

NEW YORK-NEW JERSEY TRAIL CONFERENCE, INC.

Financial Statements

December 31, 2016 and 2015

With Independent Auditors' Reports

New York-New Jersey Trail Conference, Inc.
December 31, 2016 and 2015

TABLE OF CONTENTS	
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to Financial Statements	8-17

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of New York – New Jersey Trail Conference, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New York – New Jersey Trail Conference, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Withum Smith + Brown, PC

April 27, 2017

New York - New Jersey Trail Conference, Inc.
Statements of Financial Position
December 31, 2016 and 2015

	2016	2015 (Restated)
Assets		
Current assets		
Cash and cash equivalents	\$ 311,169	\$ 2,484,987
Investments	4,560,000	2,365,082
Accounts receivable	96,127	53,223
Grants receivable	355,713	408,950
Pledges receivable	124,350	198,076
Prepaid expenses and other current assets	<u>25,328</u>	<u>11,600</u>
Total current assets	5,472,687	5,521,918
Construction in progress	2,025	--
Property and equipment, net	4,255,268	4,365,705
Website, net	81,152	--
Other assets		
Investments held for the Land Acquisition and Stewardship Fund	801,832	483,947
Pledges receivable, net of current portion and pledge discount	478,437	460,984
Trail land and easements	533,905	852,032
Security deposits	<u>6,331</u>	<u>90,000</u>
Total other assets	<u>1,820,505</u>	<u>1,886,963</u>
	<u>\$ 11,631,637</u>	<u>\$ 11,774,586</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 153,484	\$ 114,579
Capital lease payable	12,273	11,676
Deferred membership income	<u>132,219</u>	<u>138,256</u>
Total current liabilities	297,976	264,511
Long-term liabilities		
Capital lease payable, net of current portion	<u>216,938</u>	<u>229,210</u>
Total liabilities	514,914	493,721
Net assets		
Unrestricted	8,741,708	8,927,491
Temporarily restricted	<u>2,375,015</u>	<u>2,353,374</u>
Total net assets	<u>11,116,723</u>	<u>11,280,865</u>
	<u>\$ 11,631,637</u>	<u>\$ 11,774,586</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, 2016 and 2015

	2016			2015 (Restated)		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues						
Membership dues	\$ 268,446	\$ --	\$ 268,446	\$ 260,348	\$ --	\$ 260,348
Contributions						
Individuals and foundations	373,848	643,912	1,017,760	609,030	743,737	1,352,767
Bequests	74,906	--	74,906	3,772,356	--	3,772,356
Grants and contracts	928,684	--	928,684	752,840	--	752,840
Sales of maps, books and other items	281,922	--	281,922	285,978	--	285,978
Other income	35,048	--	35,048	32,155	--	32,155
In-kind contributions	156,835	--	156,835	168,811	--	168,811
	<u>2,119,689</u>	<u>643,912</u>	<u>2,763,601</u>	<u>5,881,518</u>	<u>743,737</u>	<u>6,625,255</u>
Net assets released from restrictions	<u>689,296</u>	<u>(689,296)</u>	<u>--</u>	<u>823,928</u>	<u>(823,928)</u>	<u>--</u>
	2,808,985	(45,384)	2,763,601	6,705,446	(80,191)	6,625,255
Expenses						
Program services						
Trail programs	2,058,963	--	2,058,963	1,574,929	--	1,574,929
Publications	199,347	--	199,347	178,515	--	178,515
Darlington Headquarters	132,856	--	132,856	79,293	--	79,293
Membership	382,290	--	382,290	321,364	--	321,364
	<u>2,773,456</u>	<u>--</u>	<u>2,773,456</u>	<u>2,154,101</u>	<u>--</u>	<u>2,154,101</u>
Supporting services						
Management and general	301,025	--	301,025	245,286	--	245,286
Fundraising	205,997	--	205,997	225,769	--	225,769
	<u>507,022</u>	<u>--</u>	<u>507,022</u>	<u>471,055</u>	<u>--</u>	<u>471,055</u>
	<u>3,280,478</u>	<u>--</u>	<u>3,280,478</u>	<u>2,625,156</u>	<u>--</u>	<u>2,625,156</u>
Change in net assets from operations	<u>(471,493)</u>	<u>(45,384)</u>	<u>(516,877)</u>	<u>4,080,290</u>	<u>(80,191)</u>	<u>4,000,099</u>
Non-operating revenue (expense)						
Investment income (loss), net	<u>285,710</u>	<u>67,025</u>	<u>352,735</u>	<u>11,885</u>	<u>(1,306)</u>	<u>10,579</u>
Changes in net assets	(185,783)	21,641	(164,142)	4,092,175	(81,497)	4,010,678
Net assets, beginning of year, as previously stated	8,927,491	2,353,374	11,280,865	4,835,316	2,537,086	7,372,402
Restatement (see Note 13)	--	--	--	--	(102,215)	(102,215)
Net assets, beginning of year, restated	<u>8,927,491</u>	<u>2,353,374</u>	<u>11,280,865</u>	<u>4,835,316</u>	<u>2,434,871</u>	<u>7,270,187</u>
Net assets, end of year	<u>\$ 8,741,708</u>	<u>\$ 2,375,015</u>	<u>\$ 11,116,723</u>	<u>\$ 8,927,491</u>	<u>\$ 2,353,374</u>	<u>\$ 11,280,865</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, 2016 and 2015

