



rails-to-trails
conservancy

Financial Statements

For the Year Ended September 30, 2009

(With Summarized Financial Information for the Year Ended September 30, 2008)



and
Report Thereon





INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rails-to-Trails Conservancy

CONSULTING
ACCOUNTING
TECHNOLOGY

*Certified Public
Accountants*

We have audited the accompanying statement of financial position of Rails-to-Trails Conservancy (the Conservancy) as of September 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Conservancy's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Conservancy's 2008 financial statements and, in our report dated January 12, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Conservancy's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Conservancy as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information for the year ended September 30, 2009, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

RAFFA, P.C.

Washington, DC
January 11, 2010

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF FINANCIAL POSITION

September 30, 2009

(With Summarized Financial Information for the Year Ended September 30, 2008)

	2009	2008
ASSETS		
Cash and cash equivalents	\$ 1,061,739	\$ 442,761
Investments	1,129,821	867,333
Accounts receivable	219,183	240,648
Pledges and grants receivable	1,106,087	532,587
Prepaid expenses and other assets	81,060	104,716
Inventory	36,053	42,942
Net property and equipment	614,484	663,056
TOTAL ASSETS	<u>\$ 4,248,427</u>	<u>\$ 2,894,043</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 750,727	\$ 441,644
Grants payable	4,762	4,762
Refundable advances	65,750	45,750
Deferred lease incentive	514,306	552,639
Deferred rent	119,489	45,150
TOTAL LIABILITIES	<u>1,455,034</u>	<u>1,089,945</u>
Net Assets		
Unrestricted	652,075	277,209
Temporarily restricted	1,512,240	897,811
Permanently restricted	629,078	629,078
TOTAL NET ASSETS	<u>2,793,393</u>	<u>1,804,098</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,248,427</u>	<u>\$ 2,894,043</u>

The accompanying notes are an integral part of these financial statements.

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2009

(With Summarized Financial Information for the Year Ended September 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Total	2008 Total
REVENUE AND SUPPORT					
Membership dues	\$ 2,195,471	\$ -	\$ -	\$ 2,195,471	\$ 2,238,340
Grants and contributions:					
Contributions	1,687,428	166,298	-	1,853,726	2,004,070
Grants	-	1,512,000	-	1,512,000	387,383
Corporate sponsors	-	75,000	-	75,000	413,442
Workplace giving	409,763	-	-	409,763	424,874
Program revenues:					
Contracts	482,175	-	-	482,175	528,589
Meetings and events	88,824	-	-	88,824	1,050
Merchandise and publications	43,028	-	-	43,028	54,967
Rental income	65,918	-	-	65,918	109,497
Other income	47,652	-	-	47,652	50,617
Investment income	16,581	-	-	16,581	(163,120)
Net assets released from restrictions:					
Satisfaction of program restrictions	1,138,869	(1,138,869)	-	-	-
TOTAL REVENUE AND SUPPORT	<u>6,175,709</u>	<u>614,429</u>	<u>-</u>	<u>6,790,138</u>	<u>6,049,709</u>
EXPENSES					
Program services:					
Direct Project Assistance/Research	1,246,404	-	-	1,246,404	1,012,841
Regional Programs	924,755	-	-	924,755	1,045,314
Public Information/Education	1,070,243	-	-	1,070,243	1,259,791
National Policy	733,468	-	-	733,468	821,701
Member Programs	244,415	-	-	244,415	361,021
Trail Conservancy	5,529	-	-	5,529	23,603
Total Program Services	<u>4,224,814</u>	<u>-</u>	<u>-</u>	<u>4,224,814</u>	<u>4,524,271</u>
Supporting services:					
Administrative services	738,779	-	-	738,779	728,731
Fundraising	837,250	-	-	837,250	929,132
Total Supporting Services	<u>1,576,029</u>	<u>-</u>	<u>-</u>	<u>1,576,029</u>	<u>1,657,863</u>
TOTAL EXPENSES	<u>5,800,843</u>	<u>-</u>	<u>-</u>	<u>5,800,843</u>	<u>6,182,134</u>
CHANGE IN NET ASSETS	<u>374,866</u>	<u>614,429</u>	<u>-</u>	<u>989,295</u>	<u>(132,425)</u>
NET ASSETS, BEGINNING OF YEAR	<u>277,209</u>	<u>897,811</u>	<u>629,078</u>	<u>1,804,098</u>	<u>1,936,523</u>
NET ASSETS, END OF YEAR	<u>\$ 652,075</u>	<u>\$ 1,512,240</u>	<u>\$ 629,078</u>	<u>\$ 2,793,393</u>	<u>\$ 1,804,098</u>

The accompanying notes are an integral part of these financial statements.

