



NEW YORK-NEW JERSEY TRAIL CONFERENCE, INC.

Financial Statements

December 31, 2014 and 2013

With Independent Auditors' Reports

New York-New Jersey Trail Conference, Inc.
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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, 2014 and 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2014 and 2013, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2015 on our consideration of New York – New Jersey Trail Conference, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering New York – New Jersey Trail Conference, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith & Brown, PC".

June 5, 2015

New York - New Jersey Trail Conference, Inc.
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
Assets		
Current assets		
Cash and cash equivalents	\$ 626,451	\$ 869,217
Investments	1,120,883	1,769,862
Accounts receivable	39,766	35,174
Grants receivable	373,396	283,491
Pledges receivable	394,682	448,079
Bequest receivable	--	100,000
Prepaid expenses and other current assets	<u>11,668</u>	<u>9,917</u>
Total current assets	2,566,846	3,515,740
Construction in progress	3,675,161	1,451,103
Property and equipment, net	62,014	77,528
Other assets		
Investments held for the Land Acquisition and Stewardship Fund	504,415	521,330
Pledges receivable, net of current portion	372,964	355,778
Trail land and easements	954,247	916,747
Security deposits	<u>93,375</u>	<u>93,375</u>
Total other assets	<u>1,925,001</u>	<u>1,887,230</u>
	<u>\$ 8,229,022</u>	<u>\$ 6,931,601</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 469,306	\$ 92,647
Capital lease payable	24,000	--
Deferred membership income	<u>130,893</u>	<u>119,888</u>
Total current liabilities	624,199	212,535
Long-term liabilities		
Capital lease payable, net of current portion	232,421	--
Annuities obligations	<u>--</u>	<u>15,935</u>
Total liabilities	856,620	228,470
Net assets		
Unrestricted	4,835,316	3,001,420
Temporarily restricted	<u>2,537,086</u>	<u>3,701,711</u>
Total net assets	<u>7,372,402</u>	<u>6,703,131</u>
	<u>\$ 8,229,022</u>	<u>\$ 6,931,601</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, 2014 and 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues						
Membership dues	\$ 251,742	\$ --	\$ 251,742	\$ 253,896	\$ --	\$ 253,896
Contributions	402,178	678,218	1,080,396	409,339	1,892,964	2,302,303
Grants and contracts	1,141,243	--	1,141,243	340,682	--	340,682
Sales of maps, books and other items	259,182	--	259,182	243,712	--	243,712
Interest and dividends	45,474	24,587	70,061	56,407	23,248	79,655
Realized gain	64,724	17,404	82,128	7,458	1,899	9,357
Unrealized (loss) gain	(46,777)	4,614	(42,163)	109,659	23,934	133,593
Other income	10,755	--	10,755	19,865	--	19,865
In-kind contributions	143,372	--	143,372	210,588	--	210,588
Change in value of split interest annuity agreements	--	--	--	(38)	--	(38)
	<u>2,271,893</u>	<u>724,823</u>	<u>2,996,716</u>	<u>1,651,568</u>	<u>1,942,045</u>	<u>3,593,613</u>
Net assets released from restrictions	<u>1,889,448</u>	<u>(1,889,448)</u>	<u>--</u>	<u>625,906</u>	<u>(625,906)</u>	<u>--</u>
	<u>4,161,341</u>	<u>(1,164,625)</u>	<u>2,996,716</u>	<u>2,277,474</u>	<u>1,316,139</u>	<u>3,593,613</u>
Expenses						
Program services						
Trail programs	1,472,087	--	1,472,087	1,223,211	--	1,223,211
Publications	216,039	--	216,039	180,211	--	180,211
Darlington Headquarters	90,185	--	90,185	22,904	--	22,904
Membership	229,033	--	229,033	106,549	--	106,549
	<u>2,007,344</u>	<u>--</u>	<u>2,007,344</u>	<u>1,532,875</u>	<u>--</u>	<u>1,532,875</u>
Supporting services						
Management and general	148,619	--	148,619	151,482	--	151,482
Fundraising	171,482	--	171,482	329,631	--	329,631
	<u>320,101</u>	<u>--</u>	<u>320,101</u>	<u>481,113</u>	<u>--</u>	<u>481,113</u>
	<u>2,327,445</u>	<u>--</u>	<u>2,327,445</u>	<u>2,013,988</u>	<u>--</u>	<u>2,013,988</u>
Changes in net assets	1,833,896	(1,164,625)	669,271	263,486	1,316,139	1,579,625
Net assets, beginning of year	<u>3,001,420</u>	<u>3,701,711</u>	<u>6,703,131</u>	<u>2,737,934</u>	<u>2,385,572</u>	<u>5,123,506</u>
Net assets, end of year	<u>\$ 4,835,316</u>	<u>\$ 2,537,086</u>	<u>\$ 7,372,402</u>	<u>\$ 3,001,420</u>	<u>\$ 3,701,711</u>	<u>\$ 6,703,131</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, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Changes in net assets	\$ 669,271	\$ 1,579,625
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	25,167	13,696
Unrealized loss (gain) on investments	42,163	(133,593)
Realized gain on investments	(82,128)	(9,357)
Bad debt expense	--	247
Transfer of annuity rights	(15,935)	(6,169)
Loss on disposal of assets	1,113	--
Net present value on pledges receivable	112,536	--
Changes in assets and liabilities		
Accounts receivable	(4,592)	18,293
Grants receivable	(89,905)	23,672
Pledge receivable	(76,325)	(445,936)
Bequest receivable	100,000	101,123
Prepaid expenses and other current assets	(1,751)	19,946
Security deposits	--	(90,000)
Accounts payable and accrued expenses	376,659	33,551
Deferred membership income	11,005	(12,164)
Net cash provided by operating activities	<u>1,067,278</u>	<u>1,092,934</u>
Cash flows from investing activities		
Purchase of property and equipment	(10,766)	(67,937)
Additions to construction in progress	(1,967,637)	(165,286)
Purchase of trail lands and easements	(37,500)	(10)
Purchase of investments	(622,470)	(790,063)
Proceeds from the sale of investments	<u>1,328,329</u>	<u>584,256</u>
Net cash used by investing activities	<u>(1,310,044)</u>	<u>(439,040)</u>
Net increase (decrease) in cash and cash equivalents	(242,766)	653,894
Cash and cash equivalents		
Beginning of year	<u>869,217</u>	<u>215,323</u>
End of year	<u>\$ 626,451</u>	<u>\$ 869,217</u>
Supplemental disclosure of cash flow information		
No amounts were paid for interest or income taxes for the years ended December 31, 2014 and 2013.		
Non cash transactions		
Geothermal equipment acquired via capital lease	<u>\$ 256,421</u>	<u>\$ --</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, 2014