	2016	2015 (Restated)
Cash flows from operating activities		
Changes in net assets	\$ (164,142)	\$ 4,010,678
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	172,144	92,631
Unrealized (gain) loss on investments	(376,420)	124,750
Realized loss (gain) on investments	141,742	(56,676)
Loss on sale of trail lands and easements	36,408	412
Net present value on pledges receivable	(1,054)	(79,920)
Discount to net present value	--	(105,839)
Donated property and equipment	(17,754)	--
Donation of trail lands and easements	344,000	--
Changes in assets and liabilities		
Accounts receivable	(42,904)	(6,577)
Grants receivable	53,237	(26,034)
Pledge receivable	57,327	172,106
Prepaid expenses and other current assets	(13,728)	68
Security deposits	83,669	3,375
Accounts payable and accrued expenses	38,905	(354,727)
Deferred membership income	(6,037)	7,363
Net cash (used) provided by operating activities	<u>305,393</u>	<u>3,781,610</u>
Cash flows from investing activities		
Purchase of property and equipment	(32,360)	(4,396,734)
Website development costs	(92,745)	--
Change in construction in progress	(2,025)	3,789,465
Purchase of trail lands and easements	(475,873)	--
Sale of trail lands and easements	413,592	--
Purchase of investments	(4,477,452)	(3,780,981)
Proceeds from the sale of investments	<u>2,199,327</u>	<u>2,489,176</u>
Net cash used by investing activities	(2,467,536)	(1,899,074)
Cash flows from financing activities		
Payment on capital lease	<u>(11,675)</u>	<u>(24,000)</u>
Net change in cash and cash equivalents	(2,173,818)	1,858,536
Cash and cash equivalents		
Beginning of year	<u>2,484,987</u>	<u>626,451</u>
End of year	<u>\$ 311,169</u>	<u>\$ 2,484,987</u>
Supplemental disclosure of cash flow information		
No amounts were paid for interest or income taxes for the years ended December 31, 2016 and 2015.		
Non cash transactions		
Geothermal equipment acquired via capital lease	<u>\$ --</u>	<u>\$ 114,304</u>
Donated property and equipment	<u>\$ 17,754</u>	<u>\$ --</u>
Donation of trail lands and easements	<u>\$ 344,000</u>	<u>\$ --</u>

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

New York - New Jersey Trail Conference, Inc.
Statements of Functional Expenses
Year Ended December 31, 2016

