



TRAIL CONFERENCE

NEW YORK - NEW JERSEY TRAIL CONFERENCE, INC.

Financial Statements

June 30, 2023 and December 31, 2022

With Independent Auditor's Report

New York - New Jersey Trail Conference, Inc.
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of New York - New Jersey Trail Conference, Inc. (the "Trail Conference"), which comprise the statements of financial position as of June 30, 2023 and December 31, 2022, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of New York - New Jersey Trail Conference, Inc. as of June 30, 2023 and December 31, 2022, and the changes in its net assets and its cash flows for the period and year, respectively, then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trail Conference and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trail Conference's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trail Conference's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Withum Smith + Brown, PC

May 6, 2024

New York - New Jersey Trail Conference, Inc.
Statements of Financial Position
June 30, 2023 and December 31, 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 620,274	\$ 1,055,169
Investments	3,877,249	3,524,629
Accounts receivable	29,108	19,141
Grants receivable	547,967	715,488
Promises to give, current portion	609,961	560,657
Other receivables	1,180	45,144
Prepaid expenses and other current assets	44,276	14,606
Total current assets	<u>5,730,015</u>	<u>5,934,834</u>
Construction in progress	-	5,200
Property and equipment, net	<u>3,182,828</u>	<u>3,237,684</u>
Website, net	1,085	1,705
Right-of-use asset - financing, net	<u>173,005</u>	<u>185,362</u>
Right-of-use asset - operating, net	<u>121,538</u>	<u>130,769</u>
Other assets		
Investments held for the Land Acquisition and Stewardship Fund	617,332	568,957
Promises to give, net of current portion and pledge discount	708,967	719,118
Trail land and easements	1,739,974	1,739,974
Security deposits	18,137	500
Total other assets	<u>3,084,410</u>	<u>3,028,549</u>
Total assets	<u>\$ 12,292,881</u>	<u>\$ 12,524,103</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 225,378	\$ 242,136
Financing lease payable, current portion	19,855	16,557
Deferred income	-	5,000
Total current liabilities	245,233	263,693
Long-term liabilities		
Financing lease payable, noncurrent portion	128,928	128,928
Tenant improvement payable	103,037	113,620
Total liabilities	<u>477,198</u>	<u>506,241</u>
Net assets		
Without donor restrictions	7,783,147	7,967,092
With donor restrictions	4,032,536	4,050,770
Total net assets	<u>11,815,683</u>	<u>12,017,862</u>
Total liabilities and net assets	<u>\$ 12,292,881</u>	<u>\$ 12,524,103</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
Period from January 1, 2023 to June 30, 2023, and Year Ended December 31, 2022