	<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	\$ 724,381	\$ 70,070	\$ 63,294	\$ 129,951	\$ 987,696	\$ 94,357	\$ 93,853	\$ 1,175,906
Payroll taxes and fringes	132,016	12,770	11,535	23,683	180,004	17,196	17,104	214,304
Professional services	184,992	8,349	7,541	18,433	219,315	11,242	14,002	244,559
Occupancy	42,308	2,877	2,599	5,336	53,120	3,874	3,854	60,848
Office expense	61,548	108,768	1,520	26,912	198,748	1,576	31,559	231,883
Insurance	16,700	1,615	1,459	2,996	22,770	2,175	2,164	27,109
Trail development costs	122,017	--	236	--	122,253	--	--	122,253
Travel	29,206	533	646	2,432	32,817	1,487	3,067	37,371
Dues and fees	5,242	1,024	--	110	6,376	750	995	8,121
In-kind expenses	109,120	--	--	11,476	120,596	9,103	--	129,699
Workshops and meetings	20,112	749	--	4,838	25,699	3,518	341	29,558
Other operating expenses	8,942	7,784	--	85	16,811	1,322	2,534	20,667
Depreciation	15,503	1,500	1,355	2,781	21,139	2,019	2,009	25,167
	<u>\$ 1,472,087</u>	<u>\$ 216,039</u>	<u>\$ 90,185</u>	<u>\$ 229,033</u>	<u>\$ 2,007,344</u>	<u>\$ 148,619</u>	<u>\$ 171,482</u>	<u>\$ 2,327,445</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, 2013

