



National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Financial Statements,
Supplemental Schedules and
Independent Auditor's Report
Years Ended June 30, 2018 and 2017

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

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Supplemental Schedules and
Independent Auditor's Report
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National Trust for Historic Preservation and its Subsidiaries and Affiliates

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of the **National Trust for Historic Preservation and its Subsidiaries and Affiliates** (the Trust), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, 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 Consolidated 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 \$15,933,985 and \$11,276,472 of total consolidated assets as of June 30, 2018 and 2017, respectively and \$11,831,719 and \$11,466,075 of total consolidated operating revenues for the years ended June 30, 2018 and 2017, 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, 2018 and 2017, 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 as of June 30, 2018 and consolidating statement of activities for the year ended June 30, 2018 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

BDO USA, LLP

December 14, 2018

Consolidated Financial Statements

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Statements of Financial Position

<i>June 30,</i>	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,767,892	\$ 7,029,995
Short-term investments (notes 8 and 9)	4,246,036	4,256,499
Accounts receivable	4,844,047	3,636,976
Contributions receivable, current (note 4)	8,327,128	6,451,634
Merchandise inventory	443,944	447,868
Prepaid expenses and other assets	1,243,306	1,115,186
Donated properties held for resale	-	250,000
Total current assets	26,872,353	23,188,158
Noncurrent investments: (notes 8, 9, and 10)		
Revolving loan funds	32,182	541,018
Endowments and similar funds	250,952,996	245,765,841
Amounts held for others (note 8)	16,962,142	16,797,313
Other investments (notes 6 and 8)	18,440,505	14,770,210
Total noncurrent investments	286,387,825	277,874,382
Contributions receivable, net of current (note 4)	33,961,184	1,779,731
Deferred tax assets (note 1(p))	356,033	472,370
Property and equipment, net (note 3)	17,405,501	12,488,307
Other long-term assets	784,529	694,185
Total noncurrent assets	338,895,072	293,308,975
Total assets	\$ 365,767,425	\$ 316,497,133
Liabilities and net assets		
Liabilities		
Current liabilities:		
Accounts payable	\$ 9,526,799	\$ 6,540,510
Accrued expenses	1,997,353	2,063,838
Deferred revenue, current	5,294,273	4,034,505
Notes payable, current (note 12)	8,528,758	2,527,248
Total current liabilities	25,347,183	15,166,101
Notes payable, net of current (note 12)	4,299,361	1,372,792
Deferred revenue, net of current	5,996,337	8,416,862
Amounts held for others (note 5)	16,962,142	16,797,313
Deferred rent	5,401,692	5,587,284
Other liabilities	1,809,108	1,845,493
Total liabilities	59,815,823	49,185,845
Commitments and contingencies (note 16)		
Net assets (note 13)		
Unrestricted	100,309,592	99,478,175
Temporarily restricted	87,688,782	81,710,960
Permanently restricted	117,953,228	86,122,153
Total net assets	305,951,602	267,311,288
Total liabilities and net assets	\$ 365,767,425	\$ 316,497,133

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Statements of Activities

<i>Year ended June 30, 2018</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues, gains, and other support				
Grant income	\$ 2,571,691	\$ -	\$ -	\$ 2,571,691
Contributions	24,008,452	12,480,405	30,991,143	67,480,000
Membership dues	1,899,666	-	-	1,899,666
Admissions and special events	3,287,274	-	-	3,287,274
Investment income (note 8)	10,804,301	2,708,256	2,463	13,515,020
Contract services	11,219,102	-	-	11,219,102
Sales of articles	869,928	-	-	869,928
Advertising	674,298	-	-	674,298
Rental income	620,403	-	-	620,403
Public service announcements	359,072	-	-	359,072
Royalty income	454,601	-	-	454,601
Miscellaneous	2,345,327	-	35,000	2,380,327
Net assets released from restrictions	11,646,538	(11,646,538)	-	-
Total operating revenues, gains, and other support	70,760,653	3,542,123	31,028,606	105,331,382
Operating expenses				
Program services				
Historic sites	17,965,237	-	-	17,965,237
Preservation services	21,433,019	-	-	21,433,019
Publications	1,784,236	-	-	1,784,236
Education	10,034,103	-	-	10,034,103
Total program services	51,216,595	-	-	51,216,595
Support services				
Membership outreach	2,641,260	-	-	2,641,260
General and administrative	10,479,881	-	-	10,479,881
Fundraising	7,730,735	-	-	7,730,735
Total support services	20,851,876	-	-	20,851,876
Total operating expenses	72,068,471	-	-	72,068,471
(Deficiency) excess of operating revenues, gains, and other support (under) over operating expenses	(1,307,818)	3,542,123	31,028,606	33,262,911
Nonoperating support				
Investment gains in excess of amounts designated for operations (note 8)	2,182,804	3,160,180	34,419	5,377,403
Transfer of other net asset classes to permanently restricted net assets (note 1(c))	(43,569)	(724,481)	768,050	-
Change in net assets	831,417	5,977,822	31,831,075	38,640,314
Net assets, beginning of year	99,478,175	81,710,960	86,122,153	267,311,288
Net assets, end of year	\$ 100,309,592	\$ 87,688,782	\$ 117,953,228	\$ 305,951,602

