

NEW YORK - NEW JERSEY TRAIL CONFERENCE, INC.
Financial Statements
December 31, 2019 and 2018
With Independent Auditor's Reports

New York-New Jersey Trail Conference, Inc.
Table of Contents
December 31, 2019 and 2018

Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to Financial Statements	8-20

INDEPENDENT AUDITOR'S 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, 2019 and 2018, 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 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.

Auditor's 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 auditor's 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, 2019 and 2018, 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 - Change in Accounting Principles

As discussed in Note 2 in the notes to financial statements, during the year ended December 31, 2019, the Trail Conference adopted new accounting guidance in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958) and FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to these matters.

WithumSmith+Brown, PC

July 1, 2020

New York - New Jersey Trail Conference, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 507,612	\$ 417,563
Investments	3,901,330	3,724,343
Accounts receivable	22,499	29,810
Grants receivable	215,471	354,735
Pledges receivable, current portion	196,044	63,344
Other receivables	45,556	29,103
Prepaid expenses and other current assets	<u>15,393</u>	<u>18,084</u>
Total current assets	<u>4,903,905</u>	<u>4,636,982</u>
Construction in progress	<u>6,785</u>	<u>6,785</u>
Property and equipment, net	<u>3,855,857</u>	<u>3,994,832</u>
Website, net	<u>61,021</u>	<u>106,815</u>
Other assets		
Investments held for the Land Acquisition and Stewardship Fund	696,070	694,202
Pledges receivable, net of current portion and pledge discount	413,653	373,654
Trail land and easements	882,635	753,602
Security deposits	<u>2,000</u>	<u>-</u>
Total other assets	<u>1,994,358</u>	<u>1,821,458</u>
Total assets	<u>\$ 10,821,926</u>	<u>\$ 10,566,872</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 173,151	\$ 175,728
Capital lease payable	14,255	13,561
Deferred membership income	<u>-</u>	<u>137,600</u>
Total current liabilities	187,406	326,889
Long-term liabilities		
Capital lease payable, net of current portion	<u>176,220</u>	<u>190,476</u>
Total liabilities	<u>363,626</u>	<u>517,365</u>
Net assets		
Without donor restrictions	7,740,649	7,649,307
With donor restrictions	<u>2,717,651</u>	<u>2,400,200</u>
Total net assets	<u>10,458,300</u>	<u>10,049,507</u>
Total liabilities and net assets	<u>\$ 10,821,926</u>	<u>\$ 10,566,872</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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Contributions						
Membership dues	\$ 260,352	\$ -	\$ 260,352	\$ 276,433	\$ -	\$ 276,433
Individuals and foundations	704,219	505,630	1,209,849	616,640	303,322	919,962
Bequests	119,140	-	119,140	53,339	-	53,339
Grants and contracts	-	752,211	752,211	722,021	-	722,021
In-kind contributions	107,752	-	107,752	118,885	-	118,885
Sales of maps, books and other items	195,191	-	195,191	215,542	-	215,542
Other income	5,705	-	5,705	13,365	-	13,365
Gain on sale of trail lands and easements	-	-	-	51,305	-	51,305
	<u>1,392,359</u>	<u>1,257,841</u>	<u>2,650,200</u>	<u>2,067,530</u>	<u>303,322</u>	<u>2,370,852</u>
Net assets released from restrictions	<u>1,071,290</u>	<u>(1,071,290)</u>	<u>-</u>	<u>339,286</u>	<u>(339,286)</u>	<u>-</u>
	<u>2,463,649</u>	<u>186,551</u>	<u>2,650,200</u>	<u>2,406,816</u>	<u>(35,964)</u>	<u>2,370,852</u>
Expenses						
Program services	2,225,074	-	2,225,074	2,334,175	-	2,334,175
Management and general	299,402	-	299,402	272,556	-	272,556
Fundraising	620,390	-	620,390	552,634	-	552,634
	<u>3,144,866</u>	<u>-</u>	<u>3,144,866</u>	<u>3,159,365</u>	<u>-</u>	<u>3,159,365</u>
Change in net assets from operations	(681,217)	186,551	(494,666)	(752,549)	(35,964)	(788,513)
Non-operating revenue						
Investment income (loss), net	<u>634,959</u>	<u>130,900</u>	<u>765,859</u>	<u>(365,846)</u>	<u>(6,163)</u>	<u>(372,009)</u>
Changes in net assets	<u>(46,258)</u>	<u>317,451</u>	<u>271,193</u>	<u>(1,118,395)</u>	<u>(42,127)</u>	<u>(1,160,522)</u>
Net assets, beginning of year, as originally stated	7,649,307	2,400,200	10,049,507	8,767,702	2,442,327	11,210,029
Prior period adjustment						
Change in accounting principle (see Note 2)	<u>137,600</u>	<u>-</u>	<u>137,600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets						
Beginning of year, restated	<u>7,786,907</u>	<u>2,400,200</u>	<u>10,187,107</u>	<u>8,767,702</u>	<u>2,442,327</u>	<u>11,210,029</u>
End of year	<u>\$ 7,740,649</u>	<u>\$ 2,717,651</u>	<u>\$ 10,458,300</u>	<u>\$ 7,649,307</u>	<u>\$ 2,400,200</u>	<u>\$ 10,049,507</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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating activities		
Changes in net assets	\$ 271,193	\$ (1,160,522)
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	204,803	205,568
Unrealized (gain) loss on investments	(564,220)	786,392
Realized gain on investments	(57,133)	(175,654)
Gain on sale of trail lands and easements	-	(51,305)
Loss on disposal of fixed assets	-	1,619
Net present value adjustment on pledges receivable	(7,461)	(9,115)
Changes in assets and liabilities		
Accounts receivable	7,311	16,023
Grants receivable	139,264	194,350
Pledge receivable	(165,238)	96,897
Other receivables	(16,453)	32,718
Prepaid expenses and other current assets	2,691	2,944
Security deposits	(2,000)	-
Accounts payable and accrued expenses	(2,577)	(52,261)
Deferred membership income	-	1,255
Net cash used in operating activities	<u>(196,910)</u>	<u>(111,091)</u>
Investing activities		
Purchase of property and equipment	(7,454)	(41,873)
Website development costs	(5,490)	(57,218)
Purchase of trail lands and easements	(219,033)	-
Sale of trail lands and easements	90,000	61,729
Purchase of investments	(300,468)	(2,204,081)
Proceeds from the sale of investments	<u>742,966</u>	<u>2,301,303</u>
Net cash provided by investing activities	<u>300,521</u>	<u>59,860</u>
Financing activities		
Payment on capital lease	<u>(13,562)</u>	<u>(12,901)</u>
Net change in cash and cash equivalents	90,049	(64,132)
Cash and cash equivalents		
Beginning of year	<u>417,563</u>	<u>481,695</u>
End of year	<u>\$ 507,612</u>	<u>\$ 417,563</u>
Supplemental disclosure of cash flow information		
No amounts were paid for interest or income taxes for the years ended December 31, 2019 and 2018.		
Non cash transactions		
Donated property and equipment	<u>\$ (7,090)</u>	<u>\$ -</u>

