



WithSmith+Brown
A Professional Corporation
Certified Public Accountants and Consultants

NEW YORK-NEW JERSEY TRAIL CONFERENCE, INC.

Financial Statements

Year Ended December 31, 2012 and Fifteen Months Ended December 31, 2011

With Independent Auditors' Report

New York-New Jersey Trail Conference, Inc.

Table of Contents

Year Ended December 31, 2012 and Fifteen Months Ended December 31, 2011

Independent Auditors' Report 1-2

Financial Statements

Statements of Financial Position.....3

Statements of Activities and Changes in Net Assets.....4

Statements of Cash Flows5

Statements of Functional Expenses 6-7

Notes to Financial Statements 8-16



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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of New York – New Jersey Trail Conference, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year and fifteen months 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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, 2012 and 2011, and the changes in its net assets and its cash flows for the year and fifteen months then ended in accordance with accounting principles generally accepted in the United States of America.

WithumSmith+Brown, PC

May 23, 2013

New York - New Jersey Trail Conference, Inc.
Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents	\$ 215,323	\$ 231,258
Investments	1,447,759	961,654
Accounts receivable	53,714	47,635
Grants receivable	307,163	142,662
Pledges receivable	332,008	--
Bequest receivable	201,123	--
Prepaid expenses and other current assets	29,863	9,189
Total current assets	<u>2,586,953</u>	<u>1,392,398</u>
Construction in progress	1,285,817	1,089,648
Property and equipment, net	23,287	23,517
Other assets		
Cash held for the Land Acquisition and Stewardship Fund	--	1,151,600
Investments held for the Land Acquisition and Stewardship Fund	494,676	--
Pledges receivable, net of current portion	25,913	--
Trail land and easements	916,737	449,737
Security deposits	3,375	3,375
Total other assets	<u>1,440,701</u>	<u>1,604,712</u>
	<u>\$ 5,336,758</u>	<u>\$ 4,110,275</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 59,096	\$ 71,158
Deferred membership income	132,052	123,814
Total current liabilities	<u>191,148</u>	<u>194,972</u>
Long-term liabilities		
Annuities obligations	22,104	23,182
Total liabilities	<u>213,252</u>	<u>218,154</u>
Net assets		
Unrestricted	2,737,934	2,114,524
Temporarily restricted	2,385,572	1,777,597
Total net assets	<u>5,123,506</u>	<u>3,892,121</u>
	<u>\$ 5,336,758</u>	<u>\$ 4,110,275</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
Year Ended December 31, 2012 and Fifteen Months Ended December 31, 2011

	2012 (Twelve Months)			2011 (Fifteen Months)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues						
Membership dues	\$ 253,957	\$ --	\$ 253,957	\$ 190,695	\$ --	\$ 190,695
Contributions	856,832	914,556	1,771,388	817,791	470,102	1,287,893
Grants and contracts	304,110	--	304,110	662,140	--	662,140
Sales of maps, books and other items	243,556	--	243,556	299,722	--	299,722
Interest and dividends	52,402	17,629	70,031	39,280	--	39,280
Realized gain	1,983	55	2,038	3,648	--	3,648
Unrealized gain (loss)	51,520	4,835	56,355	(32,720)	--	(32,720)
Other income	11,132	--	11,132	7,154	--	7,154
In-kind contributions	187,097	--	187,097	133,767	42,100	175,867
Land sales	--	--	--	--	395,129	395,129
Change in value of split interest annuity agreements	(322)	--	(322)	(6,152)	--	(6,152)
	<u>1,962,267</u>	<u>937,075</u>	<u>2,899,342</u>	<u>2,115,325</u>	<u>907,331</u>	<u>3,022,656</u>
Net assets released from restrictions	<u>329,100</u>	<u>(329,100)</u>	<u>--</u>	<u>486,996</u>	<u>(486,996)</u>	<u>--</u>
	<u>2,291,367</u>	<u>607,975</u>	<u>2,899,342</u>	<u>2,602,321</u>	<u>420,335</u>	<u>3,022,656</u>
Expenses						
Program services						
Trail programs	900,532	--	900,532	1,132,174	--	1,132,174
Publications	172,495	--	172,495	235,775	--	235,775
Darlington Headquarters	25,501	--	25,501	52,192	--	52,192
Membership	95,385	--	95,385	56,101	--	56,101
	<u>1,193,913</u>	<u>--</u>	<u>1,193,913</u>	<u>1,476,242</u>	<u>--</u>	<u>1,476,242</u>
Supporting services						
Management and general	170,916	--	170,916	157,552	--	157,552
Fundraising	303,128	--	303,128	340,346	--	340,346
	<u>474,044</u>	<u>--</u>	<u>474,044</u>	<u>497,898</u>	<u>--</u>	<u>497,898</u>
	<u>1,667,957</u>	<u>--</u>	<u>1,667,957</u>	<u>1,974,140</u>	<u>--</u>	<u>1,974,140</u>
Changes in net assets	623,410	607,975	1,231,385	628,181	420,335	1,048,516
Net assets, beginning of year/period	2,114,524	1,777,597	3,892,121	2,493,161	350,444	2,843,605
Prior period adjustment	--	--	--	(1,006,818)	1,006,818	--
Net assets, beginning of year/period, as adjusted	<u>2,114,524</u>	<u>1,777,597</u>	<u>3,892,121</u>	<u>1,486,343</u>	<u>1,357,262</u>	<u>2,843,605</u>
Net assets, end of year/period	<u>\$ 2,737,934</u>	<u>\$ 2,385,572</u>	<u>\$ 5,123,506</u>	<u>\$ 2,114,524</u>	<u>\$ 1,777,597</u>	<u>\$ 3,892,121</u>