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2009

(With Summarized Financial Information for the Year Ended September 30, 2008)

Increase (Decrease) in Cash and Cash Equivalents

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 989,295	\$ (132,425)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	69,404	50,707
Amortization of deferred lease incentive	(38,333)	(22,361)
Net realized loss (gain) on investments	20,350	(48,711)
Net unrealized (gain) loss on investments	(16,073)	274,154
Changes in assets and liabilities:		
Accounts receivable	21,465	229,605
Pledges and grants receivable	(573,500)	(176,490)
Prepaid expenses and other assets	23,656	21,197
Inventory	6,889	(12,149)
Accounts payable and accrued expenses	309,083	(34,100)
Refundable advances	20,000	36,622
Deferred lease incentive	-	575,000
Deferred rent	74,339	35,444
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>906,575</u>	<u>796,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	557,926	810,382
Purchases of investments	(824,691)	(679,989)
Purchases of property and equipment	(20,832)	(688,720)
NET CASH USED IN INVESTING ACTIVITIES	<u>(287,597)</u>	<u>(558,327)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	618,978	238,166
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>442,761</u>	<u>204,595</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,061,739</u>	<u>\$ 442,761</u>

The accompanying notes are an integral part of these financial statements.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

1. Organization and Summary of Significant Accounting Policies

Organization

Rails-to-Trails Conservancy (the Conservancy), the nation's largest trails organization with over 100,000 members and donors, is dedicated to working with communities to preserve and transform unused rail corridors into linear parks that enhance the health of America's environment, economy, neighborhoods and people. Founded in 1985, the Conservancy is located in Washington, DC and has four regional offices. The Conservancy's activities are funded primarily through membership dues and contributions. The Conservancy's major program services are as follows:

Direct Project Assistance/Research – The Conservancy assists in building trails through a variety of programs. An early warning system notifies communities, state and local agencies of upcoming railway abandonment. Technical assistance is provided through a Trails and Greenways Clearinghouse and through a TrailDart Program that provides a development assistance response team for rail-trail projects. The Conservancy's work with corporate and foundation partners has allowed the Conservancy to provide direct financial support and amenities to trail projects and open trails.

Regional Programs – The Conservancy maintains regional offices in the Northeast, Midwest, South and West to support rail-trail development at the local level. Field office activities include promotion of local policy to support trail building, development of statewide trail inventories and development plans, technical assistance for local projects, and training and education for communities and trail building groups.

Public Information/Education – The Conservancy promotes the benefits of rail-trails to the public. Rail-trails provide places for cyclists, hikers, walkers, and runners to exercise and experience the many natural and cultural wonders of the nation's environments. By providing a place for so many types of recreational use, rail-trails can greatly help to improve public health. The Conservancy provides rail-trail information through its website, quarterly magazine, media outlets and publications. The Conservancy's mapping initiative will enrich trail information with interactive GIS maps which will also serve the Conservancy's trail development and policy initiatives.

National Policy – The Conservancy promotes policy at the national and state levels to create the conditions that make trail building possible. The Conservancy is a leader in the fight to protect the Federal Transportation Enhancements programs which is the largest source of funding for trail development. The Conservancy steadfastly defends the Federal Railbanking Statute in Congress and the courts as an essential tool to preserve unused rail corridors. The Conservancy also monitors litigation on cases involving enforcement of Federal laws related to rail banking.

Continued

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

1. Organization and Summary of Significant Accounting Policies (continued)

Organization (continued)

Member Programs - In addition to the programs provided to members through public information and education, the Conservancy is also digitizing member and constituent information and trails information; creating a centralized database that will assist the Conservancy in identifying opportunities for linking trail systems and catalyzing support of trail projects. Other activities include delivery of member benefit and service programs.

Trail Conservancy – The Conservancy promotes the preservation of rail corridors for trail creation. The program generally involves the acquisition of abandoned rail corridors on behalf of the Conservancy. The Conservancy has purchased rail corridors in approximately ten states across the country.