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

New York - New Jersey Trail Conference, Inc.
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Trail Programs</u>	<u>Publications</u>	<u>Darlington Headquarters</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,059,638	\$ 78,112	\$ -	\$ 1,137,750	\$ 200,319	\$ 304,029	\$ 1,642,098
Payroll taxes and fringes	190,078	14,012	-	204,090	35,932	54,537	294,559
Professional services	87,765	2,805	1,750	92,320	7,192	130,392	229,904
Occupancy	41,833	1,698	-	43,531	4,355	6,609	54,495
Office expense	74,334	53,750	-	128,084	7,235	58,945	194,264
Insurance	33,192	1,985	-	35,177	5,089	7,725	47,991
Trail development costs	209,247	-	-	209,247	-	-	209,247
Travel	46,958	516	-	47,474	781	2,658	50,913
Dues and fees	7,433	110	-	7,543	3,016	490	11,049
In-kind expenses	109,714	125	-	109,839	-	5,003	114,842
Workshops and meetings	40,883	661	-	41,544	2,206	1,788	45,538
Other expenses	9,331	13,058	-	22,389	202	22,572	45,163
Depreciation and amortization	25,642	-	120,444	146,086	33,075	25,642	204,803
	<u>\$ 1,936,048</u>	<u>\$ 166,832</u>	<u>\$ 122,194</u>	<u>\$ 2,225,074</u>	<u>\$ 299,402</u>	<u>\$ 620,390</u>	<u>\$ 3,144,866</u>