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

New York - New Jersey Trail Conference, Inc.

Statements of Cash Flows

Year Ended December 31, 2012 and Fifteen Months Ended December 31, 2011

	2012	2011
Cash flows from operating activities		
Changes in net assets	\$ 1,231,385	\$ 1,048,516
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	9,833	12,134
Unrealized (gain) loss on investments	(56,355)	32,720
Realized gain on investments	(2,038)	(3,648)
Bad debt expense	591	--
Gain on sale of trail lands and easements	--	(395,129)
Change in value of split interest annuity agreements	322	3,394
Loss on conversion of split interest annuity agreement	--	2,758
Relief of annuity liability	--	(10,697)
Changes in assets and liabilities		
Accounts receivable	(6,670)	15,426
Grants receivable	(164,501)	(46,739)
Pledge receivable	(357,921)	--
Bequest receivable	(201,123)	--
Prepaid expenses and other current assets	(20,674)	(506)
Security deposits	--	314
Accounts payable and accrued expenses	(12,062)	(19,425)
Deferred membership income	8,238	123,814
Interest payable	--	(12,108)
Net cash provided by operating activities	<u>429,025</u>	<u>750,824</u>
Cash flows from investing activities		
Purchase of property and equipment	(9,603)	(14,957)
Additions to construction in progress	(196,169)	(412,556)
Purchase of trail lands and easements	(467,000)	--
Sale of trail lands and easements	--	1,759,813
Purchase of investments	(1,303,899)	(765,602)
Proceeds from the sale of investments	381,511	221,197
Cash held for the Land Acquisition and Stewardship Fund	1,151,600	(1,151,600)
Net cash used by investing activities	<u>(443,560)</u>	<u>(363,705)</u>
Cash flows from financing activities		
Payment of notes payable	--	(216,000)
Payment of annuity obligations (net)	(1,400)	(46,297)
Net cash used by financing activities	<u>(1,400)</u>	<u>(262,297)</u>
Net (decrease) increase in cash and cash equivalents	(15,935)	124,822
Cash and cash equivalents		
Beginning of year/period	<u>231,258</u>	<u>106,436</u>
End of year/period	<u>\$ 215,323</u>	<u>\$ 231,258</u>

Supplemental disclosure of cash flow information

No amounts were paid for interest or income taxes for the year and fifteen months ended December 31, 2012 and 2011.