Cash Equivalents

The Conservancy considers money market funds not held for long-term investment purposes to be cash equivalents.

Investments

Investments consist of cash and cash equivalents held for investment purposes and mutual funds. These investments are reported in the accompanying financial statements at their fair value, as based upon quoted market prices, as of September 30th.

Fair Value of Financial Instruments

In accordance with the accounting standards for fair value measurements for those assets and liabilities which are measured at fair value on a recurring basis, as of and for the year ended September 30, 2009, the Conservancy has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

Applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Conservancy has the ability to access.

Level 2 - Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

As of and for the year ended September 30, 2009, only the Conservancy's investments, as described in Note 2 of these financial statements, were measured at fair value on a recurring basis.

Pledges, Grants and Accounts Receivable

Pledges and grants receivable represent contributions from foundations and corporations. Accounts receivable consist of amounts due as reimbursements for expenses incurred under contract terms and amounts due for event registrations, sponsorships and sublessee occupancy expenses paid by the Conservancy on behalf of the sublessee. As of September 30, 2009, all receivables are considered fully collectible.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are stated at cost and are principally depreciated on a straight-line basis over the estimated useful lives of the respective assets, which range from three to seven years. Leasehold improvements are amortized over the shorter of the lease period or useful life of the improvements. Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue or expenses.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The net assets of the Conservancy are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of the Conservancy's operations.
- Temporarily restricted net assets represent amounts that are specifically restricted by donors or grantors for various purposes or future time periods.
- Permanently restricted net assets represent endowment gifts with donor stipulations requiring that the principal be held in perpetuity and permit only the income to be spent for the purpose designated by the donor.

Revenue Recognition

Membership dues are considered contributions and are recognized as unrestricted revenue when received.

The Conservancy recognizes all unconditional contributed support in the period in which the commitment is made. The Conservancy reports grants of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets as to a particular purpose or to future periods. When the stipulated time restriction ends or the purpose of the restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions. Revenue recognized on grants and contributions which have been promised to the Conservancy but have not been received is reflected as pledges and grants receivable in the accompanying statement of financial position.

Contract revenue is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Revenue recognized on contracts for which billings have not been presented to or collected from the awarding agency is included in accounts receivable in the accompanying statement of financial position. Amounts received but not yet expended for the purpose of the contract are reflected as refundable advances in the accompanying statement of financial position.

Functional Allocation of Expenses

The costs of the various programs and other activities are summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services based upon various methods deemed to justify the benefits received by the programs and supporting services.

Continued

RAILS-TO-TRAILS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

1. Organization and Summary of Significant Accounting Policies (continued)

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.

2. Investments

The Conservancy has used the following fair value measurements as of September 30, 2009:

	<u>Total</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual funds – fixed income	\$ 523,025	\$ 523,025	\$ -	\$ -
Mutual funds - equities	510,359	510,359	-	-
Cash	<u>96,437</u>	<u>96,437</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,129,821</u>	<u>\$ 1,129,821</u>	<u>\$ -</u>	<u>\$ -</u>

The fair value and cost of the Conservancy's investments are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Mutual funds – fixed income	\$ 511,318	\$ 523,025
Mutual funds – equities	614,839	510,359
Cash and cash equivalents	<u>96,437</u>	<u>96,437</u>
Total	<u>\$ 1,222,594</u>	<u>\$ 1,129,821</u>

Continued

RAILS-TO-TRAILS CONSERVANCY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2009

2. Investments (continued)

Investment returns for the year ended September 30, 2009, are summarized as follows:

Interest and dividends	\$ 20,858
Unrealized gains on investments	16,073
Realized losses on investments	<u>(20,350)</u>
Total	<u>\$ 16,581</u>

3. Pledges and Grants Receivable

As of September 30, 2009, pledges and grants receivable are expected to be received as follows:

Less than one year	\$ 781,087
One to five years	<u>325,000</u>
Total	<u>\$ 1,106,087</u>

The present value factor of pledges and grants receivable due in one to five years was not considered significant to the Conservancy's financial statements and, accordingly, not recognized in these financial statements.

