

FINANCIAL STATEMENTS



rails-to-trails
conservancy

**FOR THE YEARS ENDED
SEPTEMBER 30, 2021 AND 2020**

RAILS-TO-TRAILS CONSERVANCY

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rails-to-Trails Conservancy
Washington, D.C.

We have audited the accompanying financial statements of Rails-to-Trails Conservancy (the Conservancy), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

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, 2021 and 2020, 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.

Gelman Rosenberg & Freedman

February 2, 2022

RAILS-TO-TRAILS CONSERVANCY
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021 AND 2020

ASSETS		<u>2021</u>	<u>2020</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	255,879	\$ 306,438
Investments		4,425,783	4,766,369
Accounts receivable		178,148	123,519
Pledges and grants receivable		2,430,462	1,113,715
Inventory		260,296	177,833
Prepaid expenses		<u>151,623</u>	<u>144,502</u>
Total current assets		<u>7,702,191</u>	<u>6,632,376</u>
FIXED ASSETS			
Furniture		104,921	104,921
Computer equipment		196,837	284,766
Leasehold improvements		603,832	603,832
Software		<u>218,603</u>	<u>218,603</u>
		1,124,193	1,212,122
Less: Accumulated depreciation and amortization		<u>(1,044,221)</u>	<u>(1,095,645)</u>
Net fixed assets		<u>79,972</u>	<u>116,477</u>
NONCURRENT ASSETS			
Pledges and grants receivable, net of current portion		189,898	431,222
Deposits		32,037	32,037
Investments, net of current portion		<u>7,326,025</u>	<u>5,523,675</u>
Total noncurrent assets		<u>7,547,960</u>	<u>5,986,934</u>
TOTAL ASSETS	\$	<u>15,330,123</u>	\$ <u>12,735,787</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Loan payable	\$	-	\$ 353,706
Accounts payable and accrued liabilities		751,097	1,585,388
Deferred revenue		643,577	538,684
Deferred rent		79,740	66,050
Deferred lease incentive		<u>38,333</u>	<u>38,334</u>
Total current liabilities		<u>1,512,747</u>	<u>2,582,162</u>
NONCURRENT LIABILITIES			
Loan payable, net of current portion		-	501,582
Deferred rent, net of current portion		35,503	114,973
Deferred lease incentive, net of current portion		<u>15,973</u>	<u>54,306</u>
Total noncurrent liabilities		<u>51,476</u>	<u>670,861</u>
Total liabilities		<u>1,564,223</u>	<u>3,253,023</u>
NET ASSETS			
Without donor restrictions		8,316,141	5,048,123
With donor restrictions		<u>5,449,759</u>	<u>4,434,641</u>
Total net assets		<u>13,765,900</u>	<u>9,482,764</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>15,330,123</u>	\$ <u>12,735,787</u>

See accompanying notes to financial statements.

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 6,000,751	\$ 2,823,770	\$ 8,824,521
Membership	3,884,214	100	3,884,314
Investment income, net	748,986	304,010	1,052,996
Merchandise and publications	714,517	-	714,517
Grants	484,719	227,983	712,702
Workplace giving	166,414	-	166,414
Contracts	97,517	-	97,517
Other revenue	79,093	-	79,093
Corporate sponsorships	32,691	15,500	48,191
Net assets released from donor restrictions	<u>2,080,491</u>	<u>(2,080,491)</u>	<u>-</u>
Total support and revenue	<u>14,289,393</u>	<u>1,290,872</u>	<u>15,580,265</u>
EXPENSES			
Program Services:			
Trail Development	4,093,529	-	4,093,529
Public Information/Events	2,909,151	-	2,909,151
Trail Policy	1,248,792	-	1,248,792
Research	<u>203,288</u>	<u>-</u>	<u>203,288</u>
Total program services	<u>8,454,760</u>	<u>-</u>	<u>8,454,760</u>
Supporting Services:			
Management and General	990,053	-	990,053
Fundraising	1,941,473	-	1,941,473
Member Programs	<u>490,377</u>	<u>-</u>	<u>490,377</u>
Total supporting services	<u>3,421,903</u>	<u>-</u>	<u>3,421,903</u>
Total expenses	<u>11,876,663</u>	<u>-</u>	<u>11,876,663</u>
Changes in net assets before other items	2,412,730	1,290,872	3,703,602
OTHER ITEMS			
Extinguishment of debt	855,288	-	855,288
Repurposing of funds by donor	<u>-</u>	<u>(275,754)</u>	<u>(275,754)</u>
Changes in net assets	3,268,018	1,015,118	4,283,136
Net assets at beginning of year	<u>5,048,123</u>	<u>4,434,641</u>	<u>9,482,764</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,316,141</u>	<u>\$ 5,449,759</u>	<u>\$ 13,765,900</u>