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, 2012

	<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	\$ 374,917	\$ 59,991	\$ 17,774	\$ 42,737	\$ 495,419	\$ 102,538	\$ 152,779	\$ 750,736
Payroll taxes and fringes	72,861	11,659	3,454	8,305	96,279	19,928	29,691	145,898
Professional services	69,680	5,497	1,508	4,679	81,364	9,576	70,785	161,725
Occupancy	26,483	3,756	939	2,817	33,995	6,573	9,390	49,958
Office expense	50,052	79,118	1,216	22,673	153,059	3,847	31,302	188,208
Insurance	7,907	1,265	316	949	10,437	2,214	3,163	15,814
Trail development costs	149,571	--	--	--	149,571	--	--	149,571
Travel	13,959	996	17	209	15,181	864	1,961	18,006
Dues and fees	2,039	627	50	142	2,858	1,413	142	4,413
In-kind expenses	105,773	--	--	10,237	116,010	19,145	--	135,155
Workshops and meetings	7,467	569	30	970	9,036	3,376	1,933	14,345
Other operating expenses	14,906	7,639	--	1,077	23,622	67	15	23,704
Bad debt expense	--	591	--	--	591	--	--	591
Depreciation	4,917	787	197	590	6,491	1,375	1,967	9,833
	<u>\$ 900,532</u>	<u>\$ 172,495</u>	<u>\$ 25,501</u>	<u>\$ 95,385</u>	<u>\$ 1,193,913</u>	<u>\$ 170,916</u>	<u>\$ 303,128</u>	<u>\$ 1,667,957</u>

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

New York - New Jersey Trail Conference, Inc.
Statements of Functional Expenses
Fifteen Months Ended December 31, 2011

	<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	\$ 392,099	\$ 88,245	\$ 35,313	\$ 20,899	\$ 536,556	\$ 107,556	\$ 185,705	\$ 829,817
Payroll taxes and fringes	72,229	16,254	6,504	3,851	98,838	19,810	34,192	152,840
Professional services	68,356	10,829	3,165	1,876	84,226	9,747	22,104	116,077
Occupancy	29,629	5,658	2,122	1,415	38,824	7,342	13,773	59,939
Office expense	80,357	98,909	2,531	1,738	183,535	4,235	43,960	231,730
Insurance	9,659	2,089	783	522	13,053	2,704	5,053	20,810
Trail development costs	327,443	--	--	--	327,443	--	--	327,443
Travel	15,236	593	314	202	16,345	478	1,004	17,827
Dues and fees	1,435	1,024	--	--	2,459	1,453	190	4,102
In-kind expenses	109,534	--	--	24,233	133,767	--	--	133,767
Workshops and meetings	14,129	899	1,005	1,030	17,063	2,503	3,586	23,152
Other operating expenses	6,446	10,060	--	30	16,536	146	27,820	44,502
Depreciation	5,622	1,215	455	305	7,597	1,578	2,959	12,134
	<u>\$ 1,132,174</u>	<u>\$ 235,775</u>	<u>\$ 52,192</u>	<u>\$ 56,101</u>	<u>\$ 1,476,242</u>	<u>\$ 157,552</u>	<u>\$ 340,346</u>	<u>\$ 1,974,140</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, 2012 and 2011

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 Trail Conference is committed to developing, building and maintaining hiking trails, protecting hiking trails through support and advocacy, and educating the public in the responsible use of trails and the natural environment; and in connection therewith, publishes trail guide books and maps. The primary sources of funding are contract income, membership dues, grants, contributions, publications and land sales.

The Trail Conference maintains its offices in Mahwah, New Jersey.

2. Summary of Significant Accounting Policies

Basis of Presentation

External 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. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions and the permanently restricted net asset category represents net assets that are subject to donor imposed restrictions that cannot be satisfied by either time or by actions of the Trail Conference. During the year ended December 31, 2012 and fifteen months ended December 31, 2011 the Trail Conference had accounting transactions in the unrestricted and temporarily restricted net asset categories. During fiscal year 2011, the Board of the Trail Conference approved the change of their fiscal year end from September 30 to December 31, effective October 1, 2011.

Revenue and Support Recognition

The Trail Conference recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Membership dues are collected annually. The portion of the dues which represents a contribution to the Trail Conference is recognized as revenue when received; the remaining portion of the dues, which represents the cost of benefits to be provided to the members, is recognized over the applicable membership period.

The Trail Conference recognizes as earned those 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 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.

Unrestricted revenues 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.