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Statements of Activities

<i>Year ended June 30, 2017</i>	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 8)	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 8)	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 Functional Expenses

<i>Year ended June 30, 2018</i>	Historic sites	Preservation services	Publications	Education	Total program services	Membership outreach	General and administrative	Fundraising	Total support services	Total expenses
Employee costs:										
Salaries	\$ 4,444,564	\$ 10,138,604	\$ 782,496	\$ 2,571,327	\$ 17,936,991	\$ 886,126	\$ 3,778,807	\$ 3,491,679	\$ 8,156,612	\$ 26,093,603
Payroll taxes and benefits	796,703	1,900,588	156,627	509,694	3,363,612	160,829	830,860	666,465	1,658,154	5,021,766
	5,241,267	12,039,192	939,123	3,081,021	21,300,603	1,046,955	4,609,667	4,158,144	9,814,766	31,115,369
Professional services	915,244	2,340,992	28,917	2,433,421	5,718,574	706,109	3,953,584	737,284	5,396,977	11,115,551
Grants	2,554,382	2,637,503	-	2,063,367	7,255,252	-	11,847	173,082	184,929	7,440,181
Real estate	4,241,411	-	-	-	4,241,411	-	-	495	495	4,241,906
Occupancy	875,371	1,113,043	175,465	509,542	2,673,421	184,107	651,223	535,120	1,370,450	4,043,871
Printing	239,407	212,663	381,902	805,660	1,639,632	153,298	58,235	748,915	960,448	2,600,080
Travel	238,444	1,035,604	17,331	252,955	1,544,334	17,808	208,812	270,787	497,407	2,041,741
Miscellaneous	73,953	1,003,299	3,012	2,019	1,082,283	19,175	460,126	20,032	499,333	1,581,616
Maintenance	1,195,860	42,645	1,480	3,593	1,243,578	1,902	5,573	23,224	30,699	1,274,277
Postage	39,235	22,347	172,909	26,438	260,929	276,263	18,200	696,766	991,229	1,252,158
Property development (note 3)	1,083,164	-	-	-	1,083,164	-	-	84	84	1,083,248
Depreciation and amortization	121,209	281,005	35,478	86,161	523,853	186,844	161,285	195,519	543,648	1,067,501
Computer	109,999	294,575	11,634	304,176	720,384	20,796	171,323	69,976	262,095	982,479
Insurance	558,544	104,825	10,443	25,362	699,174	13,427	73,190	33,515	120,132	819,306
Public service announcements	-	-	-	359,072	359,072	-	-	-	-	359,072
Reference materials	55,617	165,583	1,256	41,692	264,148	6,635	47,200	31,919	85,754	349,902
Cost of goods sold	288,531	2,148	-	14,627	305,306	-	-	1,508	1,508	306,814
Office supplies	65,654	52,572	4,631	17,956	140,813	5,922	22,954	27,096	55,972	196,785
Telecommunications	67,945	85,023	655	7,041	160,664	2,019	26,662	7,269	35,950	196,614
	12,723,970	9,393,827	845,113	6,953,082	29,915,992	1,594,305	5,870,214	3,572,591	11,037,110	40,953,102
	\$ 17,965,237	\$ 21,433,019	\$ 1,784,236	\$ 10,034,103	\$ 51,216,595	\$ 2,641,260	\$ 10,479,881	\$ 7,730,735	\$ 20,851,876	\$ 72,068,471

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidated Statements of Functional Expenses

<i>Year ended June 30, 2017</i>	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 materials	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 Cash Flows

<i>Year ended June 30,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 38,640,314	\$ 16,990,768
Adjustments to reconcile change in net assets to cash used in by operating activities		
Depreciation and amortization expense	1,067,501	866,648
Loss (gain) on sale of donated properties	51,344	(476,713)
Loss on properties held for resale	-	50,000
Contributions of properties held for resale	-	(280,000)
NTCIC deferred tax asset	116,337	(62,039)
Net realized and unrealized gain on investments	(18,460,823)	(31,942,745)
Contributions restricted for long-term investment	(2,926,393)	(607,115)
Investment earnings allocated to endowments	448,814	1,312,361
Accretion of discount on long-term contribution receivables	55,300	(31,964)
Allowance for uncollectible receivables	(623,311)	(148,547)
Decrease (increase) in assets		
Accounts receivable	(1,207,071)	(1,998,580)
Contributions receivable	(33,488,936)	1,229,954
Merchandise inventory	3,924	33,986
Prepaid expenses and other assets	(128,120)	(50,783)
Other long-term assets	(90,344)	(68,658)
Increase (decrease) in liabilities		
Accounts payable	2,986,289	428,714
Accrued expenses	(66,485)	49,040
Deferred revenue	(1,160,757)	(377,671)
Amounts held for others	(283,985)	193,199
Deferred rent	(185,592)	(128,559)
Other liabilities	(36,385)	35,079
Net cash used in operating activities	(15,288,379)	(14,983,625)
Cash flows from investing activities		
Purchase of investments	(21,653,331)	(2,159,158)
Proceeds from sale of investments	31,628,691	17,682,778
Proceeds from sale of donated property	198,656	4,701,513
Revolving funds note receivables payments received	-	161,517
Revolving funds note receivables advanced	(17,517)	(14,665)
Purchase of property and equipment	(5,984,695)	(3,735,578)
Net cash provided by investing activities	4,171,804	16,636,407
Cash flows from financing activities		
Contributions restricted for long-term investment	2,926,393	607,115
Proceeds from notes payable	16,457,656	14,950,000
Principal payments on notes payable	(7,529,577)	(17,475,919)
Net cash provided (used in) by financing activities	11,854,472	(1,918,804)
Net increase (decrease) in cash and cash equivalents	737,897	(266,022)
Cash and cash equivalents, beginning of the year	7,029,995	7,296,017
Cash and cash equivalents, end of the year	\$ 7,767,892	\$ 7,029,995
Supplemental cash flow information		
Cash paid for income tax	\$ 835,000	\$ 1,437,786
Interest paid for notes payable	\$ 255,493	\$ 142,501