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 5,221,102	\$ 947,362	\$ 6,168,464
Membership	3,420,306	500	3,420,806
Investment income, net	267,129	102,594	369,723
Merchandise and publications	328,219	-	328,219
Grants	(67,500)	994,925	927,425
Workplace giving	201,495	-	201,495
Contracts	65,972	-	65,972
Other revenue	35,597	-	35,597
Corporate sponsorships	19,440	90,000	109,440
Net assets released from donor restrictions	<u>3,543,955</u>	<u>(3,543,955)</u>	<u>-</u>
Total support and revenue	<u>13,035,715</u>	<u>(1,408,574)</u>	<u>11,627,141</u>
EXPENSES			
Program Services:			
Trail Development	5,071,773	-	5,071,773
Public Information/Events	2,541,798	-	2,541,798
Trail Policy	1,114,944	-	1,114,944
Research	<u>194,519</u>	<u>-</u>	<u>194,519</u>
Total program services	<u>8,923,034</u>	<u>-</u>	<u>8,923,034</u>
Supporting Services:			
Management and General	858,839	-	858,839
Fundraising	1,700,400	-	1,700,400
Member Programs	<u>381,215</u>	<u>-</u>	<u>381,215</u>
Total supporting services	<u>2,940,454</u>	<u>-</u>	<u>2,940,454</u>
Total expenses	<u>11,863,488</u>	<u>-</u>	<u>11,863,488</u>
Changes in net assets before other item	1,172,227	(1,408,574)	(236,347)
OTHER ITEM			
Reclassification of accumulated endowment earnings not yet authorized for spending	<u>(798,382)</u>	<u>798,382</u>	<u>-</u>
Changes in net assets	373,845	(610,192)	(236,347)
Net assets at beginning of year	<u>4,674,278</u>	<u>5,044,833</u>	<u>9,719,111</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,048,123</u>	<u>\$ 4,434,641</u>	<u>\$ 9,482,764</u>

RAILS-TO-TRAILS CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program Services				Supporting Services					Total Expenses
	Trail Development	Public Information/ Events	Trail Policy	Research	Total Program Services	Management and General	Fundraising	Member Programs	Total Supporting Services	
Salary and benefits	\$ 2,133,288	\$ 1,002,378	\$ 866,478	\$ 176,300	\$ 4,178,444	\$ 432,912	\$ 724,593	\$ 44,500	\$ 1,202,005	\$ 5,380,449
Grants and scholarships	455,100	-	12,000	-	467,100	-	-	-	-	467,100
Professional fees	451,544	411,979	164,110	8,559	1,036,192	129,940	132,981	81,395	344,316	1,380,508
Advertising and media	96,928	707,661	48,606	-	853,195	10,428	10,524	-	20,952	874,147
Postage	240,975	83,253	17	110	324,355	50,172	332,157	31,331	413,660	738,015
Rent	228,405	84,765	65,943	9,169	388,282	39,522	60,654	12,871	113,047	501,329
Software and database	160,035	174,908	28,975	2,911	366,829	29,741	38,853	86,144	154,738	521,567
Merchandise and fulfillment	22,616	38,965	-	-	61,581	33,292	181,174	149,470	363,936	425,517
Printing and production	137,888	135,956	16,463	1,582	291,889	17,930	174,892	34,875	227,697	519,586
Bank fees	-	123,524	-	-	123,524	15,849	132,620	33,043	181,512	305,036
List management services	54,805	19,658	-	-	74,463	11,329	125,025	732	137,086	211,549
Travel, meetings and conferences	36,357	14,924	1,205	-	52,486	8,778	3,522	-	12,300	64,786
Office expenses and supplies	16,896	6,177	2,928	387	26,388	27,113	2,694	543	30,350	56,738
Voice and data services	20,059	23,130	7,631	1,179	51,999	13,552	6,420	1,397	21,369	73,368
Depreciation and amortization	20,661	10,442	8,123	1,129	40,355	5,114	7,471	1,586	14,171	54,526
Dues and subscriptions	2,229	29,818	20,200	-	52,247	1,179	1,568	-	2,747	54,994
Business insurance	12,962	6,552	5,097	709	25,320	3,147	4,689	995	8,831	34,151
Taxes and licenses	-	31,892	-	-	31,892	7,127	-	11,495	18,622	50,514
Professional development	2,033	2,557	789	1,253	6,632	85,412	998	-	86,410	93,042
Miscellaneous	748	612	177	-	1,537	2,516	638	-	3,154	4,691
State lobbying	-	-	50	-	50	-	-	-	-	50
Bad debt	-	-	-	-	-	65,000	-	-	65,000	65,000
TOTAL	\$ 4,093,529	\$ 2,909,151	\$ 1,248,792	\$ 203,288	\$ 8,454,760	\$ 990,053	\$ 1,941,473	\$ 490,377	\$ 3,421,903	\$ 11,876,663