	<u>Trail Programs</u>	<u>Publications</u>	<u>Darlington Headquarters</u>	<u>Membership</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 780,270	\$ 69,388	\$ 8,867	\$ 221,272	\$ 1,079,797	\$ 167,153	\$ 127,525	\$ 1,374,475
Payroll taxes and fringes	139,954	12,446	1,591	39,689	193,680	29,981	22,874	246,535
Professional services	83,765	6,556	676	63,296	154,293	12,733	7,152	174,178
Occupancy	30,210	2,687	343	8,567	41,807	6,471	4,938	53,216
Office expense	63,529	91,852	859	22,977	179,217	28,960	28,046	236,223
Insurance	25,391	2,258	289	7,201	35,139	5,438	4,150	44,727
Trail development costs	336,581	--	329	--	336,910	--	--	336,910
Travel	32,519	1,019	75	260	33,873	1,661	2,358	37,892
Dues and fees	7,782	736	--	100	8,618	1,357	75	10,050
In-kind expenses	111,112	768	--	--	111,880	23,474	3,727	139,081
Workshops and meetings	34,749	875	--	1,403	37,027	5,453	152	42,632
Other operating expenses	14,412	10,762	--	3,271	28,445	78	3,484	32,007
Loss on sale of trail lands and easements	36,408	--	--	--	36,408	--	--	36,408
Land preservation expenditures	344,000	--	--	--	344,000	--	--	344,000
Depreciation and amortization	18,281	--	119,827	14,254	152,362	18,266	1,516	172,144
	<u>\$2,058,963</u>	<u>\$ 199,347</u>	<u>\$ 132,856</u>	<u>\$ 382,290</u>	<u>\$ 2,773,456</u>	<u>\$ 301,025</u>	<u>\$ 205,997</u>	<u>\$ 3,280,478</u>

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

New York - New Jersey Trail Conference, Inc.
Statements of Functional Expenses
Year Ended December 31, 2015

	Trail Programs	Publications	Darlington Headquarters	Membership	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 700,633	\$ 70,434	\$ 53,254	\$ 193,954	\$ 1,018,275	\$ 156,964	\$ 129,055	\$ 1,304,294
Payroll taxes and fringes	122,945	12,359	9,345	34,034	178,683	27,544	22,646	228,873
Professional services	104,165	5,779	4,304	17,832	132,080	12,687	12,071	156,838
Occupancy	47,353	2,913	2,202	8,090	60,558	6,491	5,553	72,602
Office expense	63,349	67,995	3,186	34,486	169,016	2,928	30,426	202,370
Insurance	20,754	2,086	1,577	5,745	30,162	4,650	3,823	38,635
Trail development costs	256,876	--	291	--	257,167	17	--	257,184
Travel	34,061	848	1,347	558	36,814	1,024	1,893	39,731
Dues and fees	10,154	919	--	113	11,186	2,174	2,592	15,952
In-kind expenses	130,229	--	--	11,669	141,898	12,595	--	154,493
Workshops and meetings	22,397	639	5	1,003	24,044	5,931	3,219	33,194
Other operating expenses	12,254	9,541	--	105	21,900	1,133	5,326	28,359
Depreciation and amortization	49,759	5,002	3,782	13,775	72,318	11,148	9,165	92,631
	<u>\$ 1,574,929</u>	<u>\$ 178,515</u>	<u>\$ 79,293</u>	<u>\$ 321,364</u>	<u>\$ 2,154,101</u>	<u>\$ 245,286</u>	<u>\$ 225,769</u>	<u>\$ 2,625,156</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, 2016 and 2015

1. THE TRAIL CONFERENCE AND PURPOSE

New York - New Jersey Trail Conference, Inc. (the "Trail Conference"), is a not-for-profit organization incorporated in 1958 in the State of New York. The Trail Conference is committed to developing, building and maintaining trails, protecting trails through support and advocacy, and educating the public in the responsible use of trails and the natural environment; and in connection therewith, publishes trail guide books and maps. The primary sources of funding are contract income, membership dues, grants, contributions, publications and land sales.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

External financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions and the permanently restricted net asset category represents net assets that are subject to donor imposed restrictions that cannot be satisfied by either time or by actions of the Trail Conference. During the years ended December 31, 2016 and 2015, the Trail Conference had accounting transactions in the unrestricted and temporarily restricted net asset categories.

