

NEW YORK - NEW JERSEY TRAIL CONFERENCE, INC.
Financial Statements
December 31, 2022 and 2021
With Independent Auditor's Report

New York - New Jersey Trail Conference, Inc.
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December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New York - New Jersey Trail Conference, Inc.:

Opinion

We have audited the financial statements of New York - New Jersey Trail Conference, Inc. (the "Trail Conference"), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New York - New Jersey Trail Conference, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trail Conference and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 2, the Trail Conference adopted Accounting Standards Codification Topic 842 as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trail Conference's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trail Conference's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trail Conference's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

WithumSmith+Brown, PC

August 2, 2023

New York - New Jersey Trail Conference, Inc.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,055,169	\$ 687,352
Investments	3,524,629	4,766,995
Accounts receivable	19,141	25,928
Grants receivable	715,488	820,081
Promises to give, current portion	560,657	546,762
Other receivables	45,144	47,286
Prepaid expenses and other current assets	14,606	16,521
Total current assets	<u>5,934,834</u>	<u>6,910,925</u>
Construction in progress	5,200	-
Property and equipment, net	3,237,684	3,352,631
Website, net	1,705	4,318
Right-of-use asset - financing, net	185,362	210,077
Right-of-use asset - operating, net	130,769	149,231
Other assets		
Investments held for the Land Acquisition and Stewardship Fund	568,957	371,100
Promises to give, net of current portion and pledge discount	719,118	876,061
Trail land and easements	1,739,974	1,739,974
Security deposits	500	-
Total other assets	<u>3,028,549</u>	<u>2,987,135</u>
Total assets	<u>\$ 12,524,103</u>	<u>\$ 13,614,317</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 242,136	\$ 211,022
Financing lease payable, current portion	16,557	15,751
Deferred income	5,000	6,225
Total current liabilities	<u>263,693</u>	<u>232,998</u>
Long-term liabilities		
Financing lease payable, noncurrent portion	128,928	145,485
Tenant improvement payable	113,620	129,620
Total liabilities	<u>506,241</u>	<u>508,103</u>
Net assets		
Without donor restrictions	7,967,092	8,676,667
With donor restrictions	4,050,770	4,429,547
Total net assets	<u>12,017,862</u>	<u>13,106,214</u>
Total liabilities and net assets	<u>\$ 12,524,103</u>	<u>\$ 13,614,317</u>

The Notes to Financial Statements are an integral part of these statements.

New York - New Jersey Trail Conference, Inc.
Statements of Activities and Changes in Net Assets
Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Contributions of financial assets						
Membership dues	\$ 256,173	\$ -	\$ 256,173	\$ 265,089	\$ -	\$ 265,089
Individuals and foundations	1,015,312	199,563	1,214,875	1,088,667	1,548,950	2,637,617
Grants and contracts	-	1,260,692	1,260,692	-	1,318,902	1,318,902
Contributions of nonfinancial assets	194,779	-	194,779	154,955	-	154,955
Sales of maps, books, and other items	147,951	-	147,951	233,018	-	233,018
Other income	2,151	-	2,151	12,387	-	12,387
Loss on sale of trail lands and easements	-	-	-	(39,916)	-	(39,916)
	<u>1,616,366</u>	<u>1,460,255</u>	<u>3,076,621</u>	<u>1,714,200</u>	<u>2,867,852</u>	<u>4,582,052</u>
Net assets released from restrictions	<u>1,797,273</u>	<u>(1,797,273)</u>	<u>-</u>	<u>1,863,116</u>	<u>(1,863,116)</u>	<u>-</u>
	<u>3,413,639</u>	<u>(337,018)</u>	<u>3,076,621</u>	<u>3,577,316</u>	<u>1,004,736</u>	<u>4,582,052</u>
Expenses						
Program services	2,504,648	-	2,504,648	2,834,672	-	2,834,672
Management and general	394,163	-	394,163	299,379	-	299,379
Fundraising	547,797	-	547,797	478,276	-	478,276
	<u>3,446,608</u>	<u>-</u>	<u>3,446,608</u>	<u>3,612,327</u>	<u>-</u>	<u>3,612,327</u>
Change in net assets from operations	<u>(32,969)</u>	<u>(337,018)</u>	<u>(369,987)</u>	<u>(35,011)</u>	<u>1,004,736</u>	<u>969,725</u>
Nonoperating revenue						
Investment income, net	(676,606)	(41,759)	(718,365)	403,369	47,548	450,917
Forgiveness of Paycheck Protection Program loan	-	-	-	380,761	-	380,761
Employee Retention Credit	-	-	-	303,762	-	303,762
	<u>(676,606)</u>	<u>(41,759)</u>	<u>(718,365)</u>	<u>1,087,892</u>	<u>47,548</u>	<u>1,135,440</u>
Changes in net assets	<u>(709,575)</u>	<u>(378,777)</u>	<u>(1,088,352)</u>	<u>1,052,881</u>	<u>1,052,284</u>	<u>2,105,165</u>
Net assets						
Beginning of year	<u>8,676,667</u>	<u>4,429,547</u>	<u>13,106,214</u>	<u>7,656,093</u>	<u>3,377,263</u>	<u>11,033,356</u>
Restatement (Note 2)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,307)</u>	<u>-</u>	<u>(32,307)</u>
End of year	<u>\$ 7,967,092</u>	<u>\$ 4,050,770</u>	<u>\$ 12,017,862</u>	<u>\$ 8,676,667</u>	<u>\$ 4,429,547</u>	<u>\$ 13,106,214</u>

