10,763,924	(192,221)	10,811,624
Sales of articles	540,939	179	-	541,118
Advertising	581,512	176,344	-	757,856
Rental income	537,111	-	-	537,111
Public service announcements	466,964	-	-	466,964
Royalty income	1,269,441	-	(694,687)	574,754
Miscellaneous	891,808	494,197	-	1,386,005
Total operating revenues, gains and other support	50,938,288	15,101,071	(3,078,600)	62,960,759
Operating expenses				
Program services				
Historic sites	15,578,850	-	-	15,578,850
Preservation services	8,158,936	12,091,508	(1,473,223)	18,777,221
Publications	1,970,340	-	-	1,970,340
Education	7,740,343	-	-	7,740,343
Total program services	33,448,469	12,091,508	(1,473,223)	44,066,754
Support services				
Membership outreach	2,329,819	-	-	2,329,819
General and administration	6,133,723	2,066,053	-	8,199,776
Fundraising	7,068,942	-	-	7,068,942
Total support services	15,532,484	2,066,053	-	17,598,537
Total operating expenses	48,980,953	14,157,561	(1,473,223)	61,665,291
Excess (deficiency) of operating revenues, gains, and other support over (under) operating expenses	1,957,335	943,510	(1,605,377)	1,295,468
Nonoperating support				
Investment gains in excess of amounts designated for operations	15,329,631	365,669	-	15,695,300
Change in net assets before inter-organizational capital contributions and dividends	17,286,966	1,309,179	(1,605,377)	16,990,768
Inter-organizational capital contributions and dividends	-	274,805	(274,805)	-
Changes in net assets	17,286,966	1,583,984	(1,880,182)	16,990,768
Net assets, beginning of year	248,725,171	9,013,885	(7,418,536)	250,320,520
Net assets, end of year	$ 266,012,137	$ 10,597,869	$ (9,298,718)	$ 267,311,288

See accompanying notes to consolidated financial statements.