	2023			2022		
	January 1, 2023 - June 30, 2023			January 1, 2022 - December 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues						
Contributions of financial assets						
Membership dues	\$ 104,218	\$ -	\$ 104,218	\$ 256,173	\$ -	\$ 256,173
Individuals and foundations	362,133	183,894	546,027	1,015,312	199,563	1,214,875
Grants and contracts	-	596,196	596,196	-	1,260,692	1,260,692
Contributions of nonfinancial assets	74,657	-	74,657	194,779	-	194,779
Sales of maps, books, and other items	77,184	-	77,184	147,951	-	147,951
Other income	(457)	-	(457)	2,151	-	2,151
Loss on sale of trail lands and easements	-	-	-	-	-	-
	<u>617,735</u>	<u>780,090</u>	<u>1,397,825</u>	<u>1,616,366</u>	<u>1,460,255</u>	<u>3,076,621</u>
Net assets released from restrictions	<u>846,699</u>	<u>(846,699)</u>	<u>-</u>	<u>1,797,273</u>	<u>(1,797,273)</u>	<u>-</u>
	<u>1,464,434</u>	<u>(66,609)</u>	<u>1,397,825</u>	<u>3,413,639</u>	<u>(337,018)</u>	<u>3,076,621</u>
Expenses						
Program services	1,367,452	-	1,367,452	2,504,648	-	2,504,648
Management and general	199,911	-	199,911	394,163	-	394,163
Fundraising	361,059	-	361,059	547,797	-	547,797
	<u>1,928,422</u>	<u>-</u>	<u>1,928,422</u>	<u>3,446,608</u>	<u>-</u>	<u>3,446,608</u>
Change in net assets from operations	<u>(463,988)</u>	<u>(66,609)</u>	<u>(530,597)</u>	<u>(32,969)</u>	<u>(337,018)</u>	<u>(369,987)</u>
Nonoperating revenue						
Investment income (loss), net	<u>280,043</u>	<u>48,375</u>	<u>328,418</u>	<u>(676,606)</u>	<u>(41,759)</u>	<u>(718,365)</u>
	<u>280,043</u>	<u>48,375</u>	<u>328,418</u>	<u>(676,606)</u>	<u>(41,759)</u>	<u>(718,365)</u>
Changes in net assets	<u>(183,945)</u>	<u>(18,234)</u>	<u>(202,179)</u>	<u>(709,575)</u>	<u>(378,777)</u>	<u>(1,088,352)</u>
Net assets						
Beginning of period	<u>7,967,092</u>	<u>4,050,770</u>	<u>12,017,862</u>	<u>8,676,667</u>	<u>4,429,547</u>	<u>13,106,214</u>
End of period	<u>\$ 7,783,147</u>	<u>\$ 4,032,536</u>	<u>\$ 11,815,683</u>	<u>\$ 7,967,092</u>	<u>\$ 4,050,770</u>	<u>\$ 12,017,862</u>

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

New York - New Jersey Trail Conference, Inc.

Statements of Cash Flows

Period from January 1, 2023 to June 30, 2023, and Year Ended December 31, 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Changes in net assets	\$ (202,179)	\$ (1,088,352)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	67,214	132,025
Unrealized (gain) loss on investments	(264,925)	779,882
Realized (gain) loss on investments	(15,764)	105,705
Net present value adjustment on promises to give	(35,894)	8,353
Interest expense	3,298	-
Right-of-use asset - financing	12,357	24,715
Right-of-use asset - operating	9,231	18,462
Changes in assets and liabilities		
Accounts receivable	(9,967)	6,787
Grants receivable	167,521	104,593
Promises to give	(3,259)	134,695
Other receivables	43,964	2,142
Prepaid expenses and other current assets	(29,670)	1,915
Security deposits	(17,637)	(500)
Accounts payable and accrued expenses	(16,758)	31,114
Deferred income	(5,000)	(1,225)
Tenant improvement payable	(5,383)	(16,000)
Net cash provided by (used in) operating activities	<u>(302,851)</u>	<u>244,311</u>
Investing activities		
Purchase of property and equipment	(11,738)	(14,465)
Construction in progress	-	(5,200)
Purchase of investments	(762,442)	(1,557,746)
Proceeds from the sale of investments	642,136	1,716,668
Net cash provided by (used in) investing activities	<u>(132,044)</u>	<u>139,257</u>
Financing activities		
Payment on financing lease	-	(15,751)
Net cash used in financing activities	<u>-</u>	<u>(15,751)</u>
Net change in cash and cash equivalents	(434,895)	367,817
Cash and cash equivalents		
Beginning of year	1,055,169	687,352
End of year	<u>\$ 620,274</u>	<u>\$ 1,055,169</u>

Supplemental disclosure of cash flow information

No amounts were paid for interest or income taxes for the period from January 1, 2023 to June 30, 2023, and the year ended December 31, 2022

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

New York - New Jersey Trail Conference, Inc.
Statement of Functional Expenses
Period from January 1, 2023 to June 30, 2023

