

NEW YORK-NEW JERSEY TRAIL CONFERENCE, INC.
Financial Statements
December 31, 2018 and 2017
With Independent Auditors' Reports

New York-New Jersey Trail Conference, Inc.
December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of New York – New Jersey Trail Conference, Inc. (the “Trail Conference”), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trail Conference’s preparation and fair presentation of the 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 Trail Conference’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 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, the financial statements referred to above present fairly, in all material respects, the financial position of New York – New Jersey Trail Conference, Inc. as of December 31, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 2 in the Notes to Financial Statements, in 2018 the Trail Conference adopted Accounting Standards Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958). Our opinion is not modified with respect to this matter.

Withum Smith + Brown, PC

July 15, 2019

New York - New Jersey Trail Conference, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	\$ 417,563	\$ 481,695
Investments	3,724,343	4,453,866
Accounts receivable	63,242	111,983
Grants receivable	354,735	549,085
Pledges receivable	59,015	95,606
Prepaid expenses and other current assets	<u>18,084</u>	<u>21,028</u>
Total current assets	4,636,982	5,713,263
Construction in progress	6,785	6,785
Property and equipment, net	3,994,832	4,110,234
Website, net	106,815	99,509
Other assets		
Investments held for the Land Acquisition and Stewardship Fund	694,202	672,639
Pledges receivable, net of current portion and pledge discount	373,654	424,845
Trail land and easements	<u>753,602</u>	<u>764,026</u>
Total other assets	<u>1,821,458</u>	<u>1,861,510</u>
Total assets	<u>\$ 10,566,872</u>	<u>\$ 11,791,301</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 175,728	\$ 227,989
Capital lease payable	13,561	12,901
Deferred membership income	<u>137,600</u>	<u>136,345</u>
Total current liabilities	326,889	377,235
Long-term liabilities		
Capital lease payable, net of current portion	<u>190,476</u>	<u>204,037</u>
Total liabilities	517,365	581,272
Net assets		
Without donor restrictions	7,649,307	8,767,702
With donor restrictions	<u>2,400,200</u>	<u>2,442,327</u>
Total net assets	<u>10,049,507</u>	<u>11,210,029</u>
Total liabilities and net assets	<u>\$ 10,566,872</u>	<u>\$ 11,791,301</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, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Membership dues	\$ 276,433	\$ --	\$ 276,433	\$ 266,836	\$ --	\$ 266,836
Contributions						
Individuals and foundations	583,547	303,322	886,869	524,912	300,631	825,543
Bequests	53,339	--	53,339	100,000	195,745	295,745
Grants and contracts	722,021	--	722,021	760,849	--	760,849
Sales of maps, books and other items	215,542	--	215,542	256,183	--	256,183
Other income	46,458	--	46,458	30,369	--	30,369
Gain on sale of trail lands and easements	51,305	--	51,305	3,626	--	3,626
In-kind contributions	118,885	--	118,885	205,300	--	205,300
	<u>2,067,530</u>	<u>303,322</u>	<u>2,370,852</u>	<u>2,148,075</u>	<u>496,376</u>	<u>2,644,451</u>
Net assets released from restrictions	<u>339,286</u>	<u>(339,286)</u>	<u>--</u>	<u>523,335</u>	<u>(523,335)</u>	<u>--</u>
	2,406,816	(35,964)	2,370,852	2,671,410	(26,959)	2,644,451
Expenses						
Program services	2,625,991	--	2,625,991	2,768,720	--	2,768,720
Management and general	272,556	--	272,556	331,496	--	331,496
Fundraising	260,818	--	260,818	190,458	--	190,458
	<u>3,159,365</u>	<u>--</u>	<u>3,159,365</u>	<u>3,290,674</u>	<u>--</u>	<u>3,290,674</u>
Change in net assets from operations	(752,549)	(35,964)	(788,513)	(619,264)	(26,959)	(646,223)
Non-operating revenue						
Investment income (loss), net	<u>(365,846)</u>	<u>(6,163)</u>	<u>(372,009)</u>	<u>645,258</u>	<u>94,271</u>	<u>739,529</u>
Changes in net assets	(1,118,395)	(42,127)	(1,160,522)	25,994	67,312	93,306
Net assets, beginning of year	<u>8,767,702</u>	<u>2,442,327</u>	<u>11,210,029</u>	<u>8,741,708</u>	<u>2,375,015</u>	<u>11,116,723</u>
Net assets, end of year	<u>\$ 7,649,307</u>	<u>\$ 2,400,200</u>	<u>\$ 10,049,507</u>	<u>\$ 8,767,702</u>	<u>\$ 2,442,327</u>	<u>\$ 11,210,029</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, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ (1,160,522)	\$ 93,306
Adjustments to reconcile changes in net assets to net cash used by operating activities		
Depreciation and amortization	205,568	185,996
Unrealized loss (gain) on investments	786,392	(307,697)
Realized gain on investments	(175,654)	(236,099)
Gain on sale of trail lands and easements	(51,305)	(3,626)
Loss on disposal of fixed assets	1,619	228
Net present value adjustment on pledges receivable	(9,115)	6,484
Donated property and equipment	--	1,022
Donation of trail lands and easements	--	27,000
Changes in assets and liabilities		
Accounts receivable	48,741	(15,856)
Grants receivable	194,350	(193,372)
Pledge receivable	96,897	75,852
Prepaid expenses and other current assets	2,944	4,300
Security deposits	--	6,331
Accounts payable and accrued expenses	(52,261)	74,505
Deferred membership income	1,255	4,126
Net cash used by operating activities	<u>(111,091)</u>	<u>(277,500)</u>
Cash flows from investing activities		
Purchase of property and equipment	(41,873)	(10,883)
Website development costs	(57,218)	(49,686)
Change in construction in progress	--	(4,760)
Purchase of trail lands and easements	--	(347,121)
Sale of trail lands and easements	61,729	93,626
Purchase of investments	(2,204,081)	(1,279,035)
Proceeds from the sale of investments	<u>2,301,303</u>	<u>2,074,059</u>
Net cash provided by investing activities	59,860	476,200
Cash flows from financing activities		
Payment on capital lease	<u>(12,901)</u>	<u>(12,273)</u>
Net change in cash and cash equivalents	(64,132)	186,427
Cash and cash equivalents		
Beginning of year	<u>481,695</u>	<u>295,268</u>
End of year	<u>\$ 417,563</u>	<u>\$ 481,695</u>
Supplemental disclosure of cash flow information		
No amounts were paid for interest or income taxes for the years ended December 31, 2018 and 2017.		
Non cash transactions		
Donated property and equipment	<u>\$ --</u>	<u>\$ 1,022</u>
Donation of trail lands and easements	<u>\$ --</u>	<u>\$ 27,000</u>