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(a) Organization

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

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

The National Trust Community Investment Corporation (NTCIC) was organized as a wholly owned for-profit subsidiary of the Trust in 2000. It is governed by its own board of directors, bylaws, and operating procedures. NTCIC serves as the managing member of a number of limited liability companies that invest in properties that qualify for the federal and state historic tax credits, New Markets Tax Credits and Low-Income Housing Tax Credits. 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 in 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. 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 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 in 2016. NTHREDF was established to provide debt investment services and products for historic real estate under management by NTCIC, but with majority ownership by the National Trust.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

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 a 92% and 86% equity partner as of June 30, 2018 and 2017, respectively. 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 \$2.5 million of which \$2.5 million and \$1.1 million was funded as of June 30, 2018 and 2017, respectively.

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 Trust.

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During 2018, certain reclassifications were made to transfer net asset balances between the classes of net assets to reflect the addition of easements or the clarification of donor restrictions.

(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 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 ASU 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. Management is in the process of assessing the impact this ASU will have on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use (ROU) model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The guidance is effective for the Trust for the fiscal year ending June 30, 2021. Management is still in the process of assessing the impact this ASU 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. Management is in the process of assessing the impact this ASU will have on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* (ASU 2018-08). This ASU was issued to standardize how grants and other contracts are classified across the sector resource recipients and resource providers. The standard will assist these types of entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions

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(reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. 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. Management is in the process of assessing the impact this ASU will have on the consolidated financial statements. The guidance is effective for the Trust for the fiscal year ended June 30, 2019. Management is in the process of assessing the impact this ASU will have on the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)* (ASU 2018-13). The ASU modifies the disclosure objective paragraphs of ASC 820 to eliminate (1) "at a minimum" from the phrase "an entity shall disclose at a minimum" and (2) other similar "open-ended" disclosure requirements to promote the appropriate exercise of discretion by entities. The disclosure objective added in ASC 820-10-50-1C states: The objective of the disclosure requirements in this Subtopic is to provide users of financial statements with information about assets and liabilities measured at fair value in the statement of financial position or disclosed in the notes to financial statements: a. The valuation techniques and inputs that a reporting entity uses to arrive at its measures of fair value, including judgments and assumptions that the entity makes; b. The uncertainty in the fair value measurements as of the reporting date; c. How changes in fair value measurements affect an entity's performance and cash flows. The guidance is effective for the Trust for the fiscal year ending June 30, 2020. Management is in the process of assessing the impact this ASU will have on the consolidated financial statements.

(e) Accounting for Historic Sites

Historic Sites Owned by the Trust

The Trust owns certain historic sites that are operated as museums or are otherwise integral to the Trust's preservation programs and are either managed by the Trust or are managed for the Trust by other non-profit preservation organizations or other groups under various cooperative arrangements. Sites identified in italics below are managed by other entities.

Historic Sites Open to the Public

<i>Belle Grove, Middletown, Virginia</i>	<i>Brucemore, Cedar Rapids, Iowa</i>
Chesterwood, Stockbridge, Massachusetts	<i>Cliveden, Philadelphia, Pennsylvania</i>
<i>Decatur House, Washington, District of Columbia</i>	<i>Drayton Hall, Charleston County, South Carolina</i>
Farnsworth House, Plano, Illinois	<i>Filoli, Woodside, California</i>
Gaylord Building, Lockport, Illinois	<i>Kykuit, Pocantico Hills, New York</i>
Lyndhurst, Tarrytown, New York	<i>Montpelier, Montpelier Station, Virginia</i>
<i>Oatlands, Leesburg, Virginia</i>	Philip Johnson Glass House, New Canaan, Connecticut

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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*

While the Trust continues to own Villa Finale, on July 1, 2017, the management and operation of this historic site in San Antonio, Texas, was turned over to another non-profit preservation organization.

In addition to the historic sites shown above, the Trust owns Cooper-Molera Adobe, a historic site in Monterey, California, which was not open to the public during the fiscal year due to renovations. Cooper-Molera Adobe opened to the public on September 17, 2018.

On December 22, 2017, the Trust received a gift of Thornton Gardens, a historic site in San Marino, California, subject to a life estate of the donors. Due to the life estate, the site is not currently open to the public.

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, maintenance, and the impact of the easement of the fair value. 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

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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.

(f) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and amounts invested in money market accounts. Cash and cash equivalents held in investment accounts are excluded as they are considered to be held for long-term purposes. As of June 30, 2018 and 2017, the Trust's cash accounts held in excess of federally insured limits were \$5,398,294 and \$4,738,309, respectively.