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Trail Programs	Publications	Darlington Headquarters				
Salaries and wages	\$ 661,932	\$ 25,203	\$ -	\$ 687,135	\$ 149,064	\$ 237,631	\$ 1,073,830
Payroll taxes and fringes	110,229	4,197	-	114,426	24,823	39,572	178,821
Professional services	85,644	854	-	86,498	5,054	29,529	121,081
Occupancy	26,442	339	-	26,781	2,008	3,201	31,990
Office expense	27,219	9,885	-	37,104	2,347	25,977	65,428
Cost of goods sold	-	24,449	-	24,449	-	-	24,449
Insurance	21,349	610	-	21,959	3,606	5,748	31,313
Trail development costs	152,902	-	-	152,902	1,668	-	154,570
Travel	21,303	454	-	21,757	80	1,510	23,347
Dues and fees	4,342	185	-	4,527	1,244	286	6,057
In-kind expenses	64,041	-	-	64,041	-	14,161	78,202
Workshops and meetings	22,323	-	-	22,323	414	60	22,797
Other expenses	13,468	7,567	-	21,035	10	3,384	24,429
Depreciation and amortization	835	-	56,786	57,621	9,593	-	67,214
Amortization of right-of-use asset	9,231	-	12,357	21,588	-	-	21,588
Interest on lease liability	-	-	3,306	3,306	-	-	3,306
	<u>\$ 1,221,260</u>	<u>\$ 73,743</u>	<u>\$ 72,449</u>	<u>\$ 1,367,452</u>	<u>\$ 199,911</u>	<u>\$ 361,059</u>	<u>\$ 1,928,422</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, 2022

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Trail Programs	Publications	Darlington Headquarters				
Salaries and wages	\$ 1,258,412	\$ 56,736	\$ -	\$ 1,315,148	\$ 275,480	\$ 306,911	\$ 1,897,539
Payroll taxes and fringes	202,873	9,147	-	212,020	44,411	49,478	305,909
Professional services	135,667	3,747	-	139,414	18,196	20,272	177,882
Occupancy	61,858	1,292	-	63,150	6,276	6,992	76,418
Office expense	51,897	27,329	-	79,226	4,516	63,195	146,937
Cost of goods sold	-	55,673	-	55,673	-	-	55,673
Insurance	36,190	1,390	-	37,580	6,751	7,521	51,852
Trail development costs	229,860	-	-	229,860	-	-	229,860
Travel	28,773	98	-	28,871	528	920	30,319
Dues and fees	4,939	179	-	5,118	4,360	611	10,089
In-kind expenses	123,882	-	-	123,882	-	77,987	201,869
Workshops and meetings	35,453	-	-	35,453	2,120	2,144	39,717
Other expenses	12,652	15,165	-	27,817	(490)	11,766	39,093
Depreciation and amortization	4,281	-	95,729	100,010	32,015	-	132,025
Amortization of right-of-use asset	18,462	-	24,715	43,177	-	-	43,177
Interest on lease liability	-	-	8,249	8,249	-	-	8,249
	<u>\$ 2,205,199</u>	<u>\$ 170,756</u>	<u>\$ 128,693</u>	<u>\$ 2,504,648</u>	<u>\$ 394,163</u>	<u>\$ 547,797</u>	<u>\$ 3,446,608</u>

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

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
June 30, 2023 and December 31, 2022

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.

The Trail Conference changed its fiscal year end from December 31 to June 30. Therefore, these financial statements present the activity for the full year ended December 31, 2022, and for the period from January 1, 2023 to June 30, 2023.

Intermediate Measure of Operations

The accompanying statements of activities and changes in net assets distinguish between operating and nonoperating activities. Operating activities principally include all revenues and expenses that are an integral part of the Trail Conference's programs and supporting activities. Nonoperating activities principally include investment income (loss) and activities that are considered to be of a nonrecurring nature and items that are generally not an integral part to the Trail Conference's programs and supporting activities.