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

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

	<u>Trail Programs</u>	<u>Publications</u>	<u>Darlington Headquarters</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,139,396	\$ 82,291	\$ -	\$ 1,221,687	\$ 185,816	\$ 329,459	\$ 1,736,962
Payroll taxes and fringes	206,749	14,856	-	221,605	33,545	58,430	313,580
Professional services	127,310	2,510	-	129,820	5,571	18,101	153,492
Occupancy	34,197	1,702	-	35,899	3,842	7,708	47,449
Office expense	77,200	69,124	-	146,324	11,460	60,435	218,219
Insurance	33,321	1,949	-	35,270	4,402	8,827	48,499
Trail development costs	179,304	-	-	179,304	170	-	179,474
Travel	33,445	758	-	34,203	710	3,788	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	-	36,139	6,109	1,392	43,640
Other expenses	11,529	16,274	-	27,803	1,701	14,046	43,550
Depreciation and amortization	41,238	-	106,906	148,144	16,280	41,144	205,568
	<u>\$ 2,036,881</u>	<u>\$ 190,388</u>	<u>\$ 106,906</u>	<u>\$ 2,334,175</u>	<u>\$ 272,556</u>	<u>\$ 552,634</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.
Notes to Financial Statements
December 31, 2019 and 2018

1. THE TRAIL CONFERENCE AND PURPOSE

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

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

Intermediate Measure of Operations

The accompanying statements of activities and changes in net assets distinguish between operating and 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).

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.

Cash and Cash Equivalents

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

Investments

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

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Accounts Receivable

Accounts receivable represents unsecured, non-interest bearing obligations due from customers. The carrying amount of accounts receivable is adjusted by a valuation allowance that reflects management's best estimate of the amount that will not be collected. For each of the years ended December 31, 2019 and 2018 there was no allowance for doubtful accounts.

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.

Website

Website development costs are recorded at cost and are amortized over their estimated useful life of 4 years.

Revenue and Support Recognition

Contributions

The Trail Conference recognizes contributions, including memberships dues, 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.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. Revenue from government and private grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as grant advances payable. Grant funds expended in advance of reimbursement from the funding source are classified as grants and contracts receivable in the statements of financial position. The Trail Conference's grant contracts span multiple years and provide for cost reimbursement of \$5,240,500 with remaining available funding under the contracts through 2022 of approximately \$3,202,651. This funding is conditioned upon the Trail Conference incurring qualified expenses, complying with matching requirements, and certain deliverables.

Contributed services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people possessing those skills and would otherwise be purchased by the Trail Conference if not donated. Professional services and goods donated for the years ended December 31, 2019 and 2018 were valued at \$107,752 and \$118,885, respectively, of which, \$-0- was capitalized. The Trail Conference received 102,952 and 103,771 hours of volunteer services for the years ended December 31, 2019 and 2018, respectively, which did not meet the criteria above.

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

Revenues without donor restrictions are obtained from the sale of maps, books and other items. These revenues are recognized on the date of sale, in an amount that reflects the consideration the Trail Conference expects to be entitled to in exchange for ownership of the maps, books and other items. The Trail Conference does not have any significant financing components as payment is received at the point of sale. These revenues are used to offset program expenses as well as management and general and fundraising expenses. Receivables for the years ended December 31, 2019, 2018, and 2017 were \$22,499, \$29,810 and \$27,592, respectively.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Expense Classification

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

- Trail Programs – Founded in 1920 to help connect people with nature, the Trail Conference has been known as a builder and maintainer of trails. Our volunteer-powered organization is now also recognized as an innovative leader in protecting native habitats by combating invasive species. We engage volunteers and educate people on the simple steps they can take to help care for trails and save our ecosystems. We believe everyone has the power to protect the land they love.
- Publications – Since the original publication of *The New York Walk Book* in 1923, the Trail Conference has provided trail users with the most accurate, up-to-date information on local trails. When 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 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.