Cash restricted at one of the Trust's subsidiaries for working capital and project deposits amounted to \$560,165 and \$429,539 as of June 30, 2018 and 2017, respectively.

(g) Accounts Receivable

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

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

(h) 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.

(i) 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 2 to 18 years and 3 to 18 years at June 30, 2018 and 2017, 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, 2018 and 2017. The liability

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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. Assets are stated at fair value and are included in contributions receivable, and the related liabilities are stated at fair value and are included in amounts held for others on the consolidated statements of financial position.

(j) Investments

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

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

Endowment assets are the largest category of investments and consist of board-designated, temporarily restricted and permanently restricted endowment funds. The Investment 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.

(k) Property and Equipment

All property and equipment are capitalized at their historical cost. The Trust capitalizes all property and equipment purchased with a cost of \$5,000 or more.

Depreciation of equipment and vehicles and amortization of computer software is computed on the straight-line basis over estimated useful lives of 3 to 10 years. The leasehold improvements and fixtures for the Watergate headquarters building are amortized over the lesser of the 15

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year term of the lease, or the estimated useful life of the leasehold improvement, using the straight-line basis. Costs associated with renovation and construction projects at historic sites, which are not part of the historic site, are depreciated over 20 to 30 years using the straight-line basis once the project has been placed in service.

(l) Impairment of Long Lived Assets

The Trust reviews asset carrying amounts periodically in addition to whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced to its current fair value, charged to the consolidated statement of activities. No impairment loss has been recognized at June 30, 2018 and 2017.

(m) Contributions

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

Contributions received with donor restrictions are recorded as temporarily or permanently restricted revenue based on donor intent. Temporarily restricted amounts are held in a separate fund in the invested assets until expended for their restricted purpose or in a separate account if so required by the donor. 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.

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(n) Measure of Operations

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

The Trust's authorized spending rate was 5% for restricted endowment funds, for unrestricted endowment funds, and for the two general Historic Sites Funds in 2018 and 2017.

(o) 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 \$402,000 and \$346,843 in 2018 and 2017, respectively, for services related to capital campaigns, planned giving and general appeals, which are included as fundraising expense.

(p) Income Tax Status

The Trust accounts for uncertain tax positions in accordance with FASB Accounting Standards Codification (ASC) 740, *Income Taxes* (ASC 740), which requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The Trust does not believe its financial statements include any material uncertain tax positions. The Trust is still open to examination by taxing authorities from fiscal year ended June 30, 2015 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.

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.

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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, 2018 and 2017 were as follows:

June 30,	2018	2017
Current tax (benefit) expense	\$ (154,355)	\$ 1,313,319
Deferred tax expense (benefit)	110,648	(95,230)
(Benefit) provision for income taxes	\$ (43,707)	\$ 1,218,089

The effective tax rate was (4.52%) and 43.91% for the years ended June 30, 2018 and 2017, respectively.

The components of NTCIC's deferred tax assets as of June 30, 2018 and 2017 were as follows:

June 30,	2018	2017
Net operating loss	\$ 99,776	\$ 120,638
Depreciation	71,747	196,428
Other	284,286	213,104
Valuation allowance	(99,776)	(57,800)
Deferred tax assets	\$ 356,033	\$ 472,370

(q) Fair Value of Financial Instruments

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

Notes payable - The fair value of notes payable is estimated using rates currently available to the Trust for debt with similar terms and remaining maturities. The fair values of notes payable at June 30, 2018 and 2017, 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)*:

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Investments in Certain Entities That Calculate Net Asset per Share (or Its Equivalent) for those investments that are not publicly-traded.

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

(r) 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.

Donated professional services and goods are recognized as contributions 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, 2018 and 2017 totaled \$4,360,089 and \$182,694, respectively, and includes donated professional services which would otherwise have been purchased.

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 2018 and 2017, 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.

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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.

Public Service Announcements

Public service announcements are recognized as public service announcements revenue at their fair value at the time the services are rendered. The value of public service announcements recognized for the years ended June 30, 2018 and 2017 totaled \$359,072 and \$466,964, respectively, and includes public service announcements which would otherwise have been purchased.

Royalty Income

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

(s) *Guarantees*

In accordance with FASB ASC 460, *Guarantees*, for all guarantees entered into after January 1, 2003, the Trust's obligation under the guarantee agreement (described at note 7) is estimated at the face value in the underlying debt agreement.

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(t) Joint Costs

In accordance with FASB ASC 958-720-50-2, *Not-For-Profit Entities - Other Expenses - Disclosure - Accounting for Costs of Activities That Include Fundraising*, the Trust allocates costs between fundraising and programmatic expenses where such joint costs serve education, advocacy or other programmatic purposes in addition to fundraising. During the years ended June 30, 2018 and 2017, all costs were charged to fundraising as there were no calls to action in accordance with the applicable guidance.

(u) Investments in Operating Entities

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

(v) Risks and Uncertainties

The Trust's invested assets consist of money market funds, short term fixed income, marketable and nonmarketable equity and debt securities. As such, these investment assets are exposed to interest rate, market and credit risk. Due to the level of uncertainty related to changes in interest rate, market volatility, and credit risks, it is at least reasonably possible that changes in these risks could materially affect the fair value of investments reported in the 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.

