

NEW YORK - NEW JERSEY TRAIL CONFERENCE, INC.
Financial Statements
December 31, 2020 and 2019
With Independent Auditor's Report

New York-New Jersey Trail Conference, Inc.
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December 31, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

WithumSmith+Brown, PC

July 14, 2021

New York - New Jersey Trail Conference, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 536,204	\$ 507,612
Investments	3,964,145	3,901,330
Accounts receivable	18,816	22,499
Grants receivable	741,908	215,471
Pledges receivable, current portion	216,565	196,044
Other receivables	39,331	45,556
Prepaid expenses and other current assets	<u>9,603</u>	<u>15,393</u>
Total current assets	<u>5,526,572</u>	<u>4,903,905</u>
Construction in progress	<u>24,395</u>	<u>6,785</u>
Property and equipment, net	<u>3,708,865</u>	<u>3,855,857</u>
Website, net	<u>25,590</u>	<u>61,021</u>
Other assets		
Investments held for the Land Acquisition and Stewardship Fund	707,936	696,070
Pledges receivable, net of current portion and pledge discount	412,394	413,653
Trail land and easements	1,388,715	882,635
Security deposits	<u>-</u>	<u>2,000</u>
Total other assets	<u>2,509,045</u>	<u>1,994,358</u>
Total assets	<u>\$ 11,794,467</u>	<u>\$ 10,821,926</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 199,129	\$ 173,151
Capital lease payable	14,984	14,255
Deferred income	<u>5,000</u>	<u>-</u>
Total current liabilities	219,113	187,406
Long-term liabilities		
Capital lease payable, net of current portion	161,237	176,220
Payroll Protection Program loan	<u>380,761</u>	<u>-</u>
Total liabilities	<u>761,111</u>	<u>363,626</u>
Net assets		
Without donor restrictions	7,656,093	7,740,649
With donor restrictions	<u>3,377,263</u>	<u>2,717,651</u>
Total net assets	<u>11,033,356</u>	<u>10,458,300</u>
Total liabilities and net assets	<u>\$ 11,794,467</u>	<u>\$ 10,821,926</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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Contributions						
Membership dues	\$ 262,677	\$ -	\$ 262,677	\$ 260,352	\$ -	\$ 260,352
Individuals and foundations	962,388	299,152	1,261,540	704,219	505,630	1,209,849
Bequests	125,000	36,000	161,000	119,140	-	119,140
Grants and contracts	-	1,008,858	1,008,858	-	752,211	752,211
In-kind contributions	136,206	495,400	631,606	107,752	-	107,752
Sales of maps, books and other items	206,885	-	206,885	195,191	-	195,191
Other income	3,325	-	3,325	5,705	-	5,705
	<u>1,696,481</u>	<u>1,839,410</u>	<u>3,535,891</u>	<u>1,392,359</u>	<u>1,257,841</u>	<u>2,650,200</u>
Net assets released from restrictions	<u>1,193,332</u>	<u>(1,193,332)</u>	<u>-</u>	<u>1,071,290</u>	<u>(1,071,290)</u>	<u>-</u>
	<u>2,889,813</u>	<u>646,078</u>	<u>3,535,891</u>	<u>2,463,649</u>	<u>186,551</u>	<u>2,650,200</u>
Expenses						
Program services	2,381,452	-	2,381,452	2,225,074	-	2,225,074
Management and general	283,493	-	283,493	299,402	-	299,402
Fundraising	665,349	-	665,349	620,390	-	620,390
	<u>3,330,294</u>	<u>-</u>	<u>3,330,294</u>	<u>3,144,866</u>	<u>-</u>	<u>3,144,866</u>
Change in net assets from operations	(440,481)	646,078	205,597	(681,217)	186,551	(494,666)
Non-operating revenue						
Investment income, net	<u>355,925</u>	<u>13,534</u>	<u>369,459</u>	<u>634,959</u>	<u>130,900</u>	<u>765,859</u>
Changes in net assets	<u>(84,556)</u>	<u>659,612</u>	<u>575,056</u>	<u>(46,258)</u>	<u>317,451</u>	<u>271,193</u>
Net assets						
Beginning of year	<u>7,740,649</u>	<u>2,717,651</u>	<u>10,458,300</u>	<u>7,786,907</u>	<u>2,400,200</u>	<u>10,187,107</u>
End of year	<u>\$ 7,656,093</u>	<u>\$ 3,377,263</u>	<u>\$ 11,033,356</u>	<u>\$ 7,740,649</u>	<u>\$ 2,717,651</u>	<u>\$ 10,458,300</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Changes in net assets	\$ 575,056	\$ 271,193
Adjustments to reconcile changes in net assets to net cash used in operating activities		
Depreciation and amortization	192,583	204,803
Unrealized gain on investments	(209,350)	(564,220)
Realized gain on investments	(56,644)	(57,133)
Net present value adjustment on pledges receivable	(2,534)	(7,461)
Donated property and equipment	-	(7,090)
Donation of trail lands and easements	(495,400)	-
Changes in assets and liabilities		
Accounts receivable	3,683	7,311
Grants receivable	(526,437)	139,264
Pledges receivable	(16,728)	(165,238)
Other receivables	6,225	(16,453)
Prepaid expenses and other current assets	5,790	2,691
Security deposits	2,000	(2,000)
Accounts payable and accrued expenses	25,978	(2,577)
Deferred income	5,000	-
Net cash used in operating activities	<u>(490,778)</u>	<u>(196,910)</u>
Investing activities		
Purchase of property and equipment	(7,055)	(7,454)
Website development costs	(3,105)	(5,490)
Change in construction in progress	(17,610)	-
Purchase of trail lands and easements	(10,680)	(219,033)
Sale of trail lands and easements	-	90,000
Purchase of investments	(1,268,778)	(300,468)
Proceeds from the sale of investments	<u>1,460,091</u>	<u>742,966</u>
Net cash provided by investing activities	<u>152,863</u>	<u>300,521</u>
Financing activities		
Payment on capital lease	(14,254)	(13,562)
Proceeds from Paycheck Protection Program loan	<u>380,761</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>366,507</u>	<u>(13,562)</u>
Net change in cash and cash equivalents	28,592	90,049
Cash and cash equivalents		
Beginning of year	<u>507,612</u>	<u>417,563</u>
End of year	<u>\$ 536,204</u>	<u>\$ 507,612</u>
Supplemental disclosure of cash flow information		
No amounts were paid for interest or income taxes for the years ended December 31, 2020 and 2019.		
Non cash transactions		
Donated property and equipment	<u>\$ -</u>	<u>\$ 7,090</u>
Donation of trail lands and easements	<u>\$ 495,400</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, 2020