The Notes to Financial Statements are an integral part of these statements.

New York - New Jersey Trail Conference, Inc.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
Changes in net assets	\$ (1,088,352)	\$ 2,105,165
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	132,025	152,102
Unrealized loss (gain) on investments	779,882	(114,735)
Realized loss (gain) on investments	105,705	(80,694)
Loss on sale of trail lands and easements	-	39,916
Net present value adjustment on promises to give	8,353	27,133
Forgiveness of Paycheck Protection Program loan	-	(380,761)
Right-of-use asset - financing	24,715	24,715
Right-of-use asset - operating	18,462	18,462
Changes in assets and liabilities		
Accounts receivable	6,787	(7,112)
Grants receivable	104,593	(78,173)
Promises to give	134,695	(820,997)
Other receivables	2,142	(7,955)
Prepaid expenses and other current assets	1,915	(6,918)
Security deposits	(500)	-
Accounts payable and accrued expenses	31,114	11,893
Deferred income	(1,225)	1,225
Tenant improvement payable	(16,000)	(45,985)
Net cash provided by operating activities	<u>244,311</u>	<u>837,281</u>
Investing activities		
Purchase of property and equipment	(14,465)	(7,532)
Website development costs	-	(1,856)
Construction in progress	(5,200)	-
Purchase of trail lands and easements	-	(423,060)
Sale of trail lands and easements	-	31,885
Purchase of investments	(1,557,746)	(999,156)
Proceeds from the sale of investments	<u>1,716,668</u>	<u>728,571</u>
Net cash provided by (used in) investing activities	<u>139,257</u>	<u>(671,148)</u>
Financing activities		
Payment on finance lease	<u>(15,751)</u>	<u>(14,985)</u>
Net cash used in financing activities	<u>(15,751)</u>	<u>(14,985)</u>
Net change in cash and cash equivalents	367,817	151,148
Cash and cash equivalents		
Beginning of year	<u>687,352</u>	<u>536,204</u>
End of year	<u>\$ 1,055,169</u>	<u>\$ 687,352</u>
Supplemental disclosure of cash flow information		
No amounts were paid for interest or income taxes for the years ended December 31, 2022 and 2021		
Noncash transactions		
Donated property and equipment	<u>\$ -</u>	<u>\$ 7,090</u>

The Notes to Financial Statements are an integral part of these statements.

New York - New Jersey Trail Conference, Inc.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Trail Programs	Publications	Darlington Headquarters				
Salaries and wages	\$ 1,258,412	\$ 56,736	\$ -	\$ 1,315,148	\$ 275,480	\$ 306,911	\$ 1,897,539
Payroll taxes and fringes	202,873	9,147	-	212,020	44,411	49,478	305,909
Professional services	135,667	3,747	-	139,414	18,196	20,272	177,882
Occupancy	61,858	1,292	-	63,150	6,276	6,992	76,418
Office expense	51,897	27,329	-	79,226	4,516	63,195	146,937
Cost of goods sold	-	55,673	-	55,673	-	-	55,673
Insurance	36,190	1,390	-	37,580	6,751	7,521	51,852
Trail development costs	229,860	-	-	229,860	-	-	229,860
Travel	28,773	98	-	28,871	528	920	30,319
Dues and fees	4,939	179	-	5,118	4,360	611	10,089
In-kind expenses	123,882	-	-	123,882	-	77,987	201,869
Workshops and meetings	35,453	-	-	35,453	2,120	2,144	39,717
Other expenses	12,652	15,165	-	27,817	(490)	11,766	39,093
Depreciation and amortization	4,281	-	95,729	100,010	32,015	-	132,025
Amortization of right of use assets	18,462	-	24,715	43,177	-	-	43,177
Interest on lease liability	-	-	8,249	8,249	-	-	8,249
	<u>\$ 2,205,199</u>	<u>\$ 170,756</u>	<u>\$ 128,693</u>	<u>\$ 2,504,648</u>	<u>\$ 394,163</u>	<u>\$ 547,797</u>	<u>\$ 3,446,608</u>

The Notes to Financial Statements are an integral part of this statement.