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 year ended December 31, 2012 and fifteen months ended December 31, 2011 was valued at \$187,097 and \$175,867, respectively, of which \$51,942 and \$42,100 were capitalized. The Trail Conference received approximately 72,674 and 72,100 hours of volunteer services for the year ended December 31, 2012 and fifteen months ended December 31, 2011, respectively, which did not meet the criteria above.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

Investments

Investments, primarily consisting of equity and debt 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 unrestricted net assets 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

Office furniture 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)
Office furniture and equipment	3 - 10

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 partners with parks and mobilizes thousands of hard-working volunteers who create, protect, and promote more than 1,800 miles of public trails. In an era of severe budget shortfalls and an environment of increasing urban sprawl, this service has never been more crucial.
- Publications - The New York-New Jersey Trail Conference is the premiere information resource for hikers in the greater New York metropolitan area. We are committed to providing the public with accurate, up-to-date maps, books, and web references so they can explore our parks and preserves safely and enjoyably.
- Darlington Headquarters – For 40 years, the Darlington Schoolhouse has sat empty in a community where it was once a vital learning center. Today the Trail Conference seeks to restore the building's public person by creating a 21st century workplace from which it will lead the protection of the region's trails and open space.
- Membership - The Trail Conference is a volunteer-directed, nonprofit organization with a membership of over 10,000 individuals and 100 clubs representing over 100,000 active, outdoor-loving people. Membership directly supports our mission to create, protect, and promote a network of over 1,800 miles of public trails in the New York-New Jersey metropolitan region.

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.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

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

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal 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 year/periods presented in these financial statements.

Income Taxes

New York - New Jersey Trail Conference, Inc. 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, 2012 and 2011. There are no open tax years prior to 2009. The Trail Conference did not have any income tax related penalties or interest for the year and period in question.

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.

3. Investments

The following summarizes the relationship between the market value and cost of investments at:

	2012		2011	
	Cost	Market	Cost	Market
Money market funds	\$ 11,935	\$ 11,935	\$ 2,417	\$ 2,417
Equity funds	953,698	977,208	368,878	364,858
Bond funds	314,191	321,608	260,292	256,007
Mutual funds	611,703	631,684	345,271	338,372
	<u>1,891,527</u>	<u>1,942,435</u>	<u>976,858</u>	<u>961,654</u>
Less: Investments held for the Land Acquisition and Stewardship Fund	(490,928)	(494,676)	--	--
	<u>\$ 1,400,599</u>	<u>\$ 1,447,759</u>	<u>\$ 976,858</u>	<u>\$ 961,654</u>

4. Grant and Contributions Receivable

Grants and contributions receivable consist of the following at:

	2012	2011
New Jersey Historic Trust Fund	\$ 108,626	\$ 28,681
Bergen County Preservation Trust Fund	108,349	25,024
New York State Environmental Protection Fund	79,980	45,319
New Jersey Department of Environmental Protection	6,288	34,176
Various Bear Mountain Trails	3,205	6,873
Hudson River Valley Greenway	715	2,589
	<u>\$ 307,163</u>	<u>\$ 142,662</u>

Additional grant funds are available from governmental agencies approximating \$725,000 for years subsequent to December 31, 2012 conditioned upon the Trail Conference incurring qualified expenses and complying with matching requirements.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

5. Pledges Receivable

Pledges receivable at December 31, 2012 consisted of the following:

Due in one year or less	\$ 332,008
Due between one year and five years	25,913
Total pledges receivable	<u>\$ 357,921</u>

6. Trail Land Acquisition

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 which constitutes a temporarily restricted revolving loan fund and are maintained as part of that fund with eventual proceeds used to replenish the fund.

7. Property and Equipment

Property and equipment was comprised of the following at:

	2012	2011
Furniture and fixtures	\$ 14,882	\$ 14,882
Software	5,307	5,307
Equipment	68,813	59,210
	<u>89,002</u>	<u>79,399</u>
Less: Accumulated depreciation	(65,715)	(55,882)
	<u>\$ 23,287</u>	<u>\$ 23,517</u>

Depreciation expense charged to operations amounted to \$9,833 and \$12,134 for the year ended December 31, 2012 and fifteen months ended December 31, 2011, respectively.

8. Construction in Progress

The Trail Conference has incurred costs related to the Darlington School House amounting to \$1,285,817 and \$1,089,648 for the years ended December 31, 2012 and 2011, respectively. The costs include acquisition costs of \$357,658 for each of the years ended December 31, 2012 and 2011 and capital improvement costs (Note 15) of \$928,159 and \$731,990 for the years ended December 31, 2012 and 2011, respectively.