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 Trail Conference's programs and supporting activities. Non-operating activities principally include investment income net of amounts appropriated for operations.

Revenue and Support Recognition

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

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

The Trail Conference recognizes as earned those contract revenues which have been determined to be exchange transactions in the statements of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. Program revenues received in advance of their usage are classified as deferred revenue in the statements of financial position. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

Unrestricted revenues are obtained from the sale of maps, books and other items. These revenues are recorded when the merchandise is sold and are used to offset program expenses as well as management and general and fundraising expenses.

Contributed services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people possessing those skills and would otherwise be purchased by the Trail Conference if not donated. Professional services and goods donated for the years ended December 31, 2016 and 2015 were valued at \$156,835 and \$168,811, respectively, of which \$17,754 and \$14,318, respectively were capitalized. The Trail Conference received 102,639 and 89,647 hours of volunteer services for the years ended December 31, 2016 and 2015, respectively, which did not meet the criteria above.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Investments

Investments are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

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

The principal rates for computing depreciation by major asset category are as follows:

Description	Estimated Life (Years)
Building and building improvements	15-40
Office furniture	10
Equipment and software	3-10

Expense Classification

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

- Trail Programs - The New York-New Jersey Trail Conference partners with land managers and mobilizes thousands of hard-working volunteers who create and protect approximately 2,165 miles of public trails and the surrounding trail lands. In an era when the amount of public open space is increasing much faster than park budgets, this service is more in demand than ever.
- Publications - The Trail Conference is the primary information resource for trail users in the greater New York metropolitan area. Services include accurate, up-to-date maps, books, and web references so the public can explore parks and preserves throughout the region safely and enjoyably.
- Darlington Headquarters - For 40 years, the Darlington Schoolhouse sat empty. The Trail Conference completed restoration of the building as its award-winning headquarters in 2015.
- Membership - The Trail Conference is a volunteer-directed, nonprofit organization with a membership of approximately 10,000 individuals and 100 clubs. Membership directly supports our mission to create and protect a network of public trails in the greater New York metropolitan area.

All expenses that were not directly associated with the above service categories are categorized as management and general expenses or fundraising expense.

Costs are generally charged to programs, management and general and fundraising based on direct costs incurred attributable to each function. Certain costs are allocated among programs and supporting services based on salary percentages estimated from time records which approximates the benefit derived by each function.

Cash and Cash Equivalents

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

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Valuation of Long-Lived Assets

Trail Conference reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these financial statements.

Concentrations of Credit Risk

The Trail Conference's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, grants receivables and contributions receivable. Management maintains funds in high quality institutions to lessen the amount of uninsured exposure. Although subject to market fluctuations this investment policy somewhat limits the Trail Conference's exposure to concentrations of credit risk. The Trail Conference has a long standing history of collecting its pledges and contributions receivable which are from various individuals, corporations and foundations. An allowance for uncollectible accounts is normally recorded in the financial statements for any amounts considered uncollectible.

Income Taxes

New York - New Jersey Trail Conference, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for Federal income taxes. The Trail Conference follows the pronouncement related to income taxes. There were no uncertain tax positions at December 31, 2016 and 2015. The Trail Conference did not have any income tax related penalties or interest for the periods presented in these statements.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable and grants and contribution receivables, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

Reclassification

Certain amounts in the 2015 financial statements have been reclassified for comparative purposes to conform with the presentation in the 2016 financial statements. These reclassifications had no effective on previously reported net assets or changes in net assets.