4. Property and Equipment and Accumulated Depreciation and Amortization

The Conservancy held the following property and equipment as of September 30, 2009:

Furniture and equipment	\$ 290,876
Leasehold improvements	<u>597,932</u>
Total fixed assets	888,808
Less: Accumulated depreciation and amortization	<u>(274,324)</u>
Net Property and Equipment	<u>\$ 614,484</u>

Depreciation expense for the year ended September 30, 2009 was \$69,404.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

5. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets of the Conservancy are available for the following programs as of September 30, 2009:

Direct Project Assistance	\$ 1,079,070
Public Information/Education	200,000
Regional Programs	111,562
Trail Conservancy	<u>121,608</u>
Total Temporarily Restricted Net Assets	<u>\$ 1,512,240</u>

Permanently Restricted Net Assets

During the year ended September 30, 1997, the Conservancy established the Langdon Gates Burwell Endowment Fund (Fund 1). This fund was established with a gift of stock valued at \$334,645 at the date of the gift. The donor stipulated that the principal be invested in perpetuity but thirty years from the date of the gift, the Fund will revert to the general endowment of the Conservancy.

During the year ended September 30, 1998, the Conservancy established the Wyss Endowment Fund (Fund 2). This fund was established with a gift of cash of \$250,000.

Endowments

For the year ended September 30, 2009, the Conservancy's endowments had the following activity:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of year	\$ -	\$ -	\$ 629,078	\$ 629,078
Investment returns:				
Interest and dividends	15,893	-	-	15,893
Realized losses	(17,156)	-	-	(17,156)
Unrealized gains	14,040	-	-	14,040
Amounts appropriated for expenditure	<u>(12,777)</u>	<u>-</u>	<u>-</u>	<u>(12,777)</u>
Total change in endowment funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 629,078</u>	<u>\$ 629,078</u>

Continued

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

5. Net Assets (continued)

Interpretation of Relevant Law

The Board of Directors of the Conservancy has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Conservancy classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment and the original value of subsequent gifts to the permanent endowment. Investment returns on permanently restricted endowments are classified in accordance with donor specifications. When no specifications are outlined by the donor, investment earnings are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Conservancy in a manner consistent with the standard of prudence prescribed by UPMIFA. The Conservancy is in compliance with the requirements of UPMIFA.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the fair value of the original gift(s). Deficiencies of this nature are reported as part of unrestricted net assets. As of September 30, 2009, there were no such deficiencies.

Return Objectives and Risk Parameters

The Conservancy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Conservancy must hold in perpetuity or for a donor-specified long-term period. Under this policy, as approved by the Board of Directors, the primary emphasis of the endowment assets is the preservation of capital with secondary emphasis on growth of principal and income. Over a three-year moving time period, the Conservancy seeks a rate of return which exceeds the increase in the Consumer Price Index by 4% annually and exceeds the increase in the Treasury Bill Index by a minimum of 3% annually. This policy will be modified in the next fiscal year.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

5. Net Assets (continued)

Strategies Employed for Achieving Objectives

To satisfy its long term return objectives, the Conservancy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The strategy is reviewed as necessary by the Board of Directors.

Spending Policy on Endowment Funds

In accordance with the donor's instructions, earnings on Fund 1 are available to support general operations of the Conservancy. Under the Conservancy's investment policy, earnings on this fund, up to 5% of Fund 1's market value as of the prior year, are considered available for current operations. Actual earnings on Fund 1 for the year ended September 30, 2009 were less than 5% of Fund 1's market value as of September 30, 2008. Accordingly, all investment earnings on Fund 1 for the year ended September 30, 2009 are reported as unrestricted revenue in the accompanying statement of activities.

For investment earnings on Fund 2, the donor recommended that half of the annual earnings from the endowment be used for general operating expenses and the other half be used to increase the endowment, with an allowance for the Board of Directors of the Conservancy to override this provision. The Conservancy's Board of Directors resolved in prior years that all investment earnings on Fund 2 be considered unrestricted and available to support general operations. Under the Conservancy's investment policy, earnings on Fund 2, up to 5% of Fund 2's market value as of the prior year, are considered available for current operations. Actual earnings on Fund 2 for the year ended September 30, 2009 were less than 5% of Fund 2's market value as of September 30, 2008. Accordingly, all investment earnings on Fund 2 for the year ended September 30, 2009 are reported as unrestricted revenue in the accompanying statement of activities.