New York - New Jersey Trail Conference, Inc.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Trail Programs	Publications	Darlington Headquarters				
Salaries and wages	\$ 1,394,592	\$ 66,121	\$ -	\$ 1,460,713	\$ 225,665	\$ 317,934	\$ 2,004,312
Payroll taxes and fringes	202,892	9,620	-	212,512	32,831	46,255	291,598
Professional services	225,402	3,428	-	228,830	11,698	17,281	257,809
Occupancy	53,858	1,126	-	54,984	3,841	5,412	64,237
Office expense	66,042	36,173	-	102,215	3,080	64,945	170,240
Cost of goods sold	-	60,335	-	60,335	-	-	60,335
Insurance	42,550	1,435	-	43,985	4,898	6,901	55,784
Trail development costs	206,286	-	-	206,286	-	-	206,286
Travel	40,396	178	-	40,574	178	818	41,570
Dues and fees	7,827	260	-	8,087	3,223	642	11,952
In-kind expenses	159,085	-	-	159,085	-	2,960	162,045
Workshops and meetings	29,845	-	-	29,845	73	546	30,464
Other expenses	19,007	17,652	-	36,659	159	14,582	51,400
Depreciation and amortization	23,128	-	115,241	138,369	13,733	-	152,102
Amortization of right of use assets	18,462	-	24,715	43,177	-	-	43,177
Interest on lease liability	-	-	9,016	9,016	-	-	9,016
	<u>\$ 2,489,372</u>	<u>\$ 196,328</u>	<u>\$ 148,972</u>	<u>\$ 2,834,672</u>	<u>\$ 299,379</u>	<u>\$ 478,276</u>	<u>\$ 3,612,327</u>

The Notes to Financial Statements are an integral part of this statement.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

1. THE TRAIL CONFERENCE AND PURPOSE

New York - New Jersey Trail Conference, Inc. (the "Trail Conference") is a not-for-profit organization incorporated in 1958 in the state of New York. The volunteer-powered Trail Conference is committed to developing, building, and maintaining trails, protecting trails and trail lands through support and advocacy, and educating the public in the responsible use of trails and the natural environment. This is accomplished in part via trail guides, books, and maps published by the Trail Conference. The primary sources of funding are contract income, membership dues, grants, contributions, publications, and land sales.

The Trail Conference maintains its office at the historic Darlington Schoolhouse in Mahwah, New Jersey.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America. Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Trail Conference. These net assets may be used at the discretion of the Trail Conference's management and the Board of Trustees.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Trail Conference or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Intermediate Measure of Operations

The accompanying statements of activities and changes in net assets distinguish between operating and nonoperating activities. Operating activities principally include all revenues and expenses that are an integral part of the Trail Conference's programs and supporting activities. Nonoperating activities principally include investment income (loss) and activities that are considered to be of a nonrecurring nature and items that are generally not an integral part to the Trail Conference's programs and supporting activities, which include emergency relief from government programs.

Income Taxes

The Trail Conference is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for federal income taxes. The Trail Conference follows the pronouncement related to income taxes. There were no uncertain tax positions at December 31, 2022 and 2021. The Trail Conference did not have any income tax related penalties or interest for the periods presented in these financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include in-kind donations.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments with a maturity date of three months or less on the date of acquisition.

Investments

The Trail Conference is invested in equity securities. Investments in equity securities are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in net assets without donor restrictions unless the use was restricted by explicit donor stipulations or by law.

Accounts Receivable

Accounts receivable represent unsecured, non-interest-bearing obligations due from customers. The carrying amount of accounts receivable is adjusted by a valuation allowance that reflects management's best estimate of the amount that will not be collected. For each of the years ended December 31, 2022 and 2021, there was no allowance for doubtful accounts.

Grants Receivable

Grants receivable consist mainly of governmental grants. Management monitors the collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at December 31, 2022 and 2021.

Promises to Give

Promises to give are recorded at fair value upon notification of the promise to give. Management monitors the collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at December 31, 2022 and 2021.

Property and Equipment

Property and equipment are recorded at cost, except for donated items which are recorded at the fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Trail Land and Easements

Trail land and easements are recorded at cost or fair value if donated.

Website

Website development costs are recorded at cost and are amortized over their estimated useful life of four years.

