RAILS-TO-TRAILS CONSERVANCY

FINANCIAL STATEMENTS

Year Ended September 30, 2013
(With Summarized Financial Information for the
Year Ended September 30, 2012)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

RAILS-TO-TRAILS CONSERVANCY

We have audited the accompanying financial statements of Rails-to-Trails Conservancy (the "Conservancy"), which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Conservancy's September 30, 2012 financial statements, and in our report dated January 17, 2013, we expressed an unmodified opinion on those 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

MHM

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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann, P.C.

Bethesda, Maryland
February 20, 2014

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF FINANCIAL POSITION

September 30, 2013
(With Summarized Financial Information as of September 30, 2012)

	2013	2012
ASSETS		
Cash and cash equivalents	$ 500,540	$ 536,254
Investments	3,927,631	2,867,370
Accounts receivable	188,746	300,378
Pledges and grants receivable	656,580	268,990
Prepaid expenses and other assets	115,561	103,645
Inventory	22,399	62,735
Net property and equipment	539,418	457,858
TOTAL ASSETS	$ 5,950,875	$ 4,597,230
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 712,024	$ 545,675
Refundable advances	60,051	88,866
Deferred lease incentive	360,973	399,306
Deferred rent	299,336	267,483
TOTAL LIABILITIES	1,432,384	1,301,330
NET ASSETS		
Unrestricted	2,761,108	2,208,985
Temporarily restricted	1,127,305	456,837
Permanently restricted	630,078	630,078
TOTAL NET ASSETS	4,518,491	3,295,900
TOTAL LIABILITIES AND NET ASSETS	$ 5,950,875	$ 4,597,230

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2013
(With Summarized Financial Information for the Year Ended September 30, 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Total 2012
REVENUE AND SUPPORT					
Membership dues	$ 2,841,803	$ -	$ -	$ 2,841,803	$ 2,709,145
Grants and contributions					
Contributions	2,736,337	260,625	-	2,996,962	2,740,289
Grants	-	970,500	-	970,500	318,918
Corporate sponsors	113,897	190,000	-	303,897	411,836
Workplace giving	277,263	-	-	277,263	310,586
Program revenues					
Contracts	412,531	-	-	412,531	494,591
Meeting and events	163,226	-	-	163,226	218,306
Merchandise and publications	82,527	-	-	82,527	56,769
Rental income	105,852	-	-	105,852	123,395
Other income	59,181	-	-	59,181	68,712
Investment income	184,599	68,668	-	253,267	254,640
Net assets released from restrictions	819,325	(819,325)	-	-	-
TOTAL REVENUE AND SUPPORT	7,796,541	670,468	-	8,467,009	7,707,187
EXPENSES					
Program Services					
Direct Project Assistance/Research	1,271,840	-	-	1,271,840	1,207,733
Regional Programs	1,208,832	-	-	1,208,832	1,179,949
Public Information/Education	1,865,687	-	-	1,865,687	1,577,407
National Policy	662,295	-	-	662,295	748,955
Member Programs	392,750	-	-	392,750	297,527
Trail Conservancy	4,070	-	-	4,070	6,969
Total Program Services	5,405,474	-	-	5,405,474	5,018,540
Supporting Services					
Administrative Services	723,991	-	-	723,991	711,357
Fundraising	1,114,953	-	-	1,114,953	1,019,213
Total Supporting Services	1,838,944	-	-	1,838,944	1,730,570
TOTAL EXPENSES	7,244,418	-	-	7,244,418	6,749,110
CHANGE IN NET ASSETS	552,123	670,468	-	1,222,591	958,077
NET ASSETS, BEGINNING OF YEAR	2,208,985	456,837	630,078	3,295,900	2,337,823
NET ASSETS, END OF YEAR	$ 2,761,108	$ 1,127,305	$ 630,078	$ 4,518,491	$ 3,295,900