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 June 30, 2023 and 2022. The Trail Conference did not have any income tax related penalties or interest for the periods presented in these financial statements.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
June 30, 2023 and December 31, 2022

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 contributions of nonfinancial assets (see Note 10) and useful lives assigned to property and equipment and intangible assets and the calculation of depreciation and amortization expense (see Notes 7 and 8).

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.

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 the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, 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 June 30, 2023, and December 31, 2022.

Promises to Give

Promises to give are recorded at fair value upon notification of the promise to give. Management monitors the collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at June 30, 2023 and December 31, 2022.

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 Land and Easements

Trail land and easements are recorded at cost or fair value if donated.

Website

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

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
June 30, 2023 and December 31, 2022

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.

Leases

The Trail Conference categorizes leases with contractual terms longer than 12 months as either operating or finance. Finance leases are generally those leases that allow the Trail Conference to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statements of financial position.

Certain lease contracts include obligations to pay for other services, such as operations, property taxes, and maintenance. The services are accounted for separately, and the Trail Conference allocates payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments using a discount rate based on risk-free rate. Right-of-use ("ROU") assets are recognized based on the initial present value of the fixed lease payments, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease. Finance lease assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term. The interest component of a finance lease is included in interest expense and recognized using the effective interest method over the lease term.

Revenue and Support Recognition

Contributions

The Trail Conference recognizes contributions, including memberships dues, as revenue when they are received or unconditionally promised to give 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. Promises to give, which are expected to be paid in greater than one year, are discounted to net present value annually.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
June 30, 2023 and December 31, 2022

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 nonexchange 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 receivable in the statements of financial position. The Trail Conference's grant contracts span multiple years and provide for cost reimbursement of approximately \$12,817,000 with remaining available funding under the contracts through 2027 of approximately \$8,591,000. This funding is conditioned upon the Trail Conference incurring qualified expenses and 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. The Trail Conference received 32,217 and 79,806 hours of volunteer services for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, 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. Accounts receivable as of June 30, 2023, December 31, 2022, and December 31, 2021, were \$29,108, \$19,141, and \$25,928, 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. The Trail Conference's volunteer-powered organization is now also recognized as an innovative leader in protecting native habitats by combating invasive species. The Trail Conference engages volunteers and educates people on the simple steps they can take to help care for trails and save the planet's ecosystems. The Trail Conference believes 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 people decide to get outdoors, the Trail Conference provides the information needed to experience and successfully navigate the way there and back. The Trail Conference's trusted trip-planning and wayfinding expertise is a service that it offers through maps, guidebooks, and its 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.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
June 30, 2023 and December 31, 2022

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 program 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 and salaries

Accounting Pronouncement Adopted in the Current Period

In June 2016, the Financial Accounting Standards Board issued an Accounting Standards Update amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposure, and other financial instruments recorded at amortized cost. The Trail Conference adopted the new standard effective January 1, 2023, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption. The adoption of this standard did not have a material impact on prior balances.

3. LIQUIDITY AND AVAILABILITY

As of June 30, 2023 and December 31, 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	<u>2023</u>	<u>2022</u>
Financial assets		
Cash and cash equivalents	\$ 620,274	\$ 1,055,169
Investments	4,494,581	4,093,586
Accounts receivable	29,108	19,141
Grants receivable	547,967	715,488
Promises to give	1,318,928	1,279,775
Other receivables	<u>1,180</u>	<u>45,144</u>
Total financial assets	7,012,038	7,208,303
Less: Restricted net assets to be paid utilizing financial assets	<u>(2,292,562)</u>	<u>(2,310,796)</u>
Financial assets and liquidity resources available for general expenditure	<u>\$ 4,719,476</u>	<u>\$ 4,897,507</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
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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 period and year due to the timing of program operations and the timing of payments and contributions from funding sources, members, and other contributors.

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).