See accompanying notes to financial statements.

RAILS-TO-TRAILS CONSERVANCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Program Services				Supporting Services					Total Expenses
	Trail Development	Public Information/ Events	Trail Policy	Research	Total Program Services	Management and General	Fundraising	Member Programs	Total Supporting Services	
Salary and benefits	\$ 2,195,648	\$ 908,480	\$ 765,868	\$ 147,595	\$ 4,017,591	\$ 429,885	\$ 664,160	\$ 22,849	\$ 1,116,894	\$ 5,134,485
Grants and scholarships	1,527,552	1,500	2,500	-	1,531,552	-	-	-	-	1,531,552
Professional fees	253,567	317,766	201,514	29,517	802,364	103,443	117,885	95,475	316,803	1,119,167
Advertising and media	119,980	674,766	3,800	-	798,546	3,633	10,871	3,500	18,004	816,550
Postage	225,120	70,536	58	-	295,714	50,285	253,930	19,851	324,066	619,780
Printing and production	278,329	84,575	64,832	10,506	438,242	40,314	51,118	2,802	94,234	532,476
Rent	138,702	165,904	32,064	-	336,670	22,229	65,688	71,356	159,273	495,943
Software and database	17,498	37,413	347	-	55,258	24,357	219,964	100,555	344,876	400,134
Bank fees	102,305	102,512	1,997	5	206,819	19,888	55,536	25,047	100,471	307,290
List management services	-	86,620	-	-	86,620	12,548	106,808	26,049	145,405	232,025
Merchandise and fulfillment	59,507	15,977	-	-	75,484	12,817	109,337	666	122,820	198,304
Travel, meetings and conferences	46,731	6,983	9,659	796	64,169	45,448	14,598	-	60,046	124,215
Office expenses and supplies	22,286	3,599	2,122	395	28,402	66,115	2,224	555	68,894	97,296
Voice and data services	26,830	26,169	7,570	1,522	62,091	14,875	6,066	654	21,595	83,686
Depreciation and amortization	26,292	11,894	7,898	1,477	47,561	6,663	6,942	394	13,999	61,560
Dues and subscriptions	10,599	16,524	8,629	407	36,159	1,010	4,520	225	5,755	41,914
Business insurance	14,262	6,106	4,055	759	25,182	2,657	3,565	202	6,424	31,606
Taxes and licenses	5	2,550	-	-	2,555	2,310	43	11,035	13,388	15,943
Professional development	6,210	1,924	1,950	1,540	11,624	279	17	-	296	11,920
Miscellaneous	350	-	31	-	381	83	7,128	-	7,211	7,592
State lobbying	-	-	50	-	50	-	-	-	-	50
TOTAL	\$ 5,071,773	\$ 2,541,798	\$ 1,114,944	\$ 194,519	\$ 8,923,034	\$ 858,839	\$ 1,700,400	\$ 381,215	\$ 2,940,454	\$ 11,863,488

See accompanying notes to financial statements.

RAILS-TO-TRAILS CONSERVANCY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 4,283,136	\$ (236,347)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	54,526	61,560
Unrealized gain	(967,590)	(188,962)
Realized loss (gain)	4,928	(65,885)
Extinguishment of debt	(855,288)	-
(Increase) decrease in:		
Accounts receivable	(54,629)	14,246
Pledges and grants receivable	(1,075,423)	415,239
Inventory	(82,463)	(70,804)
Prepaid expenses	(7,121)	21,506
Deposits	-	4,642
(Decrease) increase in:		
Accounts payable and accrued liabilities	(834,291)	887,558
Deferred revenue	104,893	223,241
Deferred rent	(65,780)	(52,576)
Deferred lease incentive	(38,334)	(38,333)
Net cash provided by operating activities	<u>466,564</u>	<u>975,085</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(18,021)	(13,794)
Purchase of investments	(1,283,313)	(2,359,211)
Proceeds from sale of investments	<u>784,211</u>	<u>627,122</u>
Net cash used by investing activities	<u>(517,123)</u>	<u>(1,745,883)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>-</u>	<u>855,288</u>
Net cash provided by financing activities	<u>-</u>	<u>855,288</u>
Net (decrease) increase in cash and cash equivalents	(50,559)	84,490
Cash and cash equivalents at beginning of year	<u>306,438</u>	<u>221,948</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 255,879</u>	<u>\$ 306,438</u>