	<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	\$ 502,556	\$ 59,475	\$ 15,668	\$ 49,807	\$ 627,506	\$ 93,340	\$ 173,370	\$ 894,216
Payroll taxes and fringes	99,674	11,796	3,108	9,878	124,456	18,512	34,385	177,353
Professional services	77,706	4,889	1,630	5,545	89,770	6,849	59,336	155,955
Occupancy	32,050	3,190	862	2,672	38,774	5,007	9,300	53,081
Office expense	69,581	85,421	683	20,496	176,181	1,787	32,728	210,696
Insurance	10,737	1,271	335	1,064	13,407	1,994	3,704	19,105
Trail development costs	251,253	--	--	--	251,253	--	--	251,253
Travel	25,023	653	--	791	26,467	619	3,426	30,512
Dues and fees	3,923	789	309	267	5,288	750	1,092	7,130
In-kind expenses	108,792	--	--	10,237	119,029	19,145	--	138,174
Workshops and meetings	20,624	800	69	4,181	25,674	1,269	8,541	35,484
Other operating expenses	13,595	10,769	--	848	25,212	780	1,094	27,086
Bad debt expense	--	247	--	--	247	--	--	247
Depreciation	7,697	911	240	763	9,611	1,430	2,655	13,696
	<u>\$ 1,223,211</u>	<u>\$ 180,211</u>	<u>\$ 22,904</u>	<u>\$ 106,549</u>	<u>\$ 1,532,875</u>	<u>\$ 151,482</u>	<u>\$ 329,631</u>	<u>\$ 2,013,988</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, 2014 and 2013

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 years ended December 31, 2014 and 2013, the Trail Conference had accounting transactions in the unrestricted and temporarily restricted net asset categories.

Revenue and Support Recognition

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

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.

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 years ended December 31, 2014 and 2013 were valued at \$143,372 and \$210,588, respectively, of which \$13,673 and \$72,414, respectively were capitalized. The Trail Conference received 93,214 and 72,914 hours of volunteer services for the years ended December 31, 2014 and 2013, respectively, which did not meet the criteria above.

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.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

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, equipment and software	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 agencies and mobilizes thousands of hard-working volunteers who create, protect, and promote approximately 2,125 miles of public trails and trail lands. In an era when the amount of public open space is increasing much faster than park budgets, this service is more crucial than ever.
- Publications - The New York-New Jersey Trail Conference is the primary information resource for hikers in the greater New York metropolitan area. Services include 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 sat empty in a community where it was once a vital learning center. The Trail Conference is restoring the building as its headquarters.
- Membership - The Trail Conference is a volunteer-directed, nonprofit organization with a membership of approximately 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 approximately 2,000 miles of public trails in the greater 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.

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.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

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 periods presented in these financial statements.

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. 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.

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, 2014 and 2013. There are no open tax years prior to 2011. The Trail Conference did not have any income tax related penalties or interest for the periods presented in these statements.

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 December 31:

	2014		2013	
	Cost	Market	Cost	Market
Money market funds	\$ 29,646	\$ 29,646	\$ 170,318	\$ 170,318
Equity funds	849,580	930,612	1,031,650	1,144,155
Bond funds	46,225	47,103	218,318	212,075
Mutual funds	540,733	617,937	685,800	764,644
	<u>1,466,184</u>	<u>1,625,298</u>	<u>2,106,086</u>	<u>2,291,192</u>
Less: Investments held for the Land Acquisition and Stewardship Fund	<u>(471,033)</u>	<u>(504,415)</u>	<u>(492,561)</u>	<u>(521,330)</u>
	<u>\$ 995,151</u>	<u>\$ 1,120,883</u>	<u>\$ 1,613,525</u>	<u>\$ 1,769,862</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

4. Grants and Contributions Receivable

Grants and contributions receivable consist of the following at December 31:

	2014	2013
New Jersey Historic Trust Fund	\$ 37,500	\$ 28,003
Bergen County Preservation Trust Fund	141,795	25,680
New York State Environmental Protection Fund	42,005	59,472
New York State Environmental Conservation	9,352	--
New York State Department of Environmental Conservation	72,748	26,490
New York State Office of Parks, Recreation and Historic Preservation	39,969	22,296
New Jersey Department of Environmental Protection	30,027	5,318
Palisades Interstate Park Commission	--	111,232
Lark in the Park	--	5,000
	<u>\$ 373,396</u>	<u>\$ 283,491</u>

Additional grant funds are available from governmental agencies approximating \$1,105,000 for years subsequent to December 31, 2014 conditioned upon the Trail Conference incurring qualified expenses and complying with matching requirements.