Valuation of Long-Lived Assets

The Trail Conference reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

Leases

The Trail Conference categorizes leases with contractual terms longer than 12 months as either operating or finance. Finance leases are generally those leases that allow the Trail Conference to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. The services are accounted for separately, and the Trail Conference allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on risk free rate. Right-of-use assets are recognized based on the initial present value of the fixed lease payments, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. Finance lease assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term.

Revenue and Support Recognition

Contributions

The Trail Conference recognizes contributions, including memberships dues, as revenue when they are received or unconditionally promised to give and records these revenues as with donor restrictions or without donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified and reported in the statements of activities and changes in net assets as net assets released from restrictions. Promises to give, which are expected to be paid in greater than one year, are discounted to net present value annually.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. Revenue from government and private grant and contract agreements, which are generally considered nonexchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as grant advances payable. Grant funds expended in advance of reimbursement from the funding source are classified as grants and contracts receivable in the statements of financial position. The Trail Conference's grant contracts span multiple years and provide for cost reimbursement of approximately \$8,575,000 with remaining available funding under the contracts through 2026 of approximately \$3,767,000. This funding is conditioned upon the Trail Conference incurring qualified expenses and complying with matching requirements and certain deliverables.

Contributed services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by the Trail Conference if not donated. The Trail Conference received 79,806 and 86,982 hours of volunteer services for the years ended December 31, 2022 and 2021, respectively, which did not meet the criteria above.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

The Trail Conference has applied for the Employee Retention Credit in the amount of \$303,762. The credit will be claimed against the Trail Conference's payroll tax obligations for each calendar quarter based on qualified wages, subject to certain limitations. For the year ended December 31, 2021, the Trail Conference recorded revenue totaling \$303,762 which is included in nonoperating revenue in the accompanying statements of activities and changes in net assets.

Revenues from Contracts with Customers – Sale of Maps, Books, and Other Items

Revenues without donor restrictions are obtained from the sale of maps, books, and other items. These revenues are recognized on the date of sale in an amount that reflects the consideration the Trail Conference expects to be entitled to in exchange for ownership of the maps, books, and other items. The Trail Conference does not have any significant financing components as payment is received at the point of sale. These revenues are used to offset program expenses as well as management and general and fundraising expenses. Accounts receivable as of December 31, 2022, 2021, and 2020 were \$19,141, \$25,928, and \$18,816, respectively.

Expense Classification

The expenses of the Trail Conference are presented in the statements of activities and changes in net assets under the following classifications which describe the Trail Conference's program activities:

Trail Programs - Founded in 1920 to help connect people with nature, the Trail Conference has been known as a builder and maintainer of trails. The Trail Conference's volunteer-powered organization is now also recognized as an innovative leader in protecting native habitats by combating invasive species. The Trail Conference engages volunteers and educates people on the simple steps they can take to help care for trails and save the planet's ecosystems. The Trail Conference believes everyone has the power to protect the land they love.

Publications - Since the original publication of *The New York Walk Book* in 1923, the Trail Conference has provided trail users with the most accurate, up-to-date information on local trails. When people decide to get outdoors, the Trail Conference provides the information needed to experience and successfully navigate the way there and back. The Trail Conference's trusted trip-planning and wayfinding expertise is a service that it offers through maps, guidebooks and its website.

Darlington Headquarters - For 40 years, the Darlington Schoolhouse, built in 1891, sat empty. The Trail Conference completed restoration of the building as its award-winning headquarters in 2015.

All expenses that were not directly associated with the above service categories are categorized as management and general expenses or fundraising expense. Costs are generally charged to programs, management and general, and fundraising based on direct costs incurred attributable to each function. Certain costs are allocated among program and supporting services based on salary percentages estimated from time records which approximates the benefit derived by each function.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2022 and 2021

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and benefits	Time and effort
Payroll taxes and fringe	Salaries
Insurance	Salaries
Occupancy	Salaries
Office expense	Salaries
Professional services	Salaries
Depreciation	Square footage and salaries

Reclassifications

Certain accounts relating to the prior year have been reclassified to conform to the current year's presentation. These reclassifications have no effect on the changes in net assets previously reported.

New Accounting Pronouncements Adopted in Current Year

Leases

During 2022, the Trail Conference adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases*, using the retrospective approach. The Trail Conference has elected to apply the provisions of this standard to the beginning of the earlier comparative period presented. Further, the Trail Conference elected to implement the package of practical expedients, whereby the Trail Conference did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. There was no significant financial impact as a result of adoption of this standard.