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Rails-to-Trails Conservancy (the Conservancy) is a non-profit organization, incorporated and located in the District of Columbia. The Conservancy, is building a nation connected by trails. The Conservancy reimagines public spaces to create safe ways for everyone to walk, bike and be active outdoors. At Rails-to-Trails Conservancy, we believe that communities are healthier and happier when trail networks are central to their design. Since 1986, RTC has worked to bring the power of trails to more communities across the country, serving as the national voice for the rail-trail movement.

The Conservancy is the nation's largest trails organization with more than 1 million grassroots supporters and donors. Founded in 1985, the Conservancy is located in Washington, D.C. and has four regional offices in Pennsylvania, Ohio, California, Wisconsin and Florida. Funding for the Conservancy's activities come primarily through membership dues and contributions.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the Conservancy's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

RTC's major program services -

Trail Development: Since its inception, Rails-to-Trails Conservancy has worked to reimagine public corridors and rights of way to create safe ways for people to walk, bike and be active outside—creating equitable, vibrant public spaces that engage, inspire and empower communities from coast to coast. This work embodies best practices and leading edge initiatives to guide trail development in ways that promote community engagement and equitable distribution of trails, bring innovation to trail development and planning, and shift the philosophy of trail development to focus on the connectivity that trails can deliver between people and places.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

RTC's major program services (continued) -

Trail Development (continued): The current scope of TrailNation is focused on eight places across the country that are diverse in their geography, culture, size and scope—southeast Wisconsin, the San Francisco Bay Area, the Industrial Heartland (Western Pennsylvania, West Virginia, Ohio and New York State), Philadelphia, Baltimore, Washington, D.C., Miami and South Texas. The lessons from TrailNation are shared among RTC's learning community of trail managers and stakeholders nationwide.

RTC's other flagship trail development initiative is the Great American Rail-Trail™, which spans 3,700 miles between Washington, D.C., and Washington State. RTC provides the national leadership and on-the-ground support—the work to organize people, plans and ideas; trail planning and community engagement; the advocacy and marketing that is necessary to completing the Great American Rail-Trail.

In addition, RTC continues to support trail builders nationwide in various ways, including managing an early warning system to notify stakeholder of upcoming railway abandonments; creating statewide trail inventories and development plans; providing technical assistance and grants for local trail development and management projects; and providing best practices training and education.

Public Information / Events: RTC serves as the voice of the trails movement, speaking out about the transformative power of trails, encouraging their use and generating demand for trails nationwide.

RTC's flagship initiative, TrailLink.com™ provides access to more than 4,500 trails representing 40,000 miles through its website and 5-star rated apps. TrailLink.com served more than 10 million visitors in 2021. This trail content is also offered in a series of print guidebooks.

Through storytelling and direct engagement, RTC shares information about trails across a variety of public channels that collectively reach millions of people, including its magazine, monthly eNews, social media, railstotrails.org, news media and publications. RTC also spearheads trail use campaigns designed to engage and inspire the public to use trails, including Celebrate Trails Day, that engaged over 3,500 people in outdoor activity on trails in 2021; Trail Moments, with stories of how trails make a difference in people's daily lives; and Share the Trail, which promotes trail etiquette and safety, with a recent focus on recreating responsibly and maintaining safe COVID-19 practices.

Trial Policy: As the nation's foremost advocacy organization for trails and active transportation, RTC seeks to grow and safeguard public funding for trails, walking and bicycling at every level—federal, state and local—ensuring the investments needed to create a transformative 21st-century active transportation system in America and promoting policies that make trail building possible.