5. Pledges Receivable

Pledges receivable at December 31, consisted of the following:

	2014	2013
Total pledges receivable	\$ 880,182	\$ 803,857
Less: Discount to fair value	<u>112,536</u>	<u>--</u>
Net pledge receivable	767,646	803,857
Due in one year or less	<u>394,682</u>	<u>448,079</u>
Due between one year and five years	<u>\$ 372,964</u>	<u>\$ 355,778</u>

6. Property and Equipment

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

	2014	2013
Furniture and fixtures	\$ 4,790	\$ 4,790
Software	37,601	37,601
Equipment	<u>70,862</u>	<u>76,871</u>
	113,253	119,262
Less: Accumulated depreciation	<u>(51,239)</u>	<u>(41,734)</u>
	<u>\$ 62,014</u>	<u>\$ 77,528</u>

Depreciation expense charged to operations amounted to \$25,167 and \$13,696 for the years ended December 31, 2014 and 2013, respectively.

7. Construction in Progress

The Trail Conference has incurred costs related to the Darlington School House amounting to \$3,675,161 and \$1,451,103 for the years ended December 31, 2014 and 2013, respectively. The costs include an initial acquisition cost of \$357,658 and capital improvement costs of \$3,317,503 and \$1,093,445 for the years ended December 31, 2014 and 2013, respectively.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

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:

	2014	2013
Incurring		
Architectural and engineering costs	\$ 211,612	\$ 145,291
Construction costs	2,756,762	612,699
Donated		
Legal fees	285,505	274,204
Engineering	63,624	61,251
	<u>\$ 3,317,503</u>	<u>\$ 1,093,445</u>

8. Recurring Fair Value Measurements

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 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:

	2014			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Money market funds	\$ 29,646	\$ 29,646	\$ --	\$ --
Bond mutual funds and exchange traded funds				
Vanguard High Yield Corporate fund	47,103	47,103	--	--
Vanguard Short-Term Bond ETF	210,053	210,053	--	--
Bonds and equities mutual funds				
Vanguard Wellesley Income fund	336,280	336,280	--	--
Vanguard Wellington fund	430,742	430,742	--	--
Oakmark International I	107,129	107,129	--	--
Wisdomtree Emerging Markets	13,781	13,781	--	--
Equity mutual funds and exchange traded funds				
Harbor International	37,974	37,974	--	--
iShares Russell Midcap Growth ETF	101,371	101,371	--	--
iShares Russell Midcap Value ETF	102,404	102,404	--	--
Vanguard Energy Fund	18,484	18,484	--	--
Vanguard Div Appreciation	170,459	170,459	--	--
Wisdomtree Trust	19,872	19,872	--	--
	<u>\$ 1,625,298</u>	<u>\$ 1,625,298</u>	<u>\$ --</u>	<u>\$ --</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

	2013			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Money market funds	\$ 170,318	\$ 170,318	\$ --	\$ --
Bond mutual funds and exchange traded funds				
PIMCO Total Return fund	167,036	167,036	--	--
Vanguard High Yield Corporate fund	45,039	45,039	--	--
Vanguard Short-Term Bond ETF	211,620	211,620	--	--
Bonds and equities mutual funds				
Vanguard Wellesley Income fund	409,330	409,330	--	--
Vanguard Wellington fund	395,968	395,968	--	--
Oakmark International I	136,014	136,014	--	--
Yachtman Fund Service	47,204	47,204	--	--
Wisdomtree Emerging Markets	34,980	34,980	--	--
Equity mutual funds and exchange traded funds				
Harbor International	60,635	60,635	--	--
iShares Russell Midcap Growth ETF	131,966	131,966	--	--
iShares Russell Midcap Value ETF	135,878	135,878	--	--
Vanguard Energy Fund	95,004	95,004	--	--
Vanguard Div Appreciation	195,666	195,666	--	--
Wisdomtree Trust	54,534	54,534	--	--
	<u>\$ 2,291,192</u>	<u>\$ 2,291,192</u>	<u>\$ --</u>	<u>\$ --</u>

9. Net Assets

Components of unrestricted net assets at December 31 were as follows:

	2014	2013
Available for general operations	\$ 533,277	\$ 682,871
Board designated Legacy Fund	621,285	589,918
Board designated funds for the		
Land Acquisition and Stewardship Fund	200,000	200,000
Investment in property and equipment	<u>3,480,754</u>	<u>1,528,631</u>
	<u>\$ 4,835,316</u>	<u>\$ 3,001,420</u>

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

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

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.