As of June 30, 2023 and December 31, 2022, the following summarizes the market value and cost of investments:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Market (Level 1)</u>	<u>Cost</u>	<u>Market (Level 1)</u>
Money market funds	\$ 91,772	\$ 91,772	\$ 102,189	\$ 102,189
Equity funds	2,444,009	2,721,527	2,460,423	2,537,948
Bond funds	747,187	738,615	501,553	479,714
Exchange-traded funds	907,852	942,667	989,832	973,735
	<u>4,190,820</u>	<u>4,494,581</u>	<u>4,053,997</u>	<u>4,093,586</u>
Less: Investments held for the Land Acquisition and Stewardship Fund	<u>590,887</u>	<u>(617,332)</u>	<u>(582,984)</u>	<u>(568,957)</u>
	<u>\$ 4,781,707</u>	<u>\$ 3,877,249</u>	<u>\$ 3,471,013</u>	<u>\$ 3,524,629</u>

Investment income (loss) consisted of the following for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 57,729	\$ 187,570
Realized gains (losses)	15,764	(105,705)
Unrealized gains (losses)	264,925	(779,882)
Investment advisory fees	(10,000)	(20,348)
	<u>\$ 328,418</u>	<u>\$ (718,365)</u>

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5. GRANTS RECEIVABLE

As of June 30, 2023 and December 31, 2022, grants receivable consist of the following:

	<u>2023</u>	<u>2022</u>
New York State Department of Agriculture and Markets	\$ 64,705	\$ -
New York State Department of Environmental Conservation	147,143	170,393
New York State Office of Parks, Recreation and Historic Preservation	230,602	291,086
New York State Office of Children and Family Services	105,517	24,181
Employee Retention Credit receivable	-	229,451
Other	-	377
	<u>\$ 547,967</u>	<u>\$ 715,488</u>

6. PROMISES TO GIVE

Promises to give consist of the following as of June 30, 2023 and December 31, 2022:

	<u>2023</u>	<u>2022</u>
Promises to give expected to be collected		
In one year or less	\$ 609,961	\$ 560,657
Between one and five years	698,950	741,450
More than five years	<u>28,545</u>	<u>32,090</u>
	1,337,456	1,334,197
Less: Discount to present value	<u>(18,528)</u>	<u>(54,422)</u>
	<u>\$ 1,318,928</u>	<u>\$ 1,279,775</u>

The estimated present value of the future cash flows was determined using a discount rate ranging from 1% to 3.88%.

7. PROPERTY AND EQUIPMENT

Property and equipment are composed of the following as of June 30, 2023 and December 31, 2022:

<u>Asset Description</u>	<u>Useful Life (Years)</u>	<u>2023</u>	<u>2022</u>
Land	N/A	\$ 221,340	\$ 221,340
Building and improvements	15-40	3,665,900	3,665,900
Furniture and fixtures	10	178,443	178,443
Equipment	3-10	143,438	131,700
Livestock	5	<u>8,342</u>	<u>8,342</u>
		4,217,463	4,205,725
Less: Accumulated depreciation	N/A	<u>(1,034,635)</u>	<u>(968,041)</u>
		<u>\$ 3,182,828</u>	<u>\$ 3,237,684</u>

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Depreciation expense charged to operations amounted to \$66,594 and \$129,412 for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, 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 as of June 30, 2023 and December 31, 2022, consist of the following:

	<u>Useful Life (Years)</u>	<u>2023</u>	<u>2022</u>
Website	4	\$ 210,101	\$ 210,101
Accumulated amortization	N/A	<u>(209,016)</u>	<u>(208,396)</u>
Website, net		<u>\$ 1,085</u>	<u>\$ 1,705</u>

Amortization expense amounted to \$620 and \$23,128 for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, respectively. Future amortization is as follows: 2024 - \$852 and 2025 - \$232.