At the Federal level, RTC leads efforts to grow and protect the legacy Transportation Alternatives Program (which includes the Recreational Trails Program)—the largest source of funding for trail development and maintenance—and advocates for innovations in public funding including championing the new Active Transportation Infrastructure Investment Program, which establishes competitive grants that will strategically invest in projects that connect trails and active transportation infrastructure.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

RTC's major program services (continued) -

Trial Policy (continued): As the country's only national organization solely committed to defending the preservation of former railroad corridors for continued public use, RTC has helped shape the legal framework around rail-trails and continues to defend the Federal Railbanking Statute in Congress and the courts as an essential tool to preserve unused rail corridors. RTC also monitors litigation on cases involving enforcement of Federal laws related to railbanking.

Research: RTC's research program focuses on creating innovative tools that empower communities to advance trail systems in their cities, towns and regions, while also monitoring the benefits trails bring to communities, the impact trails have on people and places, and the implementation of state and Federal programs that provide the funding and resources to build and maintain trails

Member Programs: In addition to the programs provided through public information and education, RTC also digitizes member and constituent information in alignment with the organization's comprehensive GIS database of more than 40,000 miles of trails, creating a centralized resource that assists the organization in identifying opportunities for linking trail systems, and mobilizing grassroots support of trail projects. Other activities include delivery of member benefit and service programs.

Cash and cash equivalents -

The Conservancy considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amounts of \$1,265,302 and \$2,976,751 for the years ended September 30, 2021 and 2020, respectively.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Conservancy maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Dividends, interest, realized and unrealized gains and losses are included in investment income, net of investment expenses paid to external investment advisors in the Statements of Activities and Changes in Net Assets. Investments acquired by gift are recorded at their fair value at the date of the gift. The Conservancy's policy is to liquidate all gifts of investments as soon as possible after the gift.

Accounts, pledges and grants receivable -

Accounts, pledges and grants receivable are recorded at their net realizable value, which approximates fair value. Accounts, pledges and grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All accounts, pledges and grants receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Inventory -

Inventory consists of member premiums, such as T-shirts and guidebooks that the Conservancy gives to members when they make a donation of a certain dollar amount, as well as items for sale in the Conservancy's online store. Inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended September 30, 2021 and 2020 totaled \$54,526 and \$61,560, respectively.

Income taxes -

The Conservancy is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is only subject to tax on unrelated business income. The Conservancy is not a private foundation.

Uncertain tax positions -

For the years ended September 30, 2021 and 2020, the Conservancy has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue -

Contributions, grants and contracts -

Contributions, grants and contracts are recognized in the appropriate category of net assets in the period received. The Conservancy performs an analysis of the individual contribution, grant, or contract to determine if the revenue streams follow the contribution rules under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

Contributions, grants and contracts qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, grants and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Pledges and grants receivable represents amounts due from funding organizations for future commitments, as well as reimbursable expenses incurred in accordance with grant agreements.

RAILS-TO-TRAILS CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Revenue (continued) -

Contributions, grants and contracts (continued) -

The Conservancy receives contract funding for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as exchange transactions within the "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the contract agreements.

Membership -

The membership dues are bifurcated between the contribution and benefits received. Contribution revenue is recognized upon receipt. Benefit revenue is recognized as revenue when the performance obligations are met. The benefit revenue is associated with the delivery of the Conservancy's magazine over the membership term and is valued based on cost and included in deferred revenue until earned.

TrailLink Unlimited subscription revenue -

The Conservancy recognizes the TrailLink subscriptions on a pro-rata basis over the subscription period and has determined that this treatment is materially consistent with the requirements of ASU 2014-09, *Revenue from Contracts with Customers*. The value of the subscription is based on the sales price. Deferred TrailLink Unlimited revenue is reported as deferred revenue until earned.

Merchandise and publications -

Merchandise is recognized as revenue whether performance obligations are met which is when sold. Transaction price is based on sales price. The transaction price is determined based on cost/sales price. Any amounts received in advance are considered deferred revenue in the Statements of Financial Position.

Corporate sponsorships -

Revenue is recognized when earned. Accordingly, corporate sponsorship revenue is recognized when the underlying conditions of the sponsorship are satisfied.

Workplace giving -

Revenue is recognized when the contribution is received and recorded in the appropriate category of net assets.