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:

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

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, 2019 and 2018

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 receivable 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, 2019 and 2018. The Trail Conference did not have any income tax related penalties or interest for the periods presented in these financial statements.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable and grants and contributions receivable, 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

Revenue Recognition – Contracts with Customers

The Financial Accounting Standards Board ("FASB") issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification ("ASC"). ASC 606 supersedes the prior revenue recognition requirements (codified as ASC 605, *Revenue Recognition*). ASC 606 established a core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, which requires the deferral of incremental costs of obtaining a contract with a customer. All references to the "new guidance" include ASC 606 and/or ASC 340-40.

The Trail Conference adopted the requirements of the new guidance as of January 1, 2019, utilizing the modified retrospective method of transition. The Trail Conference applied the new guidance using the practical expedient provided in ASC 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Adoption of the new guidance resulted in changes to the Trail Conference's accounting policies for revenue recognition, grants and contracts receivable, and contract liabilities as detailed below.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Contribution Revenue Recognition

Effective January 1, 2019, the Trail Conference adopted ASU 2018-08 – *Not-for-profit Entities – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions and improved guidance to better distinguish between conditional and unconditional contributions. The adoption of this ASU required the Trail Conference to reclassify grant revenue which was previously denoted as exchange transactions to conditional contributions. Additionally, as a result of adoption, a cumulative adjustment to opening net assets of \$137,600 was recorded as of January 1, 2019, to reflect the change of treatment of membership dues from an exchange transaction to an unconditional contribution.

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. The guidance has been applied on a retrospective basis. The adoption of ASU 2016-08 did not have a significant impact on the Trail Conference's results of activities, statement of financial position, and cash flows.

New Accounting Pronouncements Issued Not Yet Effective

Leases

In February 2016, the 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, 2021. The Trail Conference is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

In connection with the adoption of ASU 2016-02, the Trail Conference will also elect an optional transition practical expedient by adopting ASU 2018-01. Due to diversity in practice and the complexity of accounting for land easements, the practical expedient will allow entities who currently account for land easements under Topic 840 to continue such accounting treatment. Once an entity adopts Topic 842, that guidance would be applied prospectively to all new (or modified) easements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021 with a simultaneous election to adopt ASU 2018-01. The Trail Conference is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2019</u>	<u>2018</u>
Financial assets		
Cash and cash equivalents	\$ 507,612	\$ 417,563
Investments	3,901,330	3,724,343
Accounts receivable	22,499	29,810
Grants receivable	215,471	354,735
Pledges receivable	196,044	63,344
Other receivables	<u>45,556</u>	<u>29,103</u>
Total financial assets	4,888,512	4,618,898
Less: Restricted net assets to be paid utilizing financial assets	<u>(1,138,946)</u>	<u>(564,161)</u>
Financial assets and liquidity resources available for general expenditure	<u>\$ 3,749,566</u>	<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).

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

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

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market (Level 1)</u>	<u>Cost</u>	<u>Market (Level 1)</u>
Money market funds	\$ 19,285	\$ 19,285	\$ 142,687	\$ 142,687
Equities	2,568,573	2,995,856	2,887,540	2,845,278
Bond funds	1,072,522	1,096,652	1,064,085	1,037,507
Mutual funds	440,361	485,607	390,314	393,073
	<u>4,100,741</u>	<u>4,597,400</u>	<u>4,484,626</u>	<u>4,418,545</u>
Less: Investments held for the Land Acquisition and Stewardship Fund	<u>(637,281)</u>	<u>(696,070)</u>	<u>(613,101)</u>	<u>(694,202)</u>
	<u>\$ 3,463,460</u>	<u>\$ 3,901,330</u>	<u>\$ 3,871,525</u>	<u>\$ 3,724,343</u>

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 164,506	\$ 259,932
Realized gains	57,133	175,654
Unrealized gains (losses)	564,220	(786,392)
Investment advisory fees	<u>(20,000)</u>	<u>(21,203)</u>
	<u>\$ 765,859</u>	<u>\$ (372,009)</u>

5. GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
New York State Environmental Protection Fund	\$ 2,285	\$ 4,901
New York State Department of Environmental Conservation	160,816	117,151
New York State Office of Parks, Recreation and Historic Preservation	24,885	157,258
New Jersey Department of Environmental Protection	-	71,732
Other	<u>27,485</u>	<u>3,693</u>
	<u>\$ 215,471</u>	<u>\$ 354,735</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