	<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	\$ 1,223,897	\$ 70,287	\$ -	\$ 1,294,184	\$ 199,955	\$ 345,329	\$ 1,839,468
Payroll taxes and fringes	174,865	10,042	-	184,907	28,569	49,339	262,815
Professional services	88,305	6,907	-	95,212	8,268	171,854	275,334
Occupancy	36,051	1,090	-	37,141	3,338	5,767	46,246
Office expense	64,644	92,374	-	157,018	3,095	50,428	210,541
Insurance	31,944	1,583	-	33,527	4,504	7,779	45,810
Trail development costs	221,105	-	-	221,105	-	-	221,105
Travel	23,372	103	-	23,475	490	804	24,769
Dues and fees	8,629	120	-	8,749	2,080	1,195	12,024
In-kind expenses	143,296	-	-	143,296	-	-	143,296
Workshops and meetings	15,764	144	-	15,908	987	142	17,037
Other expenses	10,686	9,917	-	20,603	272	18,391	39,266
Depreciation and amortization	22,246	3,637	120,444	146,327	31,935	14,321	192,583
	<u>\$ 2,064,804</u>	<u>\$ 196,204</u>	<u>\$ 120,444</u>	<u>\$ 2,381,452</u>	<u>\$ 283,493</u>	<u>\$ 665,349</u>	<u>\$ 3,330,294</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, 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	<u>25,642</u>	<u>-</u>	<u>120,444</u>	<u>146,086</u>	<u>33,075</u>	<u>25,642</u>	<u>204,803</u>
	<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.
Notes to Financial Statements
December 31, 2020 and 2019

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. Significant estimates include in-kind donations.