Deferred revenue consisted of the following as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Deferred subscriptions	\$ 451,534	\$ 388,228
Deferred membership	191,443	147,890
Deferred rental income	<u>600</u>	<u>2,566</u>
TOTAL DEFERRED REVENUE	<u>\$ 643,577</u>	<u>\$ 538,684</u>

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributed services and donations in-kind -

Contributed services and donations in-kind are reported as contributions at their fair value if 1) such services create or enhance nonfinancial assets, or 2) would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. The value of contributed services and donations-in-kind recognized as contribution revenue and allocated across the functional expense categories within the accompanying Statements of Activities and Changes in Net Assets.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising -

The Conservancy expenses advertising costs as incurred. Advertising expense was \$874,147 and \$816,550 for the years ended September 30, 2021 and 2020, respectively and included \$576,207 and \$596,580 of in-kind advertising contributions, respectively.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of the Conservancy are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Conservancy's operations. The overall potential impact is unknown at this time.

Fair value measurement -

The Conservancy adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Conservancy accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement. In accordance with FASB ASC 820, *Fair Value Measurement*, the Conservancy has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level 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).

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Fair value measurement (continued) -

If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Conservancy has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For disclosure of inputs and valuation techniques, see Note 2.

New accounting pronouncement (not yet adopted) -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements.

During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The Conservancy plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

RAILS-TO-TRAILS CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

2. INVESTMENTS

Investments consisted of the following as of September 30, 2021 and 2020:

	2021	2020
	Fair Value	Fair Value
Equities	\$ 4,449,242	\$ 3,355,106
Fixed income	2,734,420	1,376,498
Certificates of deposit	3,302,844	2,581,689
Cash and money market	1,265,302	2,976,751
TOTAL INVESTMENTS	\$ 11,751,808	\$ 10,290,044

Included in investment income, net are the following:

	2021	2020
Interest and dividends	\$ 122,467	\$ 140,645
Unrealized gain	967,590	188,962
Realized (loss) gain	(4,928)	65,885
Less: Management fees	(32,133)	(25,769)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	\$ 1,052,996	\$ 369,723

As noted in Note 1, investments are measured at fair value and net asset value and the disclosure inputs are as follows:

- *Equities* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Fixed income (U.S. Government securities)* - Valued at the closing price reported in the active market in which the individual securities are traded.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

There have been no changes in the methodologies used or transfers as of September 30, 2021 and 2020. Transfers between levels are recorded at the end of the reporting period, when applicable.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of September 30, 2021.

	Level 1	Level 2	Level 3	Total
Asset Class:				
Equities	\$ 4,449,242	\$ -	\$ -	\$ 4,449,242
Fixed income	2,734,420	-	-	2,734,420
Certificates of deposit	-	3,302,844	-	3,302,844
Cash and money market	1,265,302	-	-	1,265,302
TOTAL	\$ 8,448,964	\$ 3,302,844	\$ -	\$ 11,751,808

RAILS-TO-TRAILS CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

2. INVESTMENTS (Continued)

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of September 30, 2020 were as follows:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 3,355,106	\$ -	\$ -	\$ 3,355,106
Fixed income	1,376,498	-	-	1,376,498
Certificates of deposit	-	2,581,689	-	2,581,689
Cash and money market	<u>2,976,751</u>	<u>-</u>	<u>-</u>	<u>2,976,751</u>
TOTAL	<u>\$ 7,708,355</u>	<u>\$ 2,581,689</u>	<u>\$ -</u>	<u>\$ 10,290,044</u>

3. PLEDGES AND GRANTS RECEIVABLE

As of September 30, 2021 and 2020, contributors to the Conservancy have made written promises to give totaling \$2,628,029 and \$1,572,194, respectively. Amounts due beyond one year of the Statements of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 5% (Federal Prime Rate) as of September 30, 2021 and 2020.

Following is a schedule of amounts due, by year, as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Less than one year	\$ 2,430,462	\$ 1,113,715
One to five years	<u>197,567</u>	<u>458,479</u>
Total	2,628,029	1,572,194
Less: Allowance to discount balance to present value	<u>(7,669)</u>	<u>(27,257)</u>
NET RECEIVABLES	<u>\$ 2,620,360</u>	<u>\$ 1,544,937</u>

4. LOAN PAYABLE

On April 20, 2020, the Conservancy received loan proceeds in the amount of \$855,288 under the Paycheck Protection Program. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory notes must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration. During the year ended September 30, 2021, the Conservancy expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and met all conditions set forth for full forgiveness.

The Conservancy received notification the total amount of the PPP funds were forgiven by the SBA on December 1, 2020. Accordingly, the Conservancy recorded revenue from extinguishment of debt during the year ended September 30, 2021.