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

New York - New Jersey Trail Conference, Inc.
Statements of Functional Expenses
Year Ended December 31, 2018

	<u>Trail Programs</u>	<u>Publications</u>	<u>Darlington Headquarters</u>	<u>Membership</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,096,203	\$ 82,291	\$ --	\$ 224,510	\$ 1,403,004	\$ 185,816	\$ 148,142	\$ 1,736,962
Payroll taxes and fringes	197,902	14,856	--	40,532	253,290	33,545	26,745	313,580
Professional services	88,747	2,510	--	45,294	136,551	5,571	11,370	153,492
Occupancy	34,197	1,702	--	4,644	40,543	3,842	3,064	47,449
Office expense	77,200	69,124	--	22,610	168,934	11,460	37,825	218,219
Insurance	33,321	1,949	--	5,318	40,588	4,402	3,509	48,499
Trail development costs	179,304	--	--	--	179,304	170	--	179,474
Travel	33,445	758	--	1,484	35,687	710	2,304	38,701
Dues and fees	8,668	275	--	--	8,943	1,449	954	11,346
In-kind expenses	109,034	--	--	--	109,034	1,501	8,350	118,885
Workshops and meetings	35,490	649	--	282	36,421	6,109	1,110	43,640
Other expenses	11,529	16,274	--	40	27,843	1,701	14,006	43,550
Depreciation and amortization	16,282	--	106,906	62,661	185,849	16,280	3,439	205,568
	<u>\$ 1,921,322</u>	<u>\$ 190,388</u>	<u>\$ 106,906</u>	<u>\$ 407,375</u>	<u>\$ 2,625,991</u>	<u>\$ 272,556</u>	<u>\$ 260,818</u>	<u>\$ 3,159,365</u>

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

New York - New Jersey Trail Conference, Inc.
Statements of Functional Expenses
Year Ended December 31, 2017