Upon adoption, the Trail Conference reclassified \$234,791 in right-of-use ROU asset - financing from property and equipment at January 1, 2021. Corresponding financing lease liability of \$176,221 was also reclassified from capital lease payable at January 1, 2021. There was no cumulative effect of applying the new standard, and accordingly, there was no adjustment to net assets upon adoption. The Trail Conference recorded \$167,693 ROU asset – operating at January 1, 2021. Corresponding tenant improvement payable of \$200,000 was also recorded at January 1, 2021. The cumulative effect of applying the new standard resulted in an adjustment to net assets of \$32,307.

In connection with the adoption of ASU 2016-02, the Trail Conference will also elect an optional transition practical expedient by adopting ASU 2018-01. Due to diversity in practice and the complexity of accounting for land easements, the practical expedient will allow entities who currently account for land easements under Accounting Standards Codification 840 to continue such accounting treatment and will apply prospectively to all new (or modified) easements.

Gifts In-Kind

During 2022, the Trail Conference adopted the presentation and disclosure requirements of FASB ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). This ASU requires presentation of contributed nonfinancial assets apart from contributions of cash and other financial assets, along with expanded disclosure requirements. The adoption of this ASU had no material impact on the financial statements except for expanded disclosures.

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3. LIQUIDITY AND AVAILABILITY

As of December 31, 2022 and 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 1,055,169	\$ 687,352
Investments	4,093,586	5,138,095
Accounts receivable	19,141	25,928
Grants receivable	715,488	820,081
Promises to give	1,279,775	1,422,823
Other receivables	<u>45,144</u>	<u>47,286</u>
Total financial assets	7,208,303	8,141,565
Less: Restricted net assets to be paid utilizing financial assets	<u>(2,310,796)</u>	<u>(2,689,573)</u>
Financial assets and liquidity resources available for general expenditure	<u>\$ 4,897,507</u>	<u>\$ 5,451,992</u>

The Trail Conference manages its financial assets so they are available to fund anticipated operating expenses and to meet liabilities and other obligations as they become due. The Trail Conference's cash flows fluctuate during the year due to the timing of program operations and the timing of payments and contributions from funding sources, members, and other contributors.

4. INVESTMENTS

The Trail Conference has provided fair value disclosure information for relevant assets and liabilities in these financial statements. For applicable assets subject to this pronouncement, the Trail Conference values such assets using quoted market prices in active markets for identical assets to the extent possible (Level 1). To the extent that such market prices are not available, the Trail Conference values such assets using observable measurement criteria, including quoted market prices of similar assets in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Trail Conference develops measurement criteria based on the best information available (Level 3).

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The following summarizes the market value and cost of investments at December 31:

	<u>2022</u>		<u>2021</u>	
	<u>Cost</u>	<u>Market (Level 1)</u>	<u>Cost</u>	<u>Market (Level 1)</u>
Money market funds	\$ 102,189	\$ 102,189	\$ 127,790	\$ 127,790
Equity funds	2,460,423	2,537,948	2,355,394	3,121,286
Bond funds	501,553	479,714	692,389	698,705
Exchange traded funds	<u>989,832</u>	<u>973,735</u>	<u>1,138,507</u>	<u>1,190,314</u>
	4,053,997	4,093,586	4,314,080	5,138,095
Less: Investments held for the Land Acquisition and Stewardship Fund	<u>(582,984)</u>	<u>(568,957)</u>	<u>(311,063)</u>	<u>(371,100)</u>
	<u>\$ 3,471,013</u>	<u>\$ 3,524,629</u>	<u>\$ 4,003,017</u>	<u>\$ 4,766,995</u>

Investment income consisted of the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 187,570	\$ 275,491
Realized (losses) gains	(105,705)	80,694
Unrealized (losses) gains	(779,882)	114,735
Investment advisory fees	<u>(20,348)</u>	<u>(20,003)</u>
	<u>\$ (718,365)</u>	<u>\$ 450,917</u>

5. GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
New York State Environmental Protection Fund	\$ -	\$ 3,766
New York State Department of Environmental Conservation	170,393	224,802
New York State Office of Parks, Recreation and Historic Preservation	291,086	231,130
New York State Office of Children and Family Services	24,181	19,485
Employee Retention Credit receivable	229,451	303,762
Other	<u>377</u>	<u>37,136</u>
	<u>\$ 715,488</u>	<u>\$ 820,081</u>

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6. PROMISES TO GIVE

Promises to give at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Promises to give expected to be collected		
In one year or less	\$ 560,657	\$ 546,762
Between one and five years	741,450	825,860
More than five years	<u>32,090</u>	<u>96,270</u>
	1,334,197	1,468,892
Less: Discount to present value	<u>(54,422)</u>	<u>(46,069)</u>
	<u>\$ 1,279,775</u>	<u>\$ 1,422,823</u>

The estimated present value of the future cash flows was determined using a discount rate ranging from 1% to 3.88%.