RAILS-TO-TRAILS CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2021 and 2020:

	2021	2020
Subject to expenditure for specified purpose:		
Trail Development	\$ 1,624,978	\$ 2,423,029
Public Information/Events	9,100	171,500
Trail Policy	43,679	73,679
General Support - Time or Match Restriction	1,897,170	118,492
Contributions to be invested in perpetuity	823,328	818,328
Accumulated earnings on endowment funds	1,051,504	829,613
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 5,449,759	\$ 4,434,641

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2021	2020
Time and purpose restrictions accomplished:		
Trail Development	\$ 1,651,562	\$ 3,219,271
Public Information/Events	162,400	80,000
Trail Policy	30,000	116,321
General Support - Time or Match Restriction	154,410	57,000
Appropriation of endowment assets for expenditure	82,119	71,363
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 2,080,491	\$ 3,543,955

6. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statements of Financial Position date comprise the following:

	2021	2020
Cash and cash equivalents	\$ 255,879	\$ 306,438
Investments	11,751,808	10,290,044
Accounts receivable	178,148	123,519
Pledges and grants receivable	2,620,360	1,544,937
Subtotal financial assets available within one year	14,806,195	12,264,938
Less: Donor restricted funds	(5,449,759)	(4,434,641)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 9,356,436	\$ 7,830,297

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

6. LIQUIDITY AND AVAILABILITY (Continued)

The Conservancy has a policy to structure its financial assets to be available and liquid as its obligations become due. Additionally, the Conservancy has a significant reserve of net assets with donor restrictions to support programmatic operations. The Conservancy also has a significant long-term investment portfolio which they may draw upon, pending Board approval.

7. CONTRIBUTED SERVICES AND MATERIALS

During the years ended September 30, 2021 and 2020, the Conservancy was the beneficiary of donated goods and services which allowed the Conservancy to provide greater resources toward various programs. Contributed services and materials are recorded as contribution revenue and allocated across the functional categories within the accompanying Statements of Activities and Changes in Net Assets.

To properly reflect contributed services and materials, the following donations have been included in revenue and expense for the years ended September 30, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Donated advertising	\$ 576,207	\$ 596,580
Donated technology	237,550	241,600
Donated rent	8,400	18,250
Donated legal services	<u>51,094</u>	<u>112,473</u>
TOTAL	<u>\$ 873,251</u>	<u>\$ 968,903</u>

The following programs have benefited from these donated services:

	<u>2021</u>	<u>2020</u>
Trail Development	\$ 129,700	\$ 137,300
Public Information/Events	695,032	715,630
Management and General	5,019	3,500
Trail Policy	<u>43,500</u>	<u>112,473</u>
TOTAL	<u>\$ 873,251</u>	<u>\$ 968,903</u>

8. LEASE COMMITMENTS

The Conservancy leases office space for its headquarters in Washington, D.C. under a fifteen-year agreement, which originated in March 2008 and expires February 2023. Base rent is \$312,500 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year. Additionally, the landlord provided a \$575,000 tenant improve allowance. The fixed rate increases and lease incentives are recognized on a straight-line basis over the term of the lease. As of September 30, 2021 and 2020 the deferred rent liability was \$115,243 and \$181,023, respectively, and the deferred lease incentive was \$54,306 and \$92,640, respectively. The Conservancy also subleases a portion of its office space under a month-to-month lease agreement. The associated rental income is included in Other revenue within the accompanying Statements of Activities and Changes in Net Assets. The Conservancy also leases office space in Baltimore, Ohio, and California under fixed rate agreements with scheduled annual increases through 2022. Lastly, the Conservancy receives donated office space in Wisconsin under a one-year agreement commencing April 1, 2020.

RAILS-TO-TRAILS CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

8. LEASE COMMITMENTS (Continued)

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statements of Financial Position.

The following is a schedule of the future minimum lease payments under all leasing agreements:

Year Ending September 30,

2022	\$ 486,693
2023	<u>196,952</u>
	<u>\$ 683,645</u>

Rent expense for the years ended September 30, 2021 and 2020 was \$501,329 and \$532,476, respectively.

9. RETIREMENT PLAN

The Conservancy provides retirement benefits to its employees through a 403(b) tax-deferred annuity plan covering all full-time employees. After six months of service, the Conservancy will make a discretionary contribution to the Plan in such amount equal to 6% of the employee's gross income per pay period. Contributions to the Plan during the years ended September 30, 2021 and 2020 totaled \$234,485 and \$223,897, respectively.

10. ENDOWMENT

The Conservancy's endowment consists of multiple donor-restricted funds to generate a permanent source of income for RTC's programs.