3. INVESTMENTS

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

	2016		2015	
	Cost	Market	Cost	Market
Money market funds	\$ 155,031	\$ 155,031	\$ 39,089	\$ 39,089
Equity funds	3,472,328	3,830,782	596,741	599,751
Bond funds	1,145,376	1,170,678	49,110	46,445
Mutual funds	176,399	205,341	2,129,262	2,163,744
	4,949,134	5,361,832	2,814,202	2,849,029
Less: Investments held for the Land Acquisition and Stewardship Fund	(758,821)	(801,832)	(476,121)	(483,947)
	<u>\$ 4,190,313</u>	<u>\$ 4,560,000</u>	<u>\$ 2,338,081</u>	<u>\$ 2,365,082</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Investment income consisted of the following at December 31:

	2016	2015
Interest and dividends	\$ 138,387	\$ 78,653
Realized gain (loss)	(141,742)	56,676
Unrealized gain (loss)	376,420	(124,750)
Investment advisory fees	(20,330)	--
	<u>\$ 352,735</u>	<u>\$ 10,579</u>

4. RECURRING FAIR VALUE MEASUREMENTS

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

The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of December 31, along with the basis for the determination of fair value:

	2016			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Money market funds	\$ 155,031	\$ 155,031	\$ --	\$ --
Bond mutual funds				
Metropolitan West	379,756	379,756	--	--
Ridgworth SEIX Float	348,262	348,262	--	--
Vanguard High Yield Corporate Fund	442,661	442,661	--	--
Equity mutual funds				
Blackstone Alt Multi	386,168	386,168	--	--
DFA US Large Co	2,523	2,523	--	--
Dodge & Cox Balance Fund	144,994	144,994	--	--
FPA Crescent Fund	55,393	55,393	--	--
Harbor International	284,896	284,896	--	--
Massmutual Select Mid Cap	220,784	220,784	--	--
Oakmark International Fund	81,479	81,479	--	--
Vanguard Dividend Growth	966,674	966,674	--	--
Vanguard Growth Index Fund	456,414	456,414	--	--
Vanguard Total INTL Stock	587,333	587,333	--	--
Vanguard Wellesley Income Fund	156,726	156,726	--	--
Vanguard Wellington Fund	216,475	216,475	--	--
Victory Integrity Small	270,922	270,922	--	--
Exchange traded funds (ETF)				
iShares Eedge MSCI Min ETF	36,791	36,791	--	--
iShares Russell Midcap Growth ETF	67,523	67,523	--	--
iShares Russell Midcap Value ETF	73,853	73,853	--	--
Vanguard Short-term Bond ETF	27,174	27,174	--	--
	<u>\$ 5,361,832</u>	<u>\$ 5,361,832</u>	<u>\$ --</u>	<u>\$ --</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

	2015			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Money market funds	\$ 39,089	\$ 39,089	\$ --	\$ --
Bond mutual funds				
Vanguard High Yield Corporate fund	46,445	46,445	--	--
Equity mutual funds				
Dodge & Cox Balance fund	37,753	37,753	--	--
FPA Crescent fund	69,305	69,305	--	--
Harbor International	36,523	36,523	--	--
Oakmark International I	75,503	75,503	--	--
Vanguard Total Stock	1,936,612	1,936,612	--	--
Vanguard Wellesley Income fund	145,009	145,009	--	--
Vanguard Wellington fund	235,658	235,658	--	--
Wisdomtree Emerging Markets	11,542	11,542	--	--
Wisdomtree Trust	16,644	16,644	--	--
Exchange traded funds (ETF)				
iShares Russell Midcap Growth ETF	64,389	64,389	--	--
iShares Russell Midcap Value ETF	61,910	61,910	--	--
Vanguard Short-Term Bond ETF	72,647	72,647	--	--
	<u>\$ 2,849,029</u>	<u>\$ 2,849,029</u>	<u>\$ --</u>	<u>\$ --</u>

5. GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	2016	2015
New York State Environmental Protection Fund	\$ 188,751	\$ 210,701
New York State Department of Environmental Conservation	82,478	99,206
New York State Office of Parks, Recreation and Historic Preservation	15,295	69,844
New Jersey Department of Environmental Protection	58,103	19,668
Other	11,086	9,531
	<u>\$ 355,713</u>	<u>\$ 408,950</u>

Additional grant funds are available from governmental agencies approximating \$666,326 for years subsequent to December 31, 2016 conditioned upon the Trail Conference incurring qualified expenses and complying with matching requirements.

6. PLEDGES RECEIVABLE

Pledges receivable at December 31, consisted of the following:

	2016	2015
Total pledges receivable	\$ 634,349	\$ 691,676
Less: Discount to fair value	<u>31,562</u>	<u>32,616</u>
Net pledge receivable	602,787	659,060
Due in one year or less	<u>124,350</u>	<u>198,076</u>
Due between one year and five years	<u>\$ 478,437</u>	<u>\$ 460,984</u>

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

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

7. PROPERTY AND EQUIPMENT

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

Asset Description	Useful Life (Years)	2016	2015
Land	N/A	\$ 221,340	\$ 221,340
Building and improvements	15-40	4,021,223	3,994,256
Furniture and fixtures	10	177,426	166,824
Software	3	35,990	35,990
Equipment	3-10	<u>89,692</u>	<u>77,147</u>
		4,545,671	4,495,557
Less: Accumulated depreciation	N/A	<u>(290,403)</u>	<u>(129,852)</u>
		<u>\$ 4,255,268</u>	<u>\$ 4,365,705</u>

Depreciation expense charged to operations amounted to \$160,551 and \$92,631 for the years ended December 31, 2016 and 2015, respectively.

8. WEBSITE

Trail Conference re-developed their website which added significant new functionality. The cost and accumulated amortization on the website consisted of the following at December 31:

	Useful Life (Years)	2016	2015
Website	4	\$ 92,745	\$ --
Accumulated amortization	N/A	<u>(11,593)</u>	<u>--</u>
Website, net		<u>\$ 81,152</u>	<u>\$ --</u>

Amortization expense amounted to \$11,593 to \$-0- at December 31, 2016 and 2015, respectively. Future amortization is as follows: 2017 - \$23,186; 2018 - \$23,186; 2019 - \$23,186, 2020 - \$11,594.

9. NET ASSETS

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

	2016	2015 (Restated)
Available for general operations	\$ 410,830	\$ 597,963
Board designated Legacy Fund	4,021,644	4,004,709
Board designated funds for the		
Land Acquisition and Stewardship Fund	200,000	200,000
Investment in property and equipment	<u>4,109,234</u>	<u>4,124,819</u>
	<u>\$ 8,741,708</u>	<u>\$ 8,927,491</u>

Land Acquisition and Stewardship Fund

The Trail Conference acquires privately owned land as part of its trail planning and protection program. Trail land is held for conservation purposes. The Trail Conference's intention is to sell these lands to governmental or non-profit entities which will preserve the property as trail lands open for public use. These lands were purchased with funds provided by the Land Acquisition and Stewardship Fund which constitutes a temporarily restricted revolving loan fund and are maintained as part of that fund with eventual proceeds used to replenish the fund.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

Legacy Fund

The Board created a quasi-endowment fund, where the Board may allocate the fund's principal and earnings for any Board designated purpose.