	<u>Trail Programs</u>	<u>Publications</u>	<u>Darlington Headquarters</u>	<u>Membership</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,023,927	\$ 74,274	\$ -	\$ 265,136	\$ 1,363,337	\$ 190,238	\$ 105,830	\$ 1,659,405
Payroll taxes and fringes	171,855	12,466	--	44,500	228,821	31,929	17,763	278,513
Professional services	70,868	4,634	--	84,157	159,659	8,880	5,987	174,526
Occupancy	50,193	1,315	3,790	4,694	59,992	3,368	1,875	65,235
Office expense	70,437	83,148	--	33,304	186,889	5,976	29,292	222,157
Insurance	32,601	1,807	--	6,452	40,860	4,629	2,575	48,064
Trail development costs	299,277	--	--	--	299,277	--	--	299,277
Travel	33,957	556	93	947	35,553	1,168	2,370	39,091
Dues and fees	15,715	160	--	95	15,970	2,416	457	18,843
In-kind expenses	127,862	452	--	800	129,114	61,274	13,890	204,278
Workshops and meetings	31,676	567	--	630	32,873	4,970	189	38,032
Other expenses	9,089	12,067	--	10	21,166	253	8,838	30,257
Land preservation expenditures	27,000	--	--	--	27,000	--	--	27,000
Depreciation and amortization	16,395	--	107,649	44,165	168,209	16,395	1,392	185,996
	<u>\$ 1,980,852</u>	<u>\$ 191,446</u>	<u>\$ 111,532</u>	<u>\$ 484,890</u>	<u>\$ 2,768,720</u>	<u>\$ 331,496</u>	<u>\$ 190,458</u>	<u>\$ 3,290,674</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, 2018 and 2017

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. Based on the existence or absence of donor-imposed restrictions, the Trail Conference classifies resources into two categories: without donor restrictions and with donor restrictions.

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, where by 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 non-operating activities. Operating activities principally include all revenues and expenses that are an integral part of the Trail Conference's programs and supporting activities. Non-operating activities principally include investment income (loss).

Revenue and Support Recognition

The Trail Conference recognizes contributions as revenue when they are received or unconditionally pledged 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. Pledges made which are expected to be paid in greater than one year are discounted to net present value.

The Trail Conference recognizes those grant and contract revenues which have been determined to be exchange transactions in the statements of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. Program revenues and membership dues received in advance of their usage are classified as deferred revenue in the statements of financial position. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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 statement of financial position.

Revenues without donor restrictions are obtained from the sale of maps, books and other items. These revenues are recorded when the merchandise is sold and are used to offset program expenses as well as management and general and fundraising expenses.

Membership dues are collected annually and recognized over the applicable membership period.

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. Professional services and goods donated for the years ended December 31, 2018 and 2017 were valued at \$118,885 and \$205,300, respectively, of which \$-0- and \$1,022, respectively were capitalized. The Trail Conference received 103,771 and 94,010 hours of volunteer services for the years ended December 31, 2018 and 2017, respectively, which did not meet the criteria above.

Investments

Investments 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.

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.

Property and Equipment

Property and equipment is 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.

The principal rates for computing depreciation by major asset category are as follows:

Description	Estimated Life (Years)
Building and building improvements	15 - 40
Office furniture	10
Equipment and software	3 - 10

Website

Website development costs are amortized over its estimated useful life of 4 years.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

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 - The New York-New Jersey Trail Conference is the region's leading nonprofit organization dedicated to building, maintaining, and protecting trails and the lands they traverse. Since 1920, the Trail Conference has been partnering with land managers and mobilizing volunteers and advocates to conserve the trails and parks that belong to us all. We act to preserve the integrity of trails and natural areas and inspire a deeper appreciation for the care that open space requires.
- 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 you decide to get outdoors, we provide the information you need to choose your experience and successfully navigate your way there and back. Our trusted trip-planning and wayfinding expertise is a service that we offer through maps, guidebooks, the *Trail Walker* newsletter, and our 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.
- Membership - The Trail Conference is a vigilant force in ensuring that the trails and natural areas we share are sustainable and accessible for all to enjoy for generations to come. More than 10,000 Trail Conference members join their voices to speak up for issues affecting the protection of our parklands. Membership directly supports our mission to create and protect a network of public trails in the greater New York metropolitan area.