(w) Estimates

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

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(x) Reclassifications

Certain amounts have been reclassified in the 2017 consolidated financial statements to conform to the 2018 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 Administrative - 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.

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3. Property and Equipment

Property and equipment comprised the following:

<i>June 30,</i>	2018	2017
Buildings and improvements	\$ 12,891,525	\$ 7,885,288
Leasehold improvements	3,313,131	3,313,131
Furniture and equipment	1,321,358	1,328,654
Computer equipment	5,404,519	4,748,234
	<u>22,930,533</u>	<u>17,275,307</u>
Less accumulated depreciation	(5,525,032)	(4,787,000)
Total	<u>\$ 17,405,501</u>	<u>\$ 12,488,307</u>

Included in buildings and improvements are costs related to the renovation of the Cooper-Molera Adobe historic site in Monterey, California. Capitalized costs totaled \$6,103,534 and \$1,067,497 as of June 30, 2018 and 2017, respectively.

Also included in building and improvements are costs related to renovations of historic sites 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 2017 resulting in a net reversal of expense of \$841,022 for the year ended June 30, 2017.

4. Contributions Receivable

Contributions receivable are summarized as follows:

<i>June 30,</i>	2018	2017
Unconditional promises to give expected to be collected in:		
Less than one year	\$ 8,327,128	\$ 6,451,634
One to five years	3,916,500	1,747,184
More than five years	35,187,520	437,500
	<u>47,431,148</u>	<u>8,636,318</u>
Less:		
Allowances for uncollectible pledges	(127,399)	(180,892)
Unamortized discount	(5,015,437)	(224,061)
	<u>42,288,312</u>	<u>8,231,365</u>
Less current contributions receivable	(8,327,128)	(6,451,634)
Contributions receivable, net of current	<u>\$ 33,961,184</u>	<u>\$ 1,779,731</u>

The discount rates used to calculate the present value of contributions receivable range from 0.32% to 2.91% as of June 30, 2018 and 2017. During the year ended June 30, 2018 and 2017, the Trust recognized \$(55,300) and \$31,964, respectively, in accretion of discounts relating to contributions receivable.

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Commitments from donors for conditional promises to give total \$1,309,493 and \$1,447,952 at June 30, 2018 and 2017, respectively. For June 30, 2018, these include pledges of \$375,000 that are letters of intent for existing programs and \$934,493 in gifts with matching requirements which will be accrued in future periods as the conditions for revenue recognition are met.

5. 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:

<i>June 30,</i>	2018	2017
Endowment held for Montpelier	\$ 11,059,032	\$ 10,621,922
Endowment held for the benefit of Congressional Cemetery	5,048,552	4,908,019
Charitable remainder trusts	395,681	416,462
Endowment held for the benefit of Belle Grove	259,425	251,244
Retained life estates	180,000	-
Reserve held for Emerson School	15,820	15,533
Endowment held for National Main Street Center	3,632	-
Endowment held for the benefit of Cliveden	-	584,133
Total amounts held for others	\$ 16,962,142	\$ 16,797,313

6. Split-Interest Agreements

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

<i>June 30,</i>	2018	2017
Charitable gift annuities	\$ 1,265,657	\$ 1,485,180
Charitable remainder unitrusts held by third parties	444,942	434,893
Charitable remainder unitrusts held by the Trust	791,514	802,022
Unitrusts	242,643	-
Pooled income funds	92,307	93,183
Total assets held under split-interest agreements	\$ 2,837,063	\$ 2,815,277

As of June 30, 2018 and 2017, liabilities associated with split-interest agreements comprised the following:

<i>June 30,</i>	2018	2017
Charitable gift annuities	\$ 1,195,062	\$ 1,391,309
Charitable remainder unitrusts held by the Trust	395,681	416,462
Pooled income funds	18,712	20,189
Total liabilities related to split-interest agreements	\$ 1,609,455	\$ 1,827,960

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

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, 2018 and 2017, the Trust recognized \$77,232 and \$(142,411), respectively, in accretion of discounts related to split-interest agreements.

7. Guarantee

The Trust has executed a Guaranty Agreement with respect to the obligation of The Montpelier Foundation (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, 2018 and 2017.

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, 2018 and 2017 was \$11,059,031 and \$10,621,922, respectively, and is included in amounts held for others in the consolidated statements of financial position.

At June 30, 2018 and 2017, 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.

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

Notes to Consolidated Financial Statements

8. Investments

The composition of investments owned by the Trust at June 30, 2018 is presented below:

	Revolving loan funds	Endowment and similar funds including amounts held for others	Other investments including short-term investments	Total
Cash holdings	\$ -	\$ 16,215,580	\$ 3,565,739	\$ 19,781,319
Notes receivable	32,182	-	-	32,182
Short-term holdings	-	-	4,246,036	4,246,036
Equities - U.S.	-	54,506,336	1,233,745	55,740,081
Equities - non U.S.	-	35,124,550	121,919	35,246,469
Equities - global	-	54,379,780	656,101	55,035,881
Fixed income	-	18,458,323	8,265,753	26,724,076
Hedge funds	-	61,759,465	67,981	61,827,446
Opportunistic	-	1,179,499	91,297	1,270,796
Real assets	-	8,288,455	4,437,970	12,726,425
Private equity	-	18,003,150	-	18,003,150
Total investments	\$ 32,182	\$ 267,915,138	\$ 22,686,541	\$ 290,633,861

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

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

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 unspent temporarily restricted contributions. Funds held for others are a component of the endowment funds. Other investments mainly represent split interest agreements and unspent grant funds received that the Trust has invested to obtain higher yields.