Components of temporarily restricted net assets at December 31 were as follows:

	2014	2013
Temporarily restricted - restricted by donor for programmatic use as follows		
Bear Mountain Trails	\$ 1,702	\$ 2,202
Catskill Community Trails	49,379	44,453
Harlem Valley ATC Fund	2,147	--
Darlington School House	460,531	1,771,037
NJ Program Work	5,000	--
East Hudson Comm Trails Program	31,931	97,666
Trail Building Management	3,097	9,788
Tool Fund	283	476
Invasives Program	2,336	--
Irene Relief Fund	5,439	5,439
Long Pond Ironworks Bridge	5,248	--
Land Acquisition and Stewardship Fund	1,460,907	1,450,170
Lenape Trail Fund	4,128	5,920
Youth Trail Projects	7,067	7,067
Interpretive Exhibit	46,174	42,612
Pochuck Stewardship Fund	5,669	5,771
NJ Trail Crew Development Fund	9,889	12,726
NJ Palisades Protection and Advocacy	1,980	--
Shawangunks Ridge Fund	--	4,230
Strategic Planning	--	11,050
Gunks Advocacy	8,640	61,579
Bridges in Minnewaska	1,714	2,277
Sterling Forest Preservation	17,091	--
West Hudson Trail Maintenance	29,270	--
West Hudson Community Trails	1,558	--
East Hudson Invasive Program	--	11,719
Tennessee Gas Pipeline	107,796	148,426
Various Trail Projects	5,647	7,103
	<u>2,274,623</u>	<u>3,701,711</u>
Temporarily restricted based on time restrictions	262,463	--
	<u>\$ 2,537,086</u>	<u>\$ 3,701,711</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

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

	2014	2013
Bear Mountain Trails	\$ 500	\$ 500
Catskill Community Trails	44,990	66,305
Shelter Construction in Catskills	--	1,890
Darlington School House	1,431,433	394,781
NJ Program Work	--	13,114
East Hudson Comm Trails Program	78,321	59,556
Trail Building Management	6,691	--
Tool Fund	193	1,144
Eagle Roost Protection Project	5,616	4,994
Irene Relief Fund	--	7,192
Sandy Relief Fund	--	4,000
Land Acquisition and Stewardship Fund	46,605	7,020
Harlem Valley ATC Fund	165	--
Lenape Trail Fund	1,792	1,503
Youth Trail Projects	--	573
Interpretive Exhibit	2,538	20,419
Invasives Program	4,714	--
Pochuck Stewardship Fund	102	--
NJ Trail Crew Development Fund	2,837	15,941
NJ Palisades Protection and Advocacy	1,022	--
Shawangunks Ridge Fund	4,230	210
Gunks Advocacy	52,939	--
Strategic Planning	11,050	--
Sterling Forest Preservation	78,409	--
Bridges in Minnewaska	12,963	6,623
East Hudson Invasive Program	11,719	9,121
Tennessee Gas Pipeline	40,630	1,574
Various Trail Projects	49,989	9,446
Temporarily restricted net assets released	<u>\$ 1,889,448</u>	<u>\$ 625,906</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 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. The contributions for the years ended December 31, 2014 and 2013 were \$17,844 and \$11,689, 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

11. Leases

Capital Lease

The Trail Conference entered into a lease agreement for geothermal equipment which is being installed in the Darlington School House. Costs incurred as of December 31, 2014 amounted to \$256,421. The lease agreement is for a maximum cost of \$400,000. The project will be completed in 2015 and the total lease cost determined upon completion. The lease will be repaid over fifteen years with initial payment of \$24,000 in 2015.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

Operating Lease

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 each of the years ended December 31, 2014 and 2013 was \$45,600, respectively.

12. 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.

13. Subsequent Events

The Trail Conference has evaluated subsequent events occurring after the statement of financial position date through the date of June 5, 2015, the date the financial statements were available for release. Based upon this evaluation, the Trail Conference has determined the following subsequent event requires disclosure in the financial statements.

The Trail Conference moved its main office to the Darlington School House on March 23, 2015.

SUPPLEMENTARY INFORMATION

One Spring Street
New Brunswick, New Jersey 08901 USA
732 828 1614 . fax 732 828 5156
www.withum.com

Additional offices in New Jersey, New York,
Pennsylvania, Massachusetts, Florida,
Colorado and Grand Cayman

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditors' Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of New York - New Jersey Trail Conference, Inc., which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered New York-New Jersey Trail Conference, Inc.'s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New York-New Jersey Trail Conference, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of New York-New Jersey Trail Conference, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether New York - New Jersey Trail Conference, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC".

June 5, 2015