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

	2016	2015 (Restated)
Temporarily restricted - restricted by donor		
for programmatic use as follows		
Appalachian Trail at Bear Mountain	\$ --	\$ 77,245
Bridges in Minnewaska	571	1,653
Buck Foundation - Trail U	11,251	13,617
Catskill Community Trails	9,816	45,279
Catskill Access and Stewardship Program	9,129	--
Darlington School House Facilities	11,736	23,368
Eagle Roost Protection Project	--	5,838
East Hudson Comm Trails Program	2,200	2,275
Gunks Advocacy	2,923	3,478
Harlem Valley ATC Fund	2,140	2,140
Interpretive Exhibit	1,657	96,174
Invasives Program	8,513	8,260
Irene Relief Fund	--	5,439
Janet Ross Fund	15,250	12,500
Land Acquisition and Stewardship Fund	1,344,494	1,335,162
Lenape Trail Fund	1,393	4,128
Long Path/Shawangunk Ridge Trail	7,500	15,650
Long Pond Ironworks Bridge	--	5,248
National Trails Day	--	1,900
NJ Palisades Protection and Advocacy	--	105
NJ Program Work	19,965	6,893
NJ Ramapo Reservation	150,000	--
NJ Trail Crew Development Fund	2,957	8,957
NJ Trail U	10,470	15,916
Partners for Health	12,500	--
Pochuck Stewardship Fund	5,539	5,539
Ralph Ogden Foundation	11,777	19,688
REI Long Path	1,710	1,710
Spider Hill House	11,940	10,000
Sterling Forest Preservation	34,018	26,518
Steward Program (REI)	2,002	--
Strategic Planning	1,100	--
Tennessee Gas Pipeline	42,163	67,760
Tool Fund	6,812	--
Tuxedo Gateway Project	100,000	--
Tuxedo Kiosk	940	--
Various Trail Projects	5,822	8,638
Website	2,500	9,990
West Hudson Community Trails	17,364	4,883
West Hudson Trail Maintenance	21,774	23,388
Youth Trail Projects	6,651	6,651
	<u>1,896,577</u>	<u>1,875,990</u>
Temporarily restricted based on time restrictions	478,438	477,384
	<u>\$ 2,375,015</u>	<u>\$ 2,353,374</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

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

	2016	2015
Bear Mountain Trails	\$ --	\$ 1,702
Appalachian Trail at Bear Mountain	77,245	
Bridges in Minnewaska	1,082	1,061
Buck Foundation - Trail U	17,366	1,383
Catskill Community Trails	55,496	60,573
Catskill Access and Stewardship Program	5,871	--
Darlington School House	--	476,806
Darlington School House Facilities	13,557	1,522
Eagle Roost Protection Project	5,838	12,162
East Hudson Comm Trails Program	21,425	41,685
First Aid & AED	9,000	--
East Hudson Invasive Program	555	--
Gunks Advocacy	--	5,162
Harlem Valley ATC Fund	--	107
Interpretive Exhibit	95,517	--
Invasives Program	22,856	14,159
Irene Relief Fund	5,439	
Land Acquisition and Stewardship Fund	58,792	24,060
Lenape Trail Fund	2,735	--
Long Path/Shawangunk Ridge Trail	8,150	--
Long Pond Ironworks Bridge	17,248	--
National Trails Day	1,900	--
NJ Palisades Protection and Advocacy	105	1,875
NJ Program Work	18,903	28,107
NJ Trail Crew Development Fund	62	932
NJ Trail U	12,946	4,084
Pochuck Stewardship Fund	--	130
Ralph Ogden Foundation	7,911	5,312
REI Long Path	--	17,911
Shawangunks Ridge Fund	--	5,350
Spider Hill House	60	--
Sterling Forest Preservation	--	10,573
Steward Program (REI)	27,998	--
Strategic Planning	3,900	--
TD Bear Stewards	2,500	--
Tennessee Gas Pipeline	25,597	40,036
Time restricted	111,673	57,277
Tool Fund	580	283
Trail Building Management	--	3,097
Tuxedo Kiosk	4,350	--
Various Trail Projects	4,263	1,721
Website	42,633	560
West Hudson Community Trails	4,129	--
West Hudson Trail Maintenance	1,614	5,882
Youth Trail Projects	--	416
Temporarily restricted net assets released	<u>\$ 689,296</u>	<u>\$ 823,928</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2016 and 2015