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 programs and supporting services based on salary percentages estimated from time records which approximates the benefit derived by each function. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Insurance	Time and effort
Occupancy	Time and effort
Office expense	Time and effort
Professional services	Time and effort
Depreciation	Square footage

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.

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.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

Concentrations of Credit Risk

The Trail Conference's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, grants receivables and contributions receivable. Management maintains funds in high quality institutions to lessen the amount of uninsured exposure. Although subject to market fluctuations this investment policy somewhat limits the Trail Conference's exposure to concentrations of credit risk. The Trail Conference has a long standing history of collecting its pledges and contributions receivable which are from various individuals, corporations and foundations. An allowance for uncollectible accounts is normally recorded in the financial statements for any amounts considered uncollectible.

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, 2018 and 2017. The Trail Conference did not have any income tax related penalties or interest for the periods presented in these statements. Beginning January 1, 2018, qualified transportation and parking benefits provided by the Trail Conference are subject to unrelated business income taxes. Estimated Federal income taxes totaled approximately \$600 and \$-0- for the years ended December 31, 2018 and 2017 respectively.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable and grants and contribution receivables, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to the current year presentation. There was no impact on the changes in net assets or reported amounts of net assets.

New Accounting Pronouncement Adopted in the Current Year

Not-For-Profit Reporting

During 2018, the Trail Conference adopted ASU 2016-14 – *Not-for-profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is placed in service; and recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and presentation of expenses by both their natural and functional classification. A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 follows:

Net Assets Classifications	Without donor restrictions	With donor restrictions	Total Net Assets
As previously presented:			
Unrestricted	\$ 8,767,702	\$ --	\$ 8,767,702
Temporarily Restricted	--	2,442,327	2,442,327
Net assets as previously presented	<u>\$ 8,767,702</u>	<u>\$ 2,442,327</u>	<u>\$ 11,210,029</u>

New Accounting Pronouncements Issued Not Yet Effective

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 “Revenue from Contracts with Customers (Topic 606)”, which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 (“ASC 606”). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for non-public entities for annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. ASC 606 allows for either “full retrospective” adoption, meaning the standard is applied to all of the periods presented, or “modified retrospective” adoption, meaning the standard is applied only to the most current period presented in the financial statements. The Trail Conference is currently evaluating the impact of adoption of ASC 606. At this time, management believes that the adoption of ASC 606 will not have a material impact on its financial statements because existing contractual performance obligations, which determine when and how revenue is recognized, are not materially changed under ASC 606.

Revenue Recognition – Contributions Received and Made

In June 2018 the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018. The Trail Conference is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Leases

In February 2016, FASB issued ASU 2016-02 *Leases (Topic 842)*, which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the statements of financial position for all of the Trail Conference’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2019. The Trail Conference is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Cash Flows

In November 2016, the FASB issued ASU 2016-18 *Statement of Cash Flows (Topic 230)*, which requires restricted cash to be included within cash and cash equivalents when explaining the total change in cash for the period within the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018. The Trail Conference is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2018 and 2017

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial Assets	
Cash and cash equivalents	\$ 417,563
Investments	3,724,343
Accounts receivable	63,242
Grants receivable	354,735
Pledges receivable	<u>59,015</u>
Total financial assets	4,618,898
Less: Restricted net assets to be paid utilizing financial assets	<u>(564,161)</u>
Financial assets and liquidity resources Available for general expenditure	<u>\$ 4,054,737</u>

The Trail Conference manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The Trail Conference's cash flows have fluctuations during the year attributable to the timing of program operations and repayments from funding sources, members and contributors. The Trail Conference has board designated investments of which it draws down funds for operations on an annual basis to cover short term liquidity needs.

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

	2018		2017	
	Cost	Market (Level 1)	Cost	Market (Level 1)
Money market funds	\$ 142,687	\$ 142,687	\$ 146,090	\$ 146,090
Equity funds	2,831,860	2,790,709	2,743,784	3,404,600
Equities	55,680	54,569	15,243	20,006
Bond funds	1,064,085	1,037,507	1,403,854	1,437,839
Mutual funds	<u>390,314</u>	<u>393,073</u>	<u>98,653</u>	<u>117,970</u>
	4,484,626	4,418,545	4,407,624	5,126,505
Less: Investments held for the Land Acquisition and Stewardship Fund	<u>(613,101)</u>	<u>(694,202)</u>	<u>(499,664)</u>	<u>(672,639)</u>
	<u>\$ 3,871,525</u>	<u>\$ 3,724,343</u>	<u>\$ 3,907,960</u>	<u>\$ 4,453,866</u>