Within the revolving loan funds, notes receivable of \$32,182 and \$14,665 as of June 30, 2018 and 2017, respectively, were investments in various partnerships.

The composition of investment income as follows:

<i>Years ended June 30,</i>	2018	2017
Interest and dividends from investments	\$ 1,661,585	\$ 994,058
Interest earned on cash, loan and notes receivable	77,230	36,097
Investment expenses	(738,400)	(711,306)
Amounts designated for operations	12,514,605	15,197,042
Investment income for operations	13,515,020	15,515,891
Net realized and unrealized gains and losses	18,340,822	32,204,708
Investment earnings allocated to endowments held for others	(448,814)	(1,312,366)
Amounts designated for operations	(12,514,605)	(15,197,042)
Total investment gain in excess of amounts designated for operations	5,377,403	15,695,300
Total investment income	\$ 18,892,424	\$ 31,211,191

9. 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.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

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, 2018:

	Level 1	Level 2	Level 3	Reported at NAV *	Total
Cash holdings	\$ 19,781,319	\$ -	\$ -	\$ -	\$ 19,781,319
Notes receivable	32,182	-	-	-	32,182
Short-term holdings	4,246,036	-	-	-	4,246,036
Equities - U.S.	1,233,745	-	-	54,506,336	55,740,081
Equities - non U.S.	180,083	-	-	35,066,386	35,246,469
Equities - global	15,204,753	-	-	39,831,128	55,035,881
Fixed income - domestic	9,187,900	-	-	17,316,252	26,504,152
Fixed income - international	219,924	-	-	-	219,924
Hedge funds - open mandate	67,981	-	-	10,996,071	11,064,052
Hedge funds - credit-driven/ distressed	-	-	-	12,881,152	12,881,152
Hedge funds - global long/ short	-	-	-	37,468,302	37,468,302
Hedge funds - remaining investment stubs	-	-	-	413,940	413,940
Opportunistic	1,270,796	-	-	-	1,270,796
Real assets	85,823	4,352,147	-	8,288,455	12,726,425
Private equity	-	-	-	18,003,150	18,003,150
Total	\$ 51,510,542	\$ 4,352,147	\$ -	\$ 234,771,172	\$ 290,633,861

* 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.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

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

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

The following table sets forth a summary of the Trust's investments with a reported net asset value as of June 30, 2018:

	Fair value	Unfunded commitments	Redemption frequency	Notice period
Equities - U.S. (a)	\$ 54,506,336	\$ -	Monthly to quarterly	30 - 60 days
Equities - non U.S. (a)	35,066,386	-	Daily to quarterly	10 - 60 days
Equities - global (a)	39,831,128	-	Daily to monthly	6 - 30 days
Fixed income (b)	17,316,252	-	Daily	3 days
Hedge funds - open mandate (c)	10,996,071	-	Annually	45 days
Hedge funds - credit-driven/distressed (c)	12,881,152	2,575,000	Quarterly	60 - 90 days
Hedge funds - global long/short (c)	37,468,302	-	Quarterly	60 - 90 days
Hedge funds - remaining investment stubs (c)	413,940	-	On-going	N/A
Real assets (d)	8,288,455	3,391,498	Locked	N/A
Private equity (e)	18,003,150	13,451,787	Locked	N/A
Total investments valued using the practical expedient	\$ 234,771,172	\$ 19,418,285		

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.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

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

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

10. 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 \$0 and \$63,752 of donor-restricted endowment funds as of June 30, 2018 and 2017, respectively, that fell below the level that the donor or the Act requires.

**National Trust for Historic Preservation
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Notes to Consolidated Financial Statements

Endowment net assets consist of the following as of June 30, 2018:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 71,986,215	\$ 89,444,551	\$ 161,430,766
Restricted cash obligation fund	11,937,397	-	-	11,937,397
Board-designated endowment funds	82,176,334	-	-	82,176,334
Total	\$ 94,113,731	\$ 71,986,215	\$ 89,444,551	\$ 255,544,497

Changes in endowment net assets for year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ 91,590,204	\$ 68,940,618	\$ 85,731,602	\$ 246,262,424
Contributions	122,468	-	3,115,552	3,238,020
Transfers of endowments to other classes	587,759	(1,185,156)	597,397	-
Appropriation for operational expenditures	(5,551,632)	(6,962,973)	-	(12,514,605)
Interest and dividend income	284,787	483,705	-	768,492
Net appreciation	7,080,145	10,710,022	-	17,790,167
Endowment net assets, end of year	\$ 94,113,731	\$ 71,986,215	\$ 89,444,551	\$ 255,544,497

**National Trust for Historic Preservation
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Notes to Consolidated Financial Statements

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
Restricted cash obligation 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
Contribution	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	11,383,995	18,266,073	-	29,650,070
Endowment net assets, end of year	\$ 91,590,204	\$ 68,940,618	\$ 85,731,602	\$ 246,262,424

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

11. 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. Most of these buildings are considered a part of the Trust's collection and are therefore not included in the financial statements. The Emerson building, located in Denver, Colorado is used for both staff offices and a leased space for third parties. The cost of the Emerson building and renovations at June 30, 2018 was \$4,623,513 with accumulated depreciation of \$114,071.