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, 2020 and 2019

Accounts Receivable

Accounts receivable represent unsecured, non-interest bearing obligations due from customers. The carrying amount of accounts receivable is adjusted by a valuation allowance that reflects management's best estimate of the amount that will not be collected. For each of the years ended December 31, 2020 and 2019, there was no allowance for doubtful accounts.

Grants Receivable

Grants receivable consist mainly of governmental grants. Management monitors the collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at December 31, 2020 and 2019.

Pledges Receivable

Pledges receivable are recorded at fair value upon notification of the pledge. Management monitors the collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at December 31, 2020 and 2019.

Property and Equipment

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

Trail Lands and Easements

Trail land and easements are recorded at cost or fair value if donated. During 2020, the Trail Conference received donated land of \$495,400 recorded at fair value.

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 annually.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized in revenue until the conditions on which they depend have been substantially met. Revenue from government and private grant and contract agreements, which are generally considered 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 approximately \$4,942,000 with remaining available funding under the contracts through 2023 of approximately \$2,492,000. This funding is conditioned upon the Trail Conference incurring qualified expenses, complying with matching requirements, and certain deliverables.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

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, 2020 and 2019 were valued at \$136,206 and \$107,752, respectively, of which, \$0 was capitalized. The Trail Conference received 84,844 and 102,952 hours of volunteer services for the years ended December 31, 2020 and 2019, respectively, which did not meet the criteria above. Additionally, the Trail Conference received donated trail land and easements of approximately \$500,000 and \$0 for the years ended December 31, 2020 and 2019, respectively.

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, 2020, 2019, and 2018 were \$18,816, \$22,499 and \$29,810, respectively.

Expense Classification

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

- Trail Programs – Founded in 1920 to help connect people with nature, the Trail Conference has been known as a builder and maintainer of trails. 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.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

The expenses that are allocated include the following:

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

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.

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, accounts and 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, 2020 and 2019. 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, investments and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

New Accounting Pronouncements Issued Not Yet Effective

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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.

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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, 2023 with a simultaneous election to adopt ASU 2018-01. The Trail Conference is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Gifts In-Kind

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. Management does not expect this ASU to have a significant impact on the Trail Conference's financial statements.

3. LIQUIDITY AND AVAILABILITY

As of December 31, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 536,204	\$ 507,612
Investments	3,964,145	3,901,330
Accounts receivable	18,816	22,499
Grants receivable	741,908	215,471
Pledges receivable	216,565	196,044
Other receivables	<u>39,331</u>	<u>45,556</u>
Total financial assets	5,516,969	4,888,512
Less: Restricted net assets to be paid utilizing financial assets	<u>(1,280,612)</u>	<u>(1,138,946)</u>
Financial assets and liquidity resources available for general expenditure	<u>\$ 4,236,357</u>	<u>\$ 3,749,566</u>

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

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2020 and 2019

4. INVESTMENTS

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

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

	2020		2019	
	Cost	Market (Level 1)	Cost	Market (Level 1)
Money market funds	\$ 68,690	\$ 68,690	\$ 19,285	\$ 19,285
Equity funds	1,973,691	2,566,091	2,568,573	2,995,856
Bond funds	695,085	712,383	1,072,522	1,096,652
Exchange traded funds	1,228,606	1,324,917	440,361	485,607
	3,966,072	4,672,081	4,100,741	4,597,400
Less: Investments held for the Land Acquisition and Stewardship Fund	(634,342)	(707,936)	(637,281)	(696,070)
	\$ 3,331,730	\$ 3,964,145	\$ 3,463,460	\$ 3,901,330

Investment income consisted of the following at December 31:

	2020	2019
Interest and dividends	\$ 123,465	\$ 164,506
Realized gains	56,644	57,133
Unrealized gains (losses)	209,350	564,220
Investment advisory fees	(20,000)	(20,000)
	\$ 369,459	\$ 765,859

5. GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	2020	2019
New York State Environmental Protection Fund	\$ 2,563	\$ 2,285
New York State Department of Environmental Conservation	401,474	160,816
New York State Office of Parks, Recreation and Historic Preservation	193,389	24,885
New York State Office of Children and Family Services	131,182	-
Other	13,300	27,485
	\$ 741,908	\$ 215,471

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6. PLEDGES RECEIVABLE

Pledges receivable at December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Pledges expected to be collected		
In one year or less	\$ 246,175	\$ 197,107
Between one and five years	273,360	273,360
More than five years	<u>128,360</u>	<u>160,700</u>
	647,895	631,167
Less: Discount to present value	<u>(18,936)</u>	<u>(21,470)</u>
	<u>\$ 628,959</u>	<u>\$ 609,697</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 were comprised of the following at December 31:

<u>Asset Description</u>	<u>Useful Life (Years)</u>	<u>2020</u>	<u>2019</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	116,224	109,169
Livestock	5	<u>8,342</u>	<u>8,342</u>
		4,560,973	4,553,918
Less: Accumulated depreciation	N/A	<u>(852,108)</u>	<u>(698,061)</u>
		<u>\$ 3,708,865</u>	<u>\$ 3,855,857</u>

Depreciation expense charged to operations amounted to \$154,047 and \$153,519 for the years ended December 31, 2020 and 2019, respectively.

8. WEBSITE

The Trail Conference re-developed its website in 2016 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>2020</u>	<u>2019</u>
Website	4	\$ 208,245	\$ 205,140
Accumulated amortization	N/A	<u>(182,655)</u>	<u>(144,119)</u>
Website, net		<u>\$ 25,590</u>	<u>\$ 61,021</u>

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Amortization expense amounted to \$38,536 and \$51,284 at December 31, 2020 and 2019, respectively. Future amortization is as follows: 2021 - \$22,664, and 2022 - \$2,926.

9. PAYCHECK PROTECTION PROGRAM LOAN

On April 13, 2020, the Trail Conference issued an unsecured promissory note (the "PPP Loan") for \$380,761 through the Paycheck Protection Program ("PPP") established under the CARES act, and administered by the U.S. Small Business Administration ("SBA"). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Trail Conference was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP Loan was disbursed ("covered period"), and otherwise satisfied PPP requirements. The PPP Loan was made through Blue Foundry Bank (the "lender"), has a two-year term, bears interest at 1.00% per annum, and matures on April 12, 2022. If the PPP Loan is not forgiven, monthly principal and interest payments are deferred until six months after the date of the loan. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. Accordingly, the organization has reflected the PPP Loan as long-term debt in the accompanying statements of financial position. Subsequent to December 31, 2020, the Trail Conference was informed that its application for forgiveness of \$380,761 of the PPP Loan was approved by the SBA. Accordingly, the Trail Conference will record it as forgiveness of debt in 2021.

10. NET ASSETS

Net Assets Without Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Available for general operations	\$ 126,746	\$ 67,888
Board designated Legacy Fund	3,746,718	3,739,573
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>3,582,629</u>	<u>3,733,188</u>
	<u>\$ 7,656,093</u>	<u>\$ 7,740,649</u>

Land Acquisition and Stewardship Fund

The Trail Conference maintains a Land Acquisition and Stewardship Fund which is used from time to time to purchase privately owned land as part of its trail planning and protection program. Such land is temporarily held for conservation purposes, but the Trail Conference's ultimate intention is, if possible, to sell these lands to governmental or non-profit entities that will preserve the properties as trail lands open for public use. The proceeds from such sales are used to replenish the Land Acquisition and Stewardship Fund. The Land Acquisition and Stewardship Fund was originally started with \$200,000 of Board designated funds, and has subsequently been augmented by additional contributions, with donor restrictions, from third parties. The original \$200,000 of the fund is classified as without donor restrictions, and the balance is classified as with donor restrictions.