9. NET ASSETS

Net Assets Without Donor Restrictions

Components of net assets without donor restrictions as of June 30, 2023 and December 31, 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Available for general operations	\$ 552,207	\$ 588,673
Board-designated Legacy Fund	3,830,661	3,894,796
Board-designated funds for the Land Acquisition and Stewardship Fund	174,728	183,713
Investment in property and equipment and ROU assets net of related liabilities	<u>3,225,551</u>	<u>3,299,910</u>
	<u>\$ 7,783,147</u>	<u>\$ 7,967,092</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 nonprofit 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 contained \$200,000 of board-designated funds, of which \$25,272 has been spent. The table below presents the Land Acquisition and Stewardship Fund with and without donor restrictions.

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The following table represents 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, 2022	\$ 200,000	\$ 2,153,940	\$ 2,353,940
Contributions	-	1,300	1,300
Investment loss	-	(41,759)	(41,759)
Appropriation for spending	<u>(16,287)</u>	<u>-</u>	<u>(16,287)</u>
Balance at December 31, 2022	183,713	2,113,481	2,297,194
Investment income	-	48,375	48,375
Appropriation for spending	<u>(8,985)</u>	<u>-</u>	<u>(8,985)</u>
Balance at June 30, 2023	<u>\$ 174,728</u>	<u>\$ 2,161,856</u>	<u>\$ 2,336,584</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 table represents the changes in net asset composition for the Legacy Fund:

Balance at January 1, 2022	\$ 4,278,182
Transfers in	425,000
Investment loss	(592,386)
Appropriation for spending	<u>(216,000)</u>
Balance at December 31, 2022	3,894,796
Transfers in	-
Investment income	253,865
Appropriation for spending	<u>(318,000)</u>
Balance at June 30, 2023	<u>\$ 3,830,661</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 those 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 are as follows as of June 30, 2023 and December 31, 2022:

	<u>2023</u>	<u>2022</u>
With donor restrictions - restricted by donor for programmatic use as follows		
Trails land work and related projects	\$ 1,651,912	\$ 1,731,022
Other	35,127	35,127
Land Acquisition and Stewardship Fund	<u>2,161,856</u>	<u>2,113,481</u>
	3,848,895	3,879,630
Restricted based on time restrictions	<u>183,641</u>	<u>171,140</u>
	<u>\$ 4,032,536</u>	<u>\$ 4,050,770</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, as following:

	<u>2023</u>	<u>2022</u>
Trails land work and related projects	\$ 837,714	\$ 1,643,685
Other	-	3,377
Land Acquisition and Stewardship Fund	8,985	-
Time restricted	<u>-</u>	<u>150,211</u>
Net assets with donor restrictions released	<u>\$ 846,699</u>	<u>\$ 1,797,273</u>

10. CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets recognized within the statements of activities and changes in net assets included the following for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022:

<u>Nonfinancial Contributions Category</u>	<u>Type of Contribution</u>	<u>Valuation</u>	<u>2023</u>	<u>2022</u>
Media	Digital advertisements	Third-party estimates using billing rates in like circumstances	\$ 51,296	\$ 111,868
Donated rent	Usage of space	Fair market value based on square footage and location	1,700	39,339
Donated goods	Auction items and other	Comparable products	<u>21,661</u>	<u>43,572</u>
		Total gifts in-kind	<u>\$ 74,657</u>	<u>\$ 194,779</u>

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The Trail Conference recognized contributed nonfinancial assets within revenue, including professional services, use of a rental property, auction items, and tools. Contributed nonfinancial assets do not have donor-imposed restrictions, except for the rental property which has a time restriction.