6. PLEDGES RECEIVABLE

Pledges receivable at December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Pledges expected to be collected		
In one year or less	\$ 197,107	\$ 65,741
Between one and five years	273,360	220,000
More than five years	<u>160,700</u>	<u>180,188</u>
	631,167	465,929
Less: Discount to present value	<u>(21,470)</u>	<u>(28,931)</u>
	<u>\$ 609,697</u>	<u>\$ 436,998</u>

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

7. PROPERTY AND EQUIPMENT

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

<u>Asset Description</u>	<u>Useful Life (Years)</u>	<u>2019</u>	<u>2018</u>
Land	N/A	\$ 221,340	\$ 221,340
Building and improvements	15-40	4,036,624	4,036,624
Furniture and fixtures	10	178,443	178,443
Equipment	3-10	109,169	97,304
Livestock	5	<u>8,342</u>	<u>8,342</u>
		4,553,918	4,542,053
Less: Accumulated depreciation	N/A	<u>(698,061)</u>	<u>(547,221)</u>
		<u>\$ 3,855,857</u>	<u>\$ 3,994,832</u>

Depreciation expense charged to operations amounted to \$153,519 and \$155,656 for the years ended December 31, 2019 and 2018, respectively.

8. WEBSITE

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

	<u>Useful Life (Years)</u>	<u>2019</u>	<u>2018</u>
Website	4	\$ 205,140	\$ 199,650
Accumulated amortization	N/A	<u>(144,119)</u>	<u>(92,835)</u>
Website, net		<u>\$ 61,021</u>	<u>\$ 106,815</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

Amortization expense amounted to \$51,284 and \$49,912 at December 31, 2019 and 2018, respectively. Future amortization is as follows: 2020 - \$37,760, 2021 - \$21,888, and 2022 - \$1,373.

9. NET ASSETS

Net Assets Without Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Available for general operations	\$ 67,888	\$ 74,829
Board designated Legacy Fund	3,739,573	3,470,083
Board designated funds for the Land Acquisition and Stewardship Fund	200,000	200,000
Investment in property and equipment, net of related capital lease	<u>3,733,188</u>	<u>3,904,395</u>
	<u>\$ 7,740,649</u>	<u>\$ 7,649,307</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. 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:

	<u>Without Restrictions</u>	<u>With Restrictions</u>	<u>Total</u>
Balance at January 1, 2018	\$ 200,000	\$ 1,528,659	\$ 1,728,659
Contributions	-	19,085	19,085
Investment loss	-	(6,163)	(6,163)
Appropriation for spending	<u>-</u>	<u>(14,458)</u>	<u>(14,458)</u>
Balance at December 31, 2018	200,000	1,527,123	1,727,123
Contributions	-	40	40
Investment income	-	130,900	130,900
Appropriation for spending	<u>-</u>	<u>(37,788)</u>	<u>(37,788)</u>
Balance at December 31, 2019	<u>\$ 200,000</u>	<u>\$ 1,620,275</u>	<u>\$ 1,820,275</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

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, 2018	\$ 4,424,782
Contributions	-
Investment loss	(272,699)
Appropriation for spending	<u>(682,000)</u>
Balance at December 31, 2018	3,470,083
Contributions	-
Investment income	628,140
Appropriation for spending	<u>(358,650)</u>
Balance at December 31, 2019	<u>\$ 3,739,573</u>

Investment Policies

The Trail Conference invests its funds in separate accounts and has three baskets of investments, including a short term pool which is invested in checking and money market assets to meet short term liquidity, 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:

	<u>2019</u>	<u>2018</u>
With donor restrictions - restricted by donor for programmatic use as follows		
Trails land work and related projects	\$ 638,726	\$ 455,942
Other	34,517	28,899
Land Acquisition and Stewardship Fund	<u>1,620,275</u>	<u>1,527,123</u>
	2,293,518	2,011,964
Restricted based on time restrictions	<u>424,133</u>	<u>388,236</u>
	<u>\$ 2,717,651</u>	<u>\$ 2,400,200</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

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

	<u>2019</u>	<u>2018</u>
Trails land work and related projects	\$ 1,030,819	\$ 284,714
Other	2,682	3,503
Land Acquisition and Stewardship Fund	37,789	14,460
Time restricted	<u>--</u>	<u>36,609</u>
Net assets with donor restrictions released	<u>\$ 1,071,290</u>	<u>\$ 339,286</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% of the employee's contribution up to 6% of salary after 6 months of employment. The contributions for the years ended December 31, 2019 and 2018 were \$33,794 and \$32,396, respectively and are included in payroll taxes and fringes in the statements of functional expenses. Vesting of the employer match is as follows:

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

11. LEASES

Capital Lease

The Trail Conference entered into a non-interest bearing 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, 2019 and 2018 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 \$111,219 and \$86,503 for the years ended December 31, 2019 and 2018, respectively. Depreciation expense for the capital lease asset amounted to \$24,716 for each of the years ended December 31, 2019 and 2018. The lease will be repaid over fifteen years with annual payments of approximately \$24,000 discounted at 5%.

Capital lease payable was as follows at December 31:

	<u>2019</u>	<u>2018</u>
Capital lease payable	\$ 250,725	\$ 274,725
Less: Discount to net present value	<u>(60,250)</u>	<u>(70,688)</u>
	190,475	204,037
Less: Current maturities	<u>14,255</u>	<u>13,561</u>
	<u>\$ 176,220</u>	<u>\$ 190,476</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

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

2020	\$ 24,000
2021	24,000
2022	24,000
2023	24,000
2024	24,000
Thereafter	<u>130,725</u>
	250,725
Less: Imputed interest	<u>60,250</u>
Capital lease payable	<u>\$ 190,475</u>

12. RELATED PARTIES

The Trail Conference received contributions from board members totalling approximately \$59,000 and \$52,000 for the years ended December 31, 2019 and 2018, respectively.

13. CONCENTRATIONS OF CREDIT RISK

The Trail Conference received approximately 19% and 15% of its revenue from one funding source for the years ended December 31, 2019 and 2018, respectively.

14. COMMITMENTS AND CONTINGENCIES

Lease

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. As of December 31, 2019 \$0 has been expended in capital renovation improvements. The fair market value of this lease is included in pledges receivable of \$70,900 at December 31, 2019. For the year ended December 31, 2019, \$7,090 is included in in-kind expenses.

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, New Jersey 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.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

- 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 the shared property.
- Conservation and Historic Easement – This is an easement that the Tenants in Common (Trail Conference and Township of Mahwah) have granted to the County of Bergen. It stipulates various historic and conservation measures as a condition of ownership, with enforcement responsibility vested in the County.
- Gifford Trail Easement – Individual granted an easement in Schenectady County New York for hiking and other passive recreational use by the general public.

Land Agreement

The Trail Conference entered into a grant agreement with Open Space Institute Land Trust, Inc. (“OSI”) in which they received \$90,000 to reimburse the Trail Conference for a portion of the purchase price of approximately 167.5 acres of unimproved land. As part of this agreement, any proceeds from any future sale of the property by the Trail Conference shall be returned to OSI in proportion to the grant’s share of the median of the appraised range of values for the property. The Trail Conference will be entitled to 52.5% of any such proceeds and OSI will be entitled to 47.5%. As of December 31, 2019, the remaining cost of the land is \$167,554, which represents the portion that the Trail Conference expects to realize in a future sale.

15. SUBSEQUENT EVENTS

The Trail Conference has evaluated subsequent events occurring after the statement of financial position date through the date of July 1, 2020, the date the financial statements were available for release. Based upon this evaluation, the Trail Conference identified the following subsequent event requiring disclosure.

Risk of Infectious Disease

The current outbreak of a novel strain of coronavirus (“COVID-19”) is significantly impacting businesses across the world. While the duration of business interruption from this outbreak and related financial impact cannot be reasonably estimated at this time, financial results, including investment results, may be adversely affected in 2020. The extent to which the coronavirus impacts operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain the coronavirus or its impact, among others.

CARES Loan

During April 2020, the Trail Conference received a loan from a financial institution authorized through the Paycheck Protection Program authorized by the Coronavirus Aid, Relief and Economic Security Act (“CARES”) in the amount of approximately \$380,000. The loan may be forgiven upon a review by the financial institution of the Trail Conference’s use of the loan proceeds in accordance with the CARES Act. If the financial institution determines that the criteria for debt forgiveness has not been met, the loan matures 2 years from the date of the loan and interest accrues at 1% per year. Any such debt forgiveness would be recognized at the time that the financial institution completed the aforementioned review and approved the forgiveness of the loan.