10. EMPLOYEE RETIREMENT PLAN

The Trail Conference established a retirement savings plan pursuant to Section 403(b) of the Internal Revenue Code. All full-time employees over 21 years of age who have been employed by the Trail Conference are eligible to enroll in the plan. The Trail Conference matches 50 percent of the employee's contribution up to 6 percent of salary after 6 months of employment. The contributions for the years ended December 31, 2016 and 2015 were \$27,482 and \$19,941, respectively. Vesting of the employer match is as follows:

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

11. LEASES

Capital Lease

The Trail Conference entered into a non-interest 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, 2016 and 2015 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 \$37,072 and \$12,357 for the years ended December 31, 2016 and 2015, respectively. Depreciation expense for the capital lease asset was \$24,714 and \$12,357 for the years ended December 31, 2016 and 2015, respectively. The lease will be repaid over fifteen years with annual payments of \$24,000 discounted at 5 percent. Capital lease payable was as follows at December 31:

	2016	2015
Capital lease payable	\$ 322,725	\$ 346,725
Less: Discount to net present value	<u>(93,514)</u>	<u>(105,839)</u>
	229,211	240,886
Less: Current maturities	<u>12,273</u>	<u>11,676</u>
	<u>\$ 216,938</u>	<u>\$ 229,210</u>

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

Year	Amount
2017	\$ 24,000
2018	24,000
2019	24,000
2020	24,000
2021	24,000
Thereafter	<u>202,725</u>
	322,725
Less: imputed interest	<u>93,514</u>
Capital lease payable	<u>\$ 229,211</u>

Operating Lease

The Trail Conference leased office and warehouse space in Mahwah, New Jersey under an operating lease which expired in August 2012. Thereafter, the lease continued on a month to month basis and terminated in March 2015. Total rent expense for the years ended December 31, 2016 and 2015 was \$0- and \$14,775, respectively.

12. COMMITMENT AND CONTINGENCIES

Easements

As a condition of the donation of certain lands to the Sterling Forest New York State Park by the Duke Foundation, the Trail Conference was granted a “conservation” easement for the sole purpose of prohibiting hunting on these lands. The Trail Conference is responsible for monitoring these lands and reporting any observations of hunting to Park authorities.

There are certain rights and responsibilities granted to and from the Trail Conference via easements and agreements that are related to the acquisition of the Darlington Schoolhouse property. These agreements have been recorded with the Bergen County, NJ Clerk’s office as part of the deed and other closing documents.

The agreements include:

- Parking Access Easement – the County of Bergen and the Northwest Bergen County Utilities Authority granted an easement that allows the Trail Conference to access their land for construction, parking and geothermal wells.
- Encroachment Access Easement – the Township of Mahwah granted the Trail Conference the use of Township property that is located immediately in front of the existing building.
- Tenants in Common Agreement – this is not an easement, but it does establish certain rights and responsibilities with regards to our shared property.
- Conservation & Historic Easement – this is an easement that the Tenants in Common (Trail Conference and Township of Mahwah) have granted to the County of Bergen. It stipulates various historic and conservation measures as a condition of ownership, with enforcement responsibility vested in the County.
- Gifford Trail Easement – individual granted an easement in Schenectady County New York for hiking and other passive recreational use by the general public.

13. RESTATEMENT

The Trail Conference restated its December 31, 2015, financial statements to reflect the correction of an error. The Trail Conference sold land in 2011 which was not fully removed from the financial statements. As a result, trail land and easement assets were reduced by \$102,215 and temporarily restricted net assets were reduced by \$102,215.

14. SUBSEQUENT EVENTS

The Trail Conference has evaluated subsequent events occurring after the statement of financial position date through the date of April 27, 2017, the date the financial statements were available for release. Based upon this evaluation, the Trail Conference has determined that no subsequent events have occurred which require disclosure in or adjustment to the financial statements.