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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, 2019	\$ 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	200,000	1,620,275	1,820,275
Contributions	-	501,440	501,440
Investment income	-	13,534	13,534
Appropriation for spending	<u>-</u>	<u>(15,617)</u>	<u>(15,617)</u>
Balance at December 31, 2020	<u>\$ 200,000</u>	<u>\$ 2,119,632</u>	<u>\$ 2,319,632</u>

Legacy Fund

The Board created a quasi-endowment fund, where the Board may allocate the fund's principal and earnings for any Board designated purpose. The Legacy fund is classified as without donor restrictions. The following represent the changes in net asset composition for the Legacy fund:

Balance at January 1, 2019	\$ 3,470,083
Contributions	-
Investment income	628,140
Appropriation for spending	<u>(358,650)</u>
Balance at December 31, 2019	3,739,573
Contributions	-
Investment income	348,145
Appropriation for spending	<u>(341,000)</u>
Balance at December 31, 2020	<u>\$ 3,746,718</u>

Investment Policies

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

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Spending Policies

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

Net Assets With Donor Restrictions

Components of net assets with donor restrictions at December 31 were as follows:

	<u>2020</u>	<u>2019</u>
With donor restrictions - restricted by donor for programmatic use as follows		
Trails land work and related projects	\$ 808,220	\$ 638,726
Other	37,017	34,517
Land Acquisition and Stewardship Fund	<u>2,119,632</u>	<u>1,620,275</u>
	2,964,869	2,293,518
Restricted based on time restrictions	<u>412,394</u>	<u>424,133</u>
	<u>\$ 3,377,263</u>	<u>\$ 2,717,651</u>

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

	<u>2020</u>	<u>2019</u>
Trails land work and related projects	\$ 1,165,975	\$ 1,030,819
Other	-	2,682
Land Acquisition and Stewardship Fund	15,618	37,789
Time restricted	<u>11,739</u>	<u>-</u>
Net assets with donor restrictions released	<u>\$ 1,193,332</u>	<u>\$ 1,071,290</u>

11. EMPLOYEE RETIREMENT PLAN

The Trail Conference established a retirement savings plan pursuant to Section 403(b) of the Internal Revenue Code. All full-time employees over 21 years of age are eligible to enroll in the plan. The Trail Conference matches 50% of the employee's contribution up to 6% of salary after 6 months of employment. The contributions for the years ended December 31, 2020 and 2019 were \$34,195 and \$33,794, 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

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12. 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, 2020 and 2019 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 \$135,935 and \$111,219 for the years ended December 31, 2020 and 2019, respectively. Depreciation expense for the capital lease asset amounted to \$24,716 for each of the years ended December 31, 2020 and 2019. 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>2020</u>	<u>2019</u>
Capital lease payable	\$ 226,725	\$ 250,725
Less: Discount to net present value	<u>(50,504)</u>	<u>(60,250)</u>
	176,221	190,475
Less: Current maturities	<u>14,984</u>	<u>14,255</u>
	<u>\$ 161,237</u>	<u>\$ 176,220</u>

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

Year	Amount
2021	\$ 24,000
2022	24,000
2023	24,000
2024	24,000
2025	24,000
Thereafter	<u>106,725</u>
	226,725
Less: Imputed interest	<u>50,504</u>
Capital lease payable	<u>\$ 176,221</u>

13. RELATED PARTIES

The Trail Conference received contributions from board members totalling approximately \$98,000 and \$59,000 for the years ended December 31, 2020 and 2019, respectively.

14. CONCENTRATIONS OF CREDIT RISK

The Trail Conference received approximately 12% and 19% of its revenue from one funding source for the years ended December 31, 2020 and 2019, respectively.

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15. 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, 2020, \$18,833 has been expended in capital renovation improvements. The fair market value of this lease is included in pledges receivable of \$63,810 and \$70,900 at December 31, 2020 and 2019, respectively. For each of the years ended December 31, 2020 and 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.
- 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, 2020, the remaining cost of the land is \$167,554, which represents the portion that the Trail Conference expects to realize in a future sale.

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16. RISKS AND UNCERTAINTIES

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 future periods. 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.

17. SUBSEQUENT EVENTS

The Trail Conference has evaluated subsequent events occurring after the statement of financial position date through the date of July 14, 2021, the date the financial statements were available for release. Based upon this evaluation, the Trail Conference has not identified any subsequent event requiring disclosure.