See Notes to Financial Statements

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF CASH FLOWS

Year Ended September 30, 2013
(With Summarized Financial Information for the Year Ended September 30, 2012)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,222,591	$ 958,077
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	59,128	65,501
Amortization of deferred lease incentive	(38,333)	(38,333)
Net realized and unrealized gain on investments	(221,790)	(216,476)
Decrease (increase) in operating assets		
Accounts receivable	111,632	88,293
Pledges and grants receivable	(387,590)	(188,990)
Prepaid expenses and other assets	(11,916)	12,435
Inventory	40,336	(11,900)
Increase (decrease) in operating liabilities		
Accounts payable	166,349	(23,595)
Grants payable	-	(4,762)
Refundable advances	(28,815)	(21,134)
Deferred rent	31,853	38,541
NET CASH FLOWS FROM OPERATING ACTIVITIES	943,445	657,657
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	2,641,494	1,023,908
Purchases of investments	(3,479,965)	(1,378,244)
Purchases of property and equipment	(140,688)	(8,070)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(979,159)	(362,406)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(35,714)	295,251
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	536,254	241,003
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 500,540	$ 536,254

See Notes to Financial Statements

(1) Organization and purpose

The Rails-to-Trails Conservancy (the “Conservancy”), the nation's largest trails organization with more than 150,000 members and supporters, 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, which 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 policies 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 trail mapping initiative enriches trail information with interactive GIS maps, which also serve the Conservancy’s trail development and policy initiatives.

National Policy - The Conservancy promotes policies 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 Alternatives program, 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 railbanking.

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.

(2) Summary of significant accounting policies

Basis of accounting – The Conservancy's financial statements have been prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

Financial statement presentation – The Conservancy reports contributions as support in the period received or when an unconditional promise to give has been made.

Net assets are classified as permanently restricted (the net assets must not be spent because of permanent restrictions placed by the donor on their use), temporarily restricted (the net assets may be expended but only in accordance with donor-imposed restrictions), or unrestricted (the net assets may be spent in accordance with management and Board wishes). When the donor restrictions expire, either through the passage of time or by accomplishing the restricted purpose, temporarily restricted net assets are reclassified to unrestricted net assets and are reported as "net assets released from restrictions" on the statement of activities and changes in net assets. Temporarily restricted net assets as of September 30, 2013 were $1,127,305 and permanently restricted net assets as of September 30, 2013 were $630,078.

Cash and cash equivalents – Investments purchased with a maturity of three months or less are considered cash equivalents.

Receivables – Receivables due in less than one year are reported at their outstanding balance. Receivables due beyond one year are discounted to their net present value of future cash flows, if material. Receivables are carried at original amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual receivables and considering payment history and current economic conditions. Receivables are written-off when deemed uncollectible. Recoveries of receivables previously written-off are recorded when received. Management considers all receivables to be fully collectible; therefore, no allowance for doubtful accounts is recorded.

Property and equipment – Property and equipment items with a value of $500 or more are capitalized and recorded at cost. Depreciation is computed over an estimated useful life ranging from three to ten years on the straight-line method. The costs of leasehold improvements are capitalized and amortized using the straight-line method over the remaining term of the related lease. Software is amortized using the straight-line method over three years. Depreciation and amortization expense for the year ended September 30, 2013 was $59,128.

Revenue – In accordance with accounting principles generally accepted in the United States of America, contributions and grants are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts that are restricted for use in future periods or restricted for specific purposes are reported as temporarily restricted. Amounts that are restricted for investment in perpetuity are reported as permanently restricted.

(2) Summary of significant accounting policies (continued)

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 revenue in the accompanying statement of activities and changes in net assets includes legal and advertising services. For the year ended September 30, 2013, donations-in-kind of $510,930 were received by the Conservancy.

Contract revenue is recognized in the period when earned.

Indirect cost allocation – Expenses are presented by their natural classification on the schedule of functional expenses. For purposes of the statement of activities and changes in net assets, certain indirect costs are allocated to program expense. Indirect costs are allocated to the various programs based on the proportion of direct expense for each program to total program expense.

Income taxes – The Conservancy is exempt from Federal income taxes, except for tax on unrelated business income, under Section 501(c)(3) of the Internal Revenue Code and applicable tax provisions of the District of Columbia. The Conservancy is a publicly supported organization under