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

<i>Years ending June 30,</i>	
2019	\$ 295,191
2020	174,346
2021	111,761
2022	75,494
<hr/>	
Total	\$ 656,792

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 \$2,280,164 and \$2,755,948 for the years ended June 30, 2018 and 2017, respectively, and is included in occupancy expenses within the consolidated statements of functional expenses. The Trust holds a letter of credit in favor of the landlord for its headquarters office in the amount of \$135,561 in lieu of a security deposit for this lease.

Minimum future lease commitments on office space and equipment are as follows:

<i>Years ending June 30,</i>	
2019	\$ 2,374,724
2020	2,349,317
2021	2,166,290
2022	2,197,571
2023	2,253,267
Thereafter	13,372,269
<hr/>	
Total	\$ 24,713,438

**National Trust for Historic Preservation
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Notes to Consolidated Financial Statements

12. Notes Payable

Notes payable at June 30, 2018 and 2017 consist of the following:

	2018	2017
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.	\$ 1,370,463	\$ 1,400,040
Sacramento Bank of Commerce \$3,800,000 construction loan for the renovation of Cooper-Molera Adobe historic site in Monterey, California at 5.15% monthly interest for the first 7 years and the 5-year Constant Maturity Treasury Rate plus 2.75% thereafter. Interest only payments. Beginning July 1, 2019, principal and interest payments with principal payments based on a 25-year amortization. Loan matures on June 20, 2027. Secured with a leasehold interest in the commercial portions of the Cooper-Molera property.	2,957,656	-
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 May 31, 2019.	8,500,000	2,500,000
Total	\$ 12,828,119	\$ 3,900,040

The Trust recognized \$255,493 and \$142,501 of interest expense for the years ended June 30, 2018 and 2017, respectively. Interest expense is allocated between preservation services and general and administrative expenses in the consolidated statements of activities.

Future principal payments of notes payable outstanding at June 30, 2018 are as follows:

<i>Years ending June 30,</i>	
2019	\$ 8,528,758
2020	148,535
2021	150,082
2022	151,708
2023	1,364,605
Thereafter	2,484,431
Total	\$ 12,828,119

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

Line-of-credit

Under the terms of its line-of-credit agreement with Bank of America, the Trust must maintain a debt to unrestricted, unencumbered liquid asset ratio of greater than 2 to 1.

Construction Debt

On June 21, 2017, CMP LLC and Sacramento Bank of Commerce were parties to a \$3,800,000 construction loan for the renovation of Cooper-Molera Adobe historic site in Monterey, California. The National Trust, FHP, and an individual partner of Foothill Partners are guarantors of the loan and guarantee the full repayment of the loan. The loan is secured with real and personal property of Cooper-Molera Adobe and is a ten-year loan with a maturity date of June 20, 2027. The loan balance outstanding was \$2,957,656 and \$0 as of June 30, 2018 and 2017, respectively.

13. Net Assets

Unrestricted net assets consist of the following at June 30, 2018:

	Available for operations	Board- designated	Total
Net investment in property and equipment	\$ 17,405,501	\$ -	\$ 17,405,501
Other operating deficit	(2,907,241)	-	(2,907,241)
Funds functioning as endowment funds	-	82,176,334	82,176,334
Other board-designated	-	3,634,997	3,634,997
	\$ 14,498,260	\$ 85,811,332	\$ 100,309,592

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

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Notes to Consolidated Financial Statements

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

	2018	2017
NMSC subsidiary	\$ 689,527	\$ 324,023
Contributions for specific properties or programs or subject to time restrictions	15,013,040	12,446,319
Cumulative gains on endowment funds for the preservation and maintenance of specific historic properties or programs	71,986,215	68,940,618
	\$ 87,688,782	\$ 81,710,960

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

	2018	2017
Specific properties	\$ 85,993,511	\$ 55,389,126
Specific programs	21,035,585	19,808,895
General operations	10,924,132	10,924,132
	\$ 117,953,228	\$ 86,122,153

14. 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:

	2018	2017
Board-designated net assets, beginning of year	\$ 85,936,840	\$ 83,240,463
Activity for the year:		
Amounts transferred to Board-designated	-	601,714
Amounts transferred from Board-designated	(17,533)	-
Net gains on quasi-endowments	2,040,868	3,442,066
Funds expended for Board-designated purposes	(2,148,843)	(1,347,403)
	(125,509)	2,696,377
	\$ 85,811,332	\$ 85,936,840

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Notes to Consolidated Financial Statements

15. 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 \$876,375 and \$842,353 for the year ended 2018 and 2017, 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). Employees are 100% vested in their accounts at all times.

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 \$18,500 in calendar year 2018) 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. As of June 30, 2018 and 2017, assets and liabilities associated with this plan are \$527,824 and \$454,185, respectively.

16. 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.