7. PROPERTY AND EQUIPMENT

Property and equipment are composed of the following at December 31:

<u>Asset Description</u>	<u>Useful Life (Years)</u>	<u>2022</u>	<u>2021</u>
Land	N/A	\$ 221,340	\$ 221,340
Building and improvements	15-40	3,665,900	3,665,900
Furniture and fixtures	10	178,443	178,443
Equipment	3-10	131,700	118,895
Livestock	5	<u>8,342</u>	<u>8,342</u>
		4,205,725	4,192,920
Less: Accumulated depreciation	N/A	<u>(968,041)</u>	<u>(840,289)</u>
		<u>\$ 3,237,684</u>	<u>\$ 3,352,631</u>

Depreciation expense charged to operations amounted to \$129,412 and \$128,974 for the years ended December 31, 2022 and 2021, respectively.

8. WEBSITE

The Trail Conference re-developed its website which added significant new functionality, including database management for volunteers, donors, trail management, and more. The cost and accumulated amortization on the website consisted of the following at December 31:

	<u>Useful Life (Years)</u>	<u>2022</u>	<u>2021</u>
Website	4	\$ 210,101	\$ 210,101
Accumulated amortization	N/A	<u>(208,396)</u>	<u>(205,783)</u>
Website, net		<u>\$ 1,705</u>	<u>\$ 4,318</u>

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Amortization expense amounted to \$2,613 and \$23,128 at December 31, 2022 and 2021, respectively. Future amortization is as follows: 2023 - \$1,240 and 2024 - \$465.

9. PAYCHECK PROTECTION PROGRAM LOAN

On April 13, 2020, the Trail Conference issued an unsecured promissory note (the "PPP Loan") for \$380,761 through the Paycheck Protection Program ("PPP") established under the Coronavirus Aid, Relief, and Economic Security act, and administered by the U.S. Small Business Administration ("SBA"). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Trail Conference was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP Loan was disbursed, and otherwise satisfied PPP requirements. On June 11, 2021, the Trail Conference was informed that its application for forgiveness of \$380,761 of the PPP Loan was approved. Accordingly, the Trail Conference recorded it as forgiveness of debt in the accompanying statements of activities and changes in net assets.

10. NET ASSETS

Net Assets Without Donor Restrictions

Components of net assets without donor restrictions at December 31 were as follows:

	<u>2022</u>	<u>2021</u>
Available for general operations	\$ 773,192	\$ 1,002,772
Board-designated Legacy Fund	3,894,796	4,278,182
Board-designated funds for the		
Land Acquisition and Stewardship Fund	200,000	200,000
Investment in property and equipment, net of related capital lease	<u>3,099,104</u>	<u>3,195,713</u>
	<u>\$ 7,967,092</u>	<u>\$ 8,676,667</u>

Land Acquisition and Stewardship Fund

The Trail Conference maintains a Land Acquisition and Stewardship Fund which is used from time to time to purchase privately owned land as part of its trail planning and protection program. Such land is temporarily held for conservation purposes, but the Trail Conference's ultimate intention is, if possible, to sell these lands to governmental or nonprofit entities that will preserve the properties as trail lands open for public use. The proceeds from such sales are used to replenish the Land Acquisition and Stewardship Fund. The Land Acquisition and Stewardship Fund contained \$200,000 of board designated Funds, of which 16,287 has been spent. The below table presents the Land Acquisition and Stewardship Fund between with and without donor restrictions.

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The following table represents the changes in net asset composition for the Land Acquisition and Stewardship Fund:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Balance at January 1, 2021	\$ 200,000	\$ 2,119,632	\$ 2,319,632
Contributions	-	11,000	11,000
Investment income	-	47,548	47,548
Appropriation for spending	<u>-</u>	<u>(24,240)</u>	<u>(24,240)</u>
Balance at December 31, 2021	200,000	2,153,940	2,353,940
Contributions	-	1,300	1,300
Transfers in	-	-	-
Investment income	-	(41,759)	(41,759)
Appropriation for spending	<u>(16,287)</u>	<u>-</u>	<u>(16,287)</u>
Balance at December 31, 2022	<u>\$ 183,713</u>	<u>\$ 2,113,481</u>	<u>\$ 2,297,194</u>

Legacy Fund

The board created a quasi-endowment fund, where the board may allocate the fund's principal and earnings for any board-designated purpose. The Legacy Fund is classified as without donor restrictions.