6. Office Leases

The Conservancy is obligated under non-cancelable operating leases for office space in Washington, DC; Pennsylvania; Ohio and California. The leases expire at various dates through February 2023. A portion of the Washington, DC office space has been subleased under five and three-year non-cancelable agreements.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

6. Office Leases (continued)

The Washington, DC and California leases provide for rent adjustments based on increases in real estate taxes and operating expenses as well as increases in the base rent of 2.5% per year. The Washington, DC lease also provided for an allowance of up to \$575,000 for building improvements as an incentive to enter into the lease. Under accounting principles generally accepted in the United States of America, all fixed rent increases and lease incentives are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and deferred lease incentive in the accompanying statement of financial position.

In addition, the Conservancy leases certain equipment and vehicles under non-cancelable operating leases that expire through 2012.

As of September 30, 2009, total future minimum lease payments for the operating leases, net of the sub-lease rental income, are as follows:

For the Years Ending September 30,	Total	Subleases	Net
2010	\$ 464,340	\$ 79,998	\$ 384,342
2011	428,453	73,067	355,386
2012	416,024	56,421	359,603
2013	387,426	-	387,426
2014	386,044	-	386,044
Thereafter	<u>3,573,116</u>	<u>-</u>	<u>3,573,116</u>
Total	<u>\$ 5,655,403</u>	<u>\$ 209,486</u>	<u>\$ 5,445,917</u>

Rent expense under the office space leases was \$458,425 for the year ended September 30, 2009.

7. Contributed Services

The Conservancy received approximately \$174,157 of donated professional services during the year ended September 30, 2009, primarily consisting of donated advertising and donated legal services provided in cases affecting the Conservancy's interests. This amount is included in contributions in the accompanying statement of activities and in professional fees and advertising in the accompanying supplemental schedule of functional expenses. The programs benefited from these contributed professional services are the National Policy program in the amount of \$54,157 and the Public Information and Education program in the amount of \$120,000.

Continued

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

8. Commitments and Risks

Line of Credit

The Conservancy entered into a revolving line of credit agreement with a bank. Under the agreement, the Conservancy can borrow up to \$250,000. Interest accrues daily at the prime rate and is payable monthly. The line of credit agreement expires April 1, 2011. No amounts were advanced under this agreement during the year ended September 30, 2009 and there was no balance due as of September 30, 2009.

Concentration of Credit Risk

The Conservancy maintains its cash and cash equivalents in various bank deposit accounts which, at times, exceed federally insured limits, and, therefore, bear some risk. The amount in excess of the limit guaranteed by Federal agencies was \$591,650 as of September 30, 2009. The Conservancy has not experienced, nor does it anticipate, any loss of funds.

9. Retirement Plan

The Conservancy maintains a tax deferred annuity plan for all employees that is qualified under Section 403(b) of the Internal Revenue Code. Participating employees may make salary reduction contributions to the Plan up to the maximum amount permitted by the Internal Revenue Code. Employer contributions are discretionary. During the year ended September 30, 2009, the Conservancy made a discretionary contribution of 6% of each participant's compensation to the Plan.

Employer contributions are subject to the following vesting requirements:

<u>Completed Years of Service</u>	<u>Percent Vested</u>
Less than 1	0%
1 but less than 2	50%
More than 2	100%

Retirement expense for the year ended September 30, 2009 was \$112,473 and is included in salaries and related expenses in the accompanying supplemental schedule of functional expenses.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

10. Allocation of Joint Costs

During the year ended September 30, 2009, the Conservancy incurred joint costs of \$1,607,697 from activities such as direct mail and telemarketing that included both educational materials and fundraising appeals. Of those costs, \$557,234 was allocated to programs, \$902,250 was allocated to fundraising, and \$148,213 was allocated to administrative services expenses.

11. Income Taxes

The Conservancy is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity. No provision for income taxes was required for the year ended September 30, 2009 as the Conservancy had no net unrelated business income.

The Financial Accounting Standards Board (FASB) has issued additional guidance for the accounting for uncertainty in income taxes recognized in an organization's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The accounting standards also provide guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Any cumulative effect from the change in accounting principle resulting from the application of these guidelines is to be recognized as an adjustment to opening net assets.