During the year ended September 30, 1997, RTC 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 plus an additional \$44,433 in accumulated investment earnings, which are also considered to be restricted in perpetuity. The donor stipulated that the principal be invested in perpetuity; however, 30 years from the date of the gift, the fund will revert to RTC's general endowment.

An additional \$31,000 of contributions to be restricted in perpetuity were added to Fund 1 in the fiscal years 2011, 2016 and 2021. In accordance with the donor's instructions, earnings on Fund 1 are available to support RTC's general operations.

During the year ended September 30, 1998, RTC established the Wyss Endowment Fund ("Fund 2"). This fund was established with a gift of cash of \$250,000. 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 to override this provision. In prior years, RTC's Board of Directors resolved that all the investment earnings on Fund 2 be considered without donor restriction and available to support general operations.

RAILS-TO-TRAILS CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

10. ENDOWMENT (Continued)

During the year ended September 30, 2018, RTC established the Keith Laughlin Legacy Endowment Fund. RTC's board of directors established this fund to honor the 18 years of service of its President Keith Laughlin. The Board made personal pledges in excess of \$500,000, of which \$163,250 was restricted in perpetuity. In accordance with the donor's instructions, earnings on Fund 3 are available to support RTC's general operations.

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net asset also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions.

The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Conservancy considers a fund to be underwater if the fair value of the fund is less than the sum the (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Conservancy has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of September 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 823,328	\$ 823,328
Accumulated investment earnings	-	1,051,504	1,051,504
TOTAL ENDOWMENT FUNDS	\$ -	\$ 1,874,832	\$ 1,874,832

RAILS-TO-TRAILS CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

10. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended September 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,647,941	\$ 1,647,941
Investment return, net	-	304,010	304,010
Contributions	-	5,000	5,000
Appropriations	<u>-</u>	<u>(82,119)</u>	<u>(82,119)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 1,874,832</u>	<u>\$ 1,874,832</u>

Endowment net asset composition by type of fund as of of September 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ -	\$ 818,328	\$ 818,328
Accumulated investment earnings	<u>-</u>	<u>829,613</u>	<u>829,613</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 1,647,941</u>	<u>\$ 1,647,941</u>

Changes in endowment net assets for the year ended of September 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 798,382	\$ 818,328	\$ 1,616,710
Investment return, net	-	102,594	102,594
Transfer of accumulated earnings from prior years	(798,382)	798,382	-
Appropriations	<u>-</u>	<u>(71,363)</u>	<u>(71,363)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 1,647,941</u>	<u>\$ 1,647,941</u>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Conservancy to retain as a fund of perpetual duration. As of September 30, 2021 and 2020, there were no deficiencies noted on the endowment funds.

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 endowment while seeking to maintain the purchasing power of the endowment assets.

RAILS-TO-TRAILS CONSERVANCY

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

10. ENDOWMENT (Continued)

Return Objectives and Risk Parameters (continued) -

Endowment assets consist of those assets of donor-restricted funds that the Conservancy must hold in perpetuity or for a donor-specified period(s).

Under the investment policy, as approved by the Board of Directors, the endowment's assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark including 45% S&P 500 index and 40% Barclays US Aggregate Index and 15% MCI World ex USA.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-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 Conservancy targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

Under the Conservancy's Endowment Spending Policy, up to 5% of Fund 1, 2 and 3's average market value as of the prior fiscal year are considered available for current operations. In establishing this policy, the Conservancy considered the long-term expected return on its endowment. Accordingly, over the long term, the Conservancy expects the current spending policy to allow its endowment to grow at an average sufficient to maintain the purchasing power of the endowment assets held in perpetuity.

11. ALLOCATION OF JOINT COSTS

During the years ended September 30, 2021 and 2020, the Conservancy incurred joint costs of \$2,210,184 and \$1,684,144, respectively, from activities that included both educational materials and fundraising appeals, as follows:

	<u>2021</u>	<u>2020</u>
Program Services	\$ <u>878,507</u>	\$ <u>587,528</u>
Management and General Fundraising	<u>182,912</u> <u>1,148,765</u>	<u>172,364</u> <u>924,252</u>
Total Supporting Services	<u>1,331,677</u>	<u>1,096,616</u>
TOTAL JOINT COSTS	\$ <u>2,210,184</u>	\$ <u>1,684,144</u>

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Conservancy has evaluated events and transactions for potential recognition or disclosure through February 2, 2022, the date the financial statements were issued.