The following table represents the changes in net asset composition for the Legacy Fund:

Balance at January 1, 2021	\$ 3,746,718
Transfers in	350,000
Investment income	383,464
Appropriation for spending	<u>(202,000)</u>
Balance at December 31, 2021	4,278,182
Transfers in	425,000
Investment income	(592,386)
Appropriation for spending	<u>(216,000)</u>
Balance at December 31, 2022	<u>\$ 3,894,796</u>

Investment Policies

The Trail Conference invests its funds in separate accounts and has three baskets of investments, including a short-term pool which is invested in checking and money market assets to meet short-term liquidity needs, an intermediate-term liquidity pool to fund projects more than six months out and invested in money market and short-term bond funds, and a long-term investment portfolio designed to achieve a combination of income and growth objectives.

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Spending Policies

Investment earnings accumulate within the investment accounts where the funds are held. The Trail Conference withdraws operating funds on an annual basis based on the current need and the approved budget.

Net Assets With Donor Restrictions

Components of net assets with donor restrictions at December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
With donor restrictions - restricted by donor for programmatic use as follows		
Trails land work and related projects	\$ 1,731,022	\$ 1,922,772
Other	35,127	36,003
Land Acquisition and Stewardship Fund	<u>2,113,481</u>	<u>2,153,940</u>
	3,879,630	4,112,715
Restricted based on time restrictions	<u>171,140</u>	<u>316,832</u>
	<u>\$ 4,050,770</u>	<u>\$ 4,429,547</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the years ended December 31, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Trails land work and related projects	\$ 1,643,685	\$ 1,739,800
Other	3,377	3,514
Land Acquisition and Stewardship Fund	--	24,240
Time restricted	<u>150,211</u>	<u>95,562</u>
Net assets with donor restrictions released	<u>\$ 1,797,273</u>	<u>\$ 1,863,116</u>

11. CONTRIBUTIONS OF NONFINANCIAL ASSETS

For the years ended December 31, 2022 and 2021 contributed nonfinancial assets recognized within the statements of activities and changes in net assets included the following:

<u>Nonfinancial Contributions Category</u>	<u>Type of Contribution</u>	<u>Valuation</u>	<u>2022</u>	<u>2021</u>
Media	Digital advertisements	Third party estimates using billing rates in like circumstances	\$ 111,868	\$ 123,480
Donated rent	Usage of space	Fair market value based on square footage and location	39,339	7,090
Donated goods	Auction items and other		<u>43,572</u>	<u>24,385</u>
		Total gifts In-kind	<u>\$ 194,779</u>	<u>\$ 154,955</u>

The Trail Conference recognized contributed nonfinancial assets within revenue, including professional services, use of a rental property, auction items, and tools. Contributed nonfinancial assets did not have donor-imposed restrictions, except for the rental property which has a time restriction.

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12. EMPLOYEE RETIREMENT PLAN

The Trail Conference established a retirement savings plan pursuant to Section 403(b) of the Internal Revenue Code. All full-time employees over 21 years of age are eligible to enroll in the plan. The Trail Conference matches 50% of the employee's contribution up to 6% of salary after six months of employment. The contributions for the years ended December 31, 2022 and 2021 were \$35,700 and \$37,056, respectively, and are included in payroll taxes and fringes in the statements of functional expenses. Vesting of the employer match is as follows:

- 1/3 at the beginning of the 13th month of employment
- 2/3 at the beginning of the 25th month of employment
- 100% at the beginning of the 37th month of employment

13. FINANCE LEASE

The Trail Conference entered into a lease agreement for geothermal equipment which was installed in the Darlington Schoolhouse in 2014. The lease will be repaid over 15 years with annual payments of approximately \$24,000. The Trail Conference utilizes the rate implicit in the lease of 5% as the discount rate. As of December 31, 2022, the remaining lease term is approximately 7.5 years. Amortization of the ROU asset in the amount of \$24,716 for each of the years ended December 31, 2022 and 2021 is included in the statements of functional expenses. Interest on lease liability was \$8,249 and \$9,016 for the years ended December 31, 2022 and 2021, respectively. The ROU asset was \$185,362 and \$210,077 at December 31, 2022 and 2021, respectively. The finance lease payable was \$145,485 and \$161,236 at December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Finance lease payable	\$ 178,725	\$ 202,725
Less: Discount to net present value	<u>(33,240)</u>	<u>(41,489)</u>
	145,485	161,236
Less: Current maturities	<u>16,557</u>	<u>15,751</u>
	<u>\$ 128,928</u>	<u>\$ 145,485</u>

Future minimum lease payments under capital leases are as follows at December 31:

2023	\$ 24,000
2024	24,000
2025	24,000
2026	24,000
2027	24,000
Thereafter	<u>58,725</u>
	178,725
Less: Imputed interest	<u>33,240</u>
Finance lease payable	<u>\$ 145,485</u>

Operating cash flows from the financing lease totaled \$8,249 and \$9,016 for each of the years ended December 31, 2022 and 2021, respectively. Financing cash flows from the financing lease totaled \$15,751 and \$14,985 for the years ended December 31, 2022 and 2021, respectively.

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14. OPERATING LEASE

On March 12, 2019, the Trail Conference entered into a 10-year at no cost lease with Palisades Interstate Park Commission for the purpose of housing facilities for the Trail Conference education and training program. In consideration for this lease, the Trail Conference is required to expend at least \$200,000 in capital renovation improvements during the first five years of the agreement. The Trail Conference anticipates receiving funding to cover the costs of the program investment required. The \$200,000 was deemed to be consideration of the lease; therefore, the Trail Conference recorded a ROU asset – operating and tenant improvement payable of \$200,000 at inception of the lease. There is no lease liability since there is no fixed payment term. The payments against the tenant improvement payable represent the improvements required under the contract and occur at various points over time. The ROU asset - operating was \$130,769 and \$149,231 at December 31, 2022 and 2021, respectively. The tenant improvement payable was \$113,620 and \$129,630 at December 31, 2022 and 2021, respectively.

15. RELATED PARTIES

The Trail Conference received contributions from board members totaling approximately \$79,000 and \$81,000 for the years ended December 31, 2022 and 2021, respectively.

16. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Trail Conference to concentrations of credit risk are cash and cash equivalents and investments.

Cash and Cash Equivalents

The Trail Conference has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Trail Conference's financial condition, results of operations, and cash flows.

Investments

The Trail Conference invests in conservative instruments which mainly comprise publicly traded stocks and funds. The Trail Conference's investments are exposed to various risks, such as fluctuations in market value and interest rate and credit risks. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements. The Trail Conference mitigates risk by diversifying its portfolio among many instruments across a wide range of high-quality securities and industries.

The Trail Conference received approximately 20% and 12% of its revenue from one funding source for the years ended December 31, 2022 and 2021, respectively.

The Trail Conference had 75% of promises to give from two funding sources as of December 31, 2022.

17. COMMITMENTS AND CONTINGENCIES

Easements

As a condition of the donation of certain lands to the Sterling Forest New York State Park (the "Park") by the Duke Foundation, the Trail Conference was granted a "conservation" easement for the sole purpose of prohibiting hunting on these lands. The Trail Conference is responsible for monitoring these lands and reporting any observations of hunting to Park authorities.

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There are certain rights and responsibilities granted to and from the Trail Conference via easements and agreements that are related to the acquisition of the Darlington Schoolhouse property. These agreements have been recorded with the Bergen County, New Jersey, clerk's office as part of the deed and other closing documents.

The agreements include the following:

Parking Access Easement – The County of Bergen and the Northwest Bergen County Utilities Authority granted an easement that allows the Trail Conference to access their land for construction, parking, and geothermal wells.

Encroachment Access Easement – The Township of Mahwah granted the Trail Conference the use of Township property that is located immediately in front of the existing building.

Tenants in Common Agreement – This is not an easement, but it does establish certain rights and responsibilities with regard to the shared property.

Conservation and Historic Easement – This is an easement that the Tenants in Common (Trail Conference and Township of Mahwah) have granted to the County of Bergen. It stipulates various historic and conservation measures as a condition of ownership, with enforcement responsibility vested in the County.

Gifford Trail Easement – Individual granted an easement in Schenectady County New York for hiking and other passive recreational use by the general public.

Land Agreement

The Trail Conference entered into a grant agreement with Open Space Institute Land Trust, Inc. ("OSI") in which they received \$90,000 to reimburse the Trail Conference for a portion of the purchase price of approximately 167.5 acres of unimproved land. As part of this agreement, any proceeds from any future sale of the property by the Trail Conference shall be returned to OSI in proportion to the grant's share of the median of the appraised range of values for the property. The Trail Conference will be entitled to 52.5% of any such proceeds, and OSI will be entitled to 47.5%. As of December 31, 2022, the remaining cost of the land is \$167,554, which represents the portion that the Trail Conference expects to realize in a future sale.

18. SUBSEQUENT EVENTS

The Trail Conference has evaluated subsequent events occurring after the statement of financial position date through the date of August 2, 2023, the date the financial statements were available for release. Based upon this evaluation, the Trail Conference has not identified any subsequent event requiring disclosure.