17. Subsequent Events

The Trust has evaluated events subsequent to June 30, 2018 and through December 14, 2018, 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

<i>June 30, 2018</i>	National Trust	Subsidiaries and affiliates	Eliminations	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 2,515,416	\$ 5,233,010	\$ 19,466	\$ 7,767,892
Short-term investments	-	4,246,036	-	4,246,036
Accounts receivable	1,614,502	3,626,308	(396,763)	4,844,047
Contributions receivable, current	8,327,128	-	-	8,327,128
Merchandise inventory	443,944	-	-	443,944
Prepaid expenses and other assets	1,018,114	225,192	-	1,243,306
Investment in subsidiaries	14,885,043	-	(14,885,043)	-
Total current assets	28,804,147	13,330,546	(15,262,340)	26,872,353
Noncurrent investments:				
Revolving loan funds	521,000	32,182	(521,000)	32,182
Endowments and similar funds	250,949,364	3,632	-	250,952,996
Amounts held for others	16,962,142	-	-	16,962,142
Other investments	14,088,358	4,352,147	-	18,440,505
Total noncurrent investments	282,520,864	4,387,961	(521,000)	286,387,825
Contributions receivable, net of current	33,961,184	-	-	33,961,184
Deferred tax assets	-	356,033	-	356,033
Property and equipment, net	11,056,177	6,349,324	-	17,405,501
Other long-term assets	784,529	-	-	784,529
Total noncurrent assets	328,322,754	11,093,318	(521,000)	338,895,072
Total assets	\$ 357,126,901	\$ 24,423,864	\$ (15,783,340)	\$ 365,767,425
Liabilities and net assets				
Current liabilities:				
Accounts payable	\$ 6,728,559	\$ 3,175,538	\$ (377,298)	9,526,799
Accrued expenses	1,859,828	137,525	-	1,997,353
Deferred revenue, current	4,480,978	813,295	-	5,294,273
Notes payable, current	8,528,758	-	-	8,528,758
Total current liabilities	21,598,123	4,126,358	(377,298)	25,347,183
Notes payable, net of current	1,341,705	3,478,656	(521,000)	4,299,361
Deferred revenue, net of current	5,996,337	-	-	5,996,337
Amounts held for others	16,962,142	-	-	16,962,142
Deferred rent	5,154,197	247,495	-	5,401,692
Other liabilities	1,722,886	86,222	-	1,809,108
Total liabilities	52,775,390	7,938,731	(898,298)	59,815,823
Net assets				
Unrestricted	99,399,027	15,795,607	(14,885,042)	100,309,592
Temporarily restricted	86,999,256	689,526	-	87,688,782
Permanently restricted	117,953,228	-	-	117,953,228
Total net assets	304,351,511	16,485,133	(14,885,042)	305,951,602
Total liabilities and net assets	\$ 357,126,901	\$ 24,423,864	\$ (15,783,340)	\$ 365,767,425

See accompanying notes to consolidated financial statements.

National Trust for Historic Preservation and its Subsidiaries and Affiliates

Consolidating Statement of Activities

<i>Year ended June 30, 2018</i>	National Trust	Subsidiaries and affiliates	Eliminations	Total
Operating revenues, gains, and other support				
Grant income	\$ 2,530,511	\$ 41,180	\$ -	\$ 2,571,691
Contributions	66,365,410	1,145,167	(30,577)	67,480,000
Membership dues	1,091,171	808,495	-	1,899,666
Admissions and special events	3,027,803	259,471	-	3,287,274
Investment income	14,422,572	58,575	(966,127)	13,515,020
Contract services	272,226	11,126,740	(179,864)	11,219,102
Sales of articles	869,704	224	-	869,928
Advertising	522,308	151,990	-	674,298
Rental income	620,403	-	-	620,403
Public service announcements	359,072	-	-	359,072
Royalty income	1,160,555	-	(705,954)	454,601
Miscellaneous	505,130	1,875,197	-	2,380,327
Total operating revenues, gains and other support	91,746,865	15,467,039	(1,882,522)	105,331,382
Operating expenses				
Program services				
Historic sites	17,965,237	-	-	17,965,237
Preservation services	10,730,528	11,618,886	(916,395)	21,433,019
Publications	1,784,236	-	-	1,784,236
Education	10,034,103	-	-	10,034,103
Total program services	40,514,104	11,618,886	(916,395)	51,216,595
Support services				
Membership outreach	2,641,260	-	-	2,641,260
General and administration	7,928,860	2,551,021	-	10,479,881
Fundraising	7,730,735	-	-	7,730,735
Total support services	18,300,855	2,551,021	-	20,851,876
Total operating expenses	58,814,959	14,169,907	(916,395)	72,068,471
Excess (deficiency) of operating revenues, gains, and other support over (under) operating expenses	32,931,906	1,297,132	(966,127)	33,262,911
Nonoperating support				
Investment gains in excess of amounts designated for operations	5,407,468	(30,065)	-	5,377,403
Change in net assets before inter-organizational capital contributions and dividends				
	38,339,374	1,267,067	(966,127)	38,640,314
Inter-organizational capital contributions and dividends				
	-	4,620,197	(4,620,197)	-
Changes in net assets	38,339,374	5,887,264	(5,586,324)	38,640,314
Net assets, beginning of year	266,012,137	10,597,869	(9,298,718)	267,311,288
Net assets, end of year	\$ 304,351,511	\$ 16,485,133	\$ (14,885,042)	\$ 305,951,602

See accompanying notes to consolidated financial statements.