FASB allows non-public companies the option to elect to defer the application of the accounting standard described above to fiscal years beginning after December 15, 2008. The Conservancy has elected this deferred application and will adopt these provisions during its year ending September 30, 2010. The Conservancy reviews and assesses all ongoing activities annually to identify any changes in the scope of the activities and revenue sources and the tax treatment thereof to identify any uncertain tax positions. Management of the Conservancy believes there will be no material impact to the Conservancy's financial statements as a result of the adoption of the new accounting guidelines.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2009

12. Prior Year Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Conservancy's financial statements for the year ended September 30, 2008, from which the summarized information was derived.

13. Subsequent Events

The Conservancy's management has evaluated subsequent events through January 11, 2010, the date the financial statements were available to be issued. There were no subsequent events identified through January 11, 2010, required to be disclosed in these financial statements.

SUPPLEMENTAL INFORMATION

RAILS-TO-TRAILS CONSERVANCY
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2009
(With Summarized Financial Information for the Year Ended September 30, 2008)

	Program Services						Supporting Services			2009 Total	2008 Total	
	Direct Project Assistance/ Research	Regional Programs	Public Information/ Education	National Policy	Member Programs	Trail Conservancy	Total Program Services	Administrative Services	Fundraising			Total Supporting Services
Salaries and related expenses	\$ 464,709	\$ 677,278	\$ 457,246	\$ 488,930	\$ 33,573	\$ 4,668	\$ 2,126,404	\$ 358,340	\$ 205,706	\$ 564,046	\$ 2,690,450	\$ 2,905,508
Printing and production	131,426	17,552	146,140	625	18,892	-	314,635	27,892	190,167	218,059	532,694	475,668
Postage and delivery	119,833	1,257	42,456	199	6,659	-	170,404	34,019	232,063	266,082	436,486	471,349
Professional fees	75,019	9,345	95,060	78,898	16,565	-	274,887	56,142	48,043	104,185	379,072	676,792
Rent	-	59,775	-	-	-	-	59,775	398,650	-	398,650	458,425	478,232
List management services	66,276	-	19,061	-	100,001	-	185,338	17,190	60,194	77,384	262,722	274,893
Travel, meals, and entertainment	29,281	63,465	1,014	32,941	199	-	126,900	29,541	9,663	39,204	166,104	202,624
Merchandise costs	16,947	2,626	8,777	-	38,817	-	67,167	15,638	19,405	35,043	102,210	145,113
Office expenses and supplies	3,860	33,369	3	352	-	-	37,584	141,053	444	141,497	179,081	128,377
Grants and scholarships	95,001	43,218	-	911	-	-	139,130	-	-	-	139,130	62,337
Telephone and facsimile	4,106	5,996	303	3,653	2,900	-	16,958	67,671	10	67,681	84,639	95,542
Miscellaneous	31,788	1,627	33,226	2,424	247	-	69,312	5,538	5,867	11,405	80,717	68,517
Business insurance	-	2,484	-	-	-	-	2,484	24,611	-	24,611	27,095	26,378
Depreciation and amortization	-	1,528	-	-	-	-	1,528	67,876	-	67,876	69,404	50,707
Bank fees	-	-	11,148	-	8,068	-	19,216	8,232	11,892	20,124	39,340	35,618
Meetings	-	3,339	-	350	-	-	3,689	-	-	-	3,689	1,850
Advertising and media	707	-	120,000	190	-	-	120,897	1,488	2,000	3,488	124,385	48,213
Staff development	2,225	1,202	89	2,786	-	-	6,302	100	-	100	6,402	7,816
Taxes and licenses	-	208	1,466	-	4,732	-	6,406	1,060	16	1,076	7,482	4,757
Dues and subscriptions	1,837	486	4,700	3,250	640	-	10,913	-	403	403	11,316	21,843
Indirect cost allocation	203,389	-	129,554	117,959	13,122	861	464,885	(516,262)	51,377	(464,885)	-	-
TOTAL EXPENSES	\$ 1,246,404	\$ 924,755	\$ 1,070,243	\$ 733,468	\$ 244,415	\$ 5,529	\$ 4,224,814	\$ 738,779	\$ 837,250	\$ 1,576,029	\$ 5,800,843	\$ 6,182,134

The accompanying notes are an integral part of these financial statements