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 six months of employment. The matching contributions for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, were \$21,597 and \$35,700, 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

12. FINANCING LEASE

The Trail Conference entered into a lease agreement for geothermal equipment which was installed in the Darlington Schoolhouse in 2014. The lease will be repaid over 15 years with annual payments of approximately \$24,000. The Trail Conference utilizes the rate implicit in the lease of 5% as the discount rate. As of June 30, 2023, the remaining lease term is approximately seven years. Amortization of the ROU asset in the amount of \$12,357 and \$24,716 for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, is included in the statements of functional expenses. Interest on the lease liability was \$3,306 and \$8,249 for the period from January 1, 2023 to June 30, 2023, and the year ended December 31, 2022, respectively.

The financing lease payable as of June 30, 2023 and December 31, 2022, consists of the following:

	<u>2023</u>	<u>2022</u>
Financing lease payable	\$ 182,023	\$ 178,725
Less: Discount to net present value	<u>(33,240)</u>	<u>(33,240)</u>
	148,783	145,485
Less: Current maturities	<u>19,855</u>	<u>16,557</u>
	<u>\$ 128,928</u>	<u>\$ 128,928</u>

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Future minimum lease payments under capital leases are as follows at June 30, 2023:

2024	\$ 24,000
2025	24,000
2026	24,000
2027	24,000
2028	24,000
Thereafter	<u>62,023</u>
	182,023
Less: Imputed interest	<u>33,240</u>
Financing lease payable	<u>\$ 148,783</u>

Operating cash flows from the financing lease totaled \$0 and \$8,249 for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, respectively. Financing cash flows from the financing lease totaled \$0 and \$15,751 for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, respectively.

13. OPERATING LEASE

On March 12, 2019, the Trail Conference entered into a 10-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. The \$200,000 was deemed to be consideration of the lease; therefore, the Trail Conference recorded a ROU asset - operating and tenant improvement payable of \$200,000 at inception of the lease. There is no lease liability since there is no fixed payment term. The payments against the tenant improvement payable represent the improvements required under the contract and occur at various points over time. The ROU asset - operating was \$121,538 and \$130,769 at June 30, 2023 and December 31, 2022, respectively. The tenant improvement payable was \$103,037 and \$113,620 at June 30, 2023 and December 31, 2022, respectively.

14. RELATED PARTIES

The Trail Conference received contributions from board members totaling approximately \$30,000 and \$79,000 for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, respectively.

15. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Trail Conference to concentrations of credit risk are cash and cash equivalents and investments.

Cash and Cash Equivalents

The Trail Conference has significant cash balances at financial institutions which throughout the year regularly exceed the federally insured limit of \$250,000. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Trail Conference's financial condition, results of operations, and cash flows.

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Investments

The Trail Conference invests in conservative instruments which mainly comprise publicly traded stocks and funds. The Trail Conference's investments are exposed to various risks, such as fluctuations in market value and interest rate and credit risks. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements. The Trail Conference mitigates risk by diversifying its portfolio among many instruments across a wide range of high-quality securities and industries.

The Trail Conference received approximately 25% and 20% of its revenues from two funding sources and one funding source for the period from January 1, 2023 to June 30, 2023, and for the year ended December 31, 2022, respectively.

The Trail Conference had 72% and 75% of promises to give from two funding sources as of June 30, 2023 and December 31, 2022, respectively.

16. COMMITMENTS AND CONTINGENCIES

Easements

As a condition of the donation of certain lands to the Sterling Forest New York State Park (the "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 the following:

Parking Access Easement - The County of Bergen and the Northwest Bergen County Utilities Authority granted an easement that allows the Trail Conference to access its 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 regard 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 of Bergen.

Gifford Trail Easement - An individual granted an easement in Schenectady County, New York, for hiking and other passive recreational use by the general public.

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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 June 30, 2023 and December 31, 2022, the remaining cost of the land is \$167,554, which represents the portion that the Trail Conference expects to realize in a future sale.

17. SUBSEQUENT EVENTS

The Trail Conference has evaluated subsequent events occurring after the statement of financial position date through the date of May 6, 2024, the date the financial statements were available for release. Based upon this evaluation, the Trail Conference has not identified any subsequent event requiring disclosure.