9. Recurring Fair Value Measurements

The Trail Conference has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of December 31, along with the basis for the determination of fair value:

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

	2012			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Money market funds	\$ 11,935	\$ 11,935	\$ --	\$ --
Bond mutual funds and exchange traded funds				
PIMCO Total Return fund	340,826	340,826	--	--
Vanguard High Yield Corporate fund	103,644	103,644	--	--
Vanguard Short-Term Bond ETF	196,523	196,523	--	--
Bonds and equities mutual funds				
Vanguard Wellesley Income fund	483,130	483,130	--	--
Vanguard Wellington fund	309,343	309,343	--	--
Yachtman Fund Service	36,953	36,953	--	--
Equity mutual funds and exchange traded funds				
Harbor International	51,897	51,897	--	--
OCM Gold Fund Advisor	27,398	27,398	--	--
iShares Russell Midcap Growth ETF	86,868	86,868	--	--
iShares Russell Midcap Growth ETF	90,754	90,754	--	--
Vanguard Energy Fund	68,488	68,488	--	--
Vanguard Div Appreciation	71,484	71,484	--	--
Vanguard Utilities ETF	63,192	63,192	--	--
	<u>\$ 1,942,435</u>	<u>\$ 1,942,435</u>	<u>\$ --</u>	<u>\$ --</u>
	2011			
Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)	
Money market funds	\$ 2,417	\$ 2,417	\$ --	\$ --
Bond mutual funds and exchange traded funds				
PIMCO Total Return fund	179,240	179,240	--	--
Vanguard High Yield Corporate fund	76,767	76,767	--	--
Vanguard Short-Term Bond ETF	150,928	150,928	--	--
Bonds and equities mutual funds				
Vanguard Wellesley Income fund	221,022	221,022	--	--
Equity mutual funds and exchange traded funds				
Harbor International	42,937	42,937	--	--
iShares Russell Midcap Growth ETF	75,142	75,142	--	--
iShares Russell Midcap Growth ETF	76,727	76,727	--	--
Vanguard Energy Fund	44,169	44,169	--	--
Vanguard Precious Metals	30,244	30,244	--	--
Vanguard Utilities ETF	62,061	62,061	--	--
	<u>\$ 961,654</u>	<u>\$ 961,654</u>	<u>\$ --</u>	<u>\$ --</u>

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).

10. Leases

The Trail Conference leased office and warehouse space in Mahwah, New Jersey under an operating lease which expired in August 2012. Thereafter, the lease continued on a month to month basis but may be terminated at any time by either party with six months notice. Total rent expense for the year ended December 31, 2012 and fifteen months ended December 31, 2011 was \$45,600 and \$56,000, respectively.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2012 and 2011

11. Annuity Obligations

The Trail Conference is the beneficiary of several charitable gift annuities. Under the annuity agreements, the Trail Conference is the trustee and distributes to the donor or the donor's designee amounts stipulated in the annuity contracts.

At the time of gift and adjusted annually, the Trail Conference records contribution revenue and a liability for amounts payable to the beneficiaries using an actuarial calculation based on estimated mortality rates and other assumptions that could change in the near term. The discount rate used in the calculation at December 31, 2012 and 2011 was 6 percent. As of December 31, 2012 and 2011, the investments had a fair value of \$28,828 and \$29,076, respectively, and the liability under annuity obligations was \$22,104 and \$23,182, respectively.

12. Net Assets

Components of unrestricted net assets were as follows:

	2012	2011
Available for general operations	\$ 721,647	\$ 767,859
Board designated Legacy Fund	507,183	33,500
Board designated funds for the		
Land Acquisition and Stewardship Fund	200,000	200,000
Investment in property and equipment	1,309,104	1,113,165
	<u>\$ 2,737,934</u>	<u>\$ 2,114,524</u>

Components of temporarily restricted net assets were as follows:

	2012	2011
Temporarily restricted - restricted by donor		
for programmatic use as follows		
Bear Mountain Trails	\$ 2,702	\$ 9,824
Catskill Community Trails	94,540	22,056
Shelter Construction in Catskills	1,890	2,000
Darlington School House	331,472	49,520
NJ Program Work	13,114	15,000
East Hudson Comm Trails Program	147,222	173,064
Trail Building Management	9,788	9,788
Tool Fund	1,620	3,536
Eagle Roost Protection Project	4,994	4,994
Irene Relief Fund	12,631	14,390
Sandy Relief Fund	4,000	--
Land Acquisition and Stewardship Fund	1,408,069	1,401,337
West Hudson Community Trails Program	--	3,202
Lenape Trail Fund	7,373	1,004
Youth Trail Projects	7,640	7,726
Interpretive Exhibit	61,981	27,926
Pochuck Stewardship Fund	5,771	5,771
NJ Trail Crew Development Fund	18,667	9,264
Shawangunks Ridge Fund	4,440	4,599
Strategic Planning	11,050	11,050
Gunks Advocacy	61,579	--
Bridges in Minnewaska	4,400	--
East Hudson Invasive Program	19,840	--
Tennessee Gas Pipeline	150,000	--
Various Trail Projects	789	1,546
Total temporarily restricted net assets	<u>\$ 2,385,572</u>	<u>\$ 1,777,597</u>

New York - New Jersey Trail Conference, Inc.
Summary of Findings and Responses
December 31, 2012 and Fifteen Months Ended December 31, 2011

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

	2012	2011
Bear Mountain Trails	\$ 7,122	\$ 3,613
Catskill Community Trails	47,516	52,944
Shelter Construction in Catskills	110	--
Darlington School House	139,604	134,845
NJ Program Work	16,886	--
East Hudson Comm Trails Program	25,842	49,713
Trail Building Management	--	46,306
Tool Fund	1,916	459
Irene Relief Fund	1,759	--
Land Acquisition and Stewardship Fund	15,787	610
West Hudson Community Trails Program	3,202	33,271
Lenape Trail Fund	231	557
Youth Trail Projects	86	--
Interpretive Exhibit	53,945	66,036
NJ Trail Crew Development Fund	10,597	736
Shawangunks Ridge Fund	159	391
Strategic Planning	--	32,154
Gunks Advocacy	421	--
Bridges in Minnewaska	2,000	--
East Hudson Invasive Program	160	--
Various Trail Projects	1,757	65,361
Temporarily restricted net assets released	<u>\$ 329,100</u>	<u>\$ 486,996</u>

13. 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 at least six months are eligible to enroll in the plan. The Trail Conference matches 50 percent of the employee's contribution up to 6 percent of salary. Vesting 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

14. 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. The management maintains funds in high quality institutions to lessen the amount of uninsured exposure. Cash equivalents and investments are in high-quality securities. 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.

New York - New Jersey Trail Conference, Inc.
Summary of Findings and Responses
December 31, 2012 and Fifteen Months Ended December 31, 2011

15. 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 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.

Headquarters Capital Costs

In November 2007, in conjunction with the Township of Mahwah, the County of Bergen and the State of New Jersey, the Trail Conference acquired the Darlington School House. The School House is to be restored to serve as both a public resource for trail and environmental education and the future headquarters for the Trail Conference. As part of the agreement, if the Trail Conference should determine that they no longer wish to proceed with their original intent to restore and/or occupy the school house as their headquarters, the other parties have the right of first refusal to purchase at the "maximum purchase price" as defined in the conservation easement recorded with the deed. As required by the deed of conservation and Historic Preservation Easement the following is the statement of capital costs both donated and incurred:

	2012	2011
Incurred		
Architectural and engineering costs	\$ 145,291	\$ 145,291
Construction costs	483,272	339,045
Donated		
Legal fees	238,345	186,403
Engineering	61,251	61,251
	<u>\$ 928,159</u>	<u>\$ 731,990</u>

New York - New Jersey Trail Conference, Inc.
Summary of Findings and Responses
December 31, 2012 and Fifteen Months Ended December 31, 2011

16. Prior Period Adjustment

On October 1, 2010, \$1,006,818 was reclassified from unrestricted net assets to temporarily restricted net assets representing amounts attributable to The Land Acquisition and Stewardship Fund. These amounts were part of the capital campaign conducted from October 2003 through December 2005 that were comingled with operating resources and included in unrestricted net assets. The Fund is intended to operate as a temporarily restricted revolving loan fund providing funds to identify, secure, and maintain key parcels of land and facilitate their transfer to public or private conservation agencies that will preserve them as trail corridors in perpetuity.

17. Subsequent Events

The Trail Conference has evaluated subsequent events occurring after the statement of financial position date through the date of May 23, 2013, the date the financial statements were available for release. Based upon this evaluation, the Trail Conference has determined that no subsequent events have occurred, which require disclosure in the financial statements.