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Investment income (loss) consisted of the following at December 31:

	2018	2017
Interest and dividends	\$ 259,932	\$ 216,542
Realized gain	175,654	236,099
Unrealized (losses) gains	(786,392)	307,697
Investment advisory fees	<u>(21,203)</u>	<u>(20,809)</u>
	<u>\$ (372,009)</u>	<u>\$ 739,529</u>

5. GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	2018	2017
New York State Environmental Protection Fund	\$ 4,901	\$ --
New York State Department of Environmental Conservation	117,151	240,883
New York State Office of Parks, Recreation and Historic Preservation	157,258	230,431
New Jersey Department of Environmental Protection	71,732	60,434
Other	<u>3,693</u>	<u>17,337</u>
	<u>\$ 354,735</u>	<u>\$ 549,085</u>

The Trail Conference's grant contracts span multiple years and provide for cost reimbursement of \$4,640,372 with remaining available funding under the contracts through 2022 of approximately \$2,322,968. This funding is conditioned upon the Trail Conference incurring qualified expenses, complying with matching requirements, and certain deliverables.

6. PLEDGES RECEIVABLE

Pledges receivable at December 31, consisted of the following:

	2018	2017
Pledges expected to be collected		
In one year or less	\$ 61,412	\$ 98,309
Between one and five years	220,000	220,000
More than five years	<u>180,188</u>	<u>240,188</u>
	461,600	558,497
Less: Discount to present value	<u>(28,931)</u>	<u>(38,046)</u>
	<u>\$ 432,669</u>	<u>\$ 520,451</u>

The estimated present value of the future cash flows was determined using a discount rate of 1 percent.

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7. PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following at December 31:

Asset Description	Useful Life (Years)	2018	2017
Land	N/A	\$ 221,340	\$ 221,340
Building and improvements	15 - 40	4,036,624	4,021,223
Furniture and fixtures	10	178,443	177,426
Software	3	--	35,990
Equipment	3 - 10	97,304	95,449
Livestock	5	<u>8,342</u>	<u>--</u>
		4,542,053	4,551,428
Less: Accumulated depreciation	N/A	<u>(547,221)</u>	<u>(441,194)</u>
		<u>\$ 3,994,832</u>	<u>\$ 4,110,234</u>

Depreciation expense charged to operations amounted to \$155,656 and \$154,667 for the years ended December 31, 2018 and 2017, respectively.

8. WEBSITE

The Trail Conference re-developed their 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:

	Useful Life (Years)	2018	2017
Website	4	\$ 199,650	\$ 142,432
Accumulated amortization	N/A	<u>(92,835)</u>	<u>(42,923)</u>
Website, net		<u>\$ 106,815</u>	<u>\$ 99,509</u>

Amortization expense amounted to \$49,912 and \$31,329 at December 31, 2018 and 2017, respectively. Future amortization is as follows: 2019 - \$49,912; 2020 - \$36,387, 2020 - \$20,516.

9. NET ASSETS

Net Assets without donor restrictions

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

	2018	2017
Available for general operations	\$ 74,829	\$ 143,330
Board designated Legacy Fund	3,470,083	4,424,782
Board designated funds for the Land Acquisition and Stewardship Fund	200,000	200,000
Investment in property and equipment	<u>3,904,395</u>	<u>3,999,590</u>
	<u>\$ 7,649,307</u>	<u>\$ 8,767,702</u>

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Land Acquisition and Stewardship Fund

The Trail Conference acquires privately owned land as part of its trail planning and protection program. Trail land is held for conservation purposes. The Trail Conference's intention is to sell these lands to governmental or non-profit entities which will preserve the property as trail lands open for public use. These lands were purchased with funds provided by the Land Acquisition and Stewardship Fund. The Land Acquisition and Stewardship Fund was started with \$200,000 of board designated funds and has since had additional funds with donor restrictions contributed. The fund therefore functions as a revolving loan with eventual proceeds used to replenish the fund. The original \$200,000 of the fund is classified as without donor restrictions. The following represent the changes in net asset composition for the Land Acquisition and Stewardship Fund:

	Without Restrictions	With Restrictions	Total
Balance at January 1, 2017	\$ 200,000	\$ 1,344,494	\$ 1,544,494
Contributions	--	104,258	104,258
Investment income (loss)	--	94,271	94,271
Appropriation for spending	--	(14,364)	(14,364)
Balance at December 31, 2017	200,000	1,528,659	1,728,659
Contributions	--	19,085	19,085
Investment income (loss)	--	(6,163)	(6,163)
Appropriation for spending	--	(14,458)	(14,458)
Balance at December 31, 2018	<u>\$ 200,000</u>	<u>\$ 1,527,123</u>	<u>\$ 1,727,123</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 represent the changes in net asset composition for the Legacy fund:

Balance at January 1, 2017	\$ 4,021,644
Contributions	--
Investment income (loss)	614,138
Appropriation for spending	(211,000)
Balance at December 31, 2017	4,424,782
Contributions	--
Investment income (loss)	(272,699)
Appropriation for spending	(682,000)
Balance at December 31, 2018	<u>\$ 3,470,083</u>

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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, 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.

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 were as follows:

	2018	2017
With donor restrictions - restricted by donor for programmatic use as follows		
Trails land work and related projects	\$ 455,942	\$ 465,859
Other	28,899	22,964
Land Acquisition and Stewardship Fund	<u>1,527,123</u>	<u>1,528,659</u>
	2,011,964	2,017,482
Restricted based on time restrictions	<u>388,236</u>	<u>424,845</u>
	<u>\$ 2,400,200</u>	<u>\$ 2,442,327</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2018	2017
Trails land work and related projects	\$ 284,714	\$ 444,153
Other	3,503	11,223
Land Acquisition and Stewardship Fund	14,460	14,365
Time restricted	<u>36,609</u>	<u>53,594</u>
Net assets with donor restrictions released	<u>\$ 339,286</u>	<u>\$ 523,335</u>

10. 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 who have been employed by the Trail Conference are eligible to enroll in the plan. The Trail Conference matches 50 percent of the employee's contribution up to 6 percent of salary after 6 months of employment. The contributions for the years ended December 31, 2018 and 2017 were \$32,396 and \$26,134, respectively. 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

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11. LEASES

Capital Lease

The Trail Conference entered into a non-interest lease agreement for geothermal equipment which was installed in the Darlington School House in 2014. Capitalized costs as of each of the years ended December 31, 2018 and 2017 amounted to \$370,724 and are included in building and improvements in property and equipment (see Note 7). Accumulated depreciation on capitalized costs amounted to \$86,503 and \$61,787 for the years ended December 31, 2018 and 2017, respectively. Depreciation expense for the capital lease asset amounted to \$24,716 for each of the years ended December 31, 2018 and 2017. The lease will be repaid over fifteen years with annual payments of approximately \$24,000 discounted at 5 percent.

Capital lease payable was as follows at December 31:

	2018	2017
Capital lease payable	\$ 274,725	\$ 298,725
Less: Discount to net present value	<u>(70,688)</u>	<u>(81,787)</u>
	204,037	216,938
Less: Current maturities	<u>13,561</u>	<u>12,901</u>
	<u>\$ 190,476</u>	<u>\$ 204,037</u>

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

Year	Amount
2019	\$ 24,000
2020	24,000
2021	24,000
2022	24,000
2023	24,000
Thereafter	<u>154,725</u>
	274,725
Less: Imputed interest	<u>70,688</u>
Capital lease payable	<u>\$ 204,037</u>

12. RELATED PARTIES

The Trail Conference received contributions from board members totalling approximately \$52,000 and \$53,000 for the years ended December 31, 2018 and 2017, respectively.

13. CONCENTRATIONS OF CREDIT RISK

The Trail Conference received approximately 15 and 14 percent of its revenue from one funding source for each of the years ended December 31, 2018 and 2017, respectively.

14. COMMITMENT AND CONTINGENCIES

Easements

As a condition of the donation of certain lands to the Sterling Forest New York State 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.

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, NJ Clerk’s office as part of the deed and other closing documents.

The agreements include:

- 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 regards to our shared property.
- Conservation & 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.

15. SUBSEQUENT EVENTS

The Trail Conference has evaluated subsequent events occurring after the statement of financial position date through the date of July 15, 2019, the date the financial statements were available for release. Based upon this evaluation, the Trail Conference identified the following subsequent event requiring disclosure.

On March 12, 2019 the Trail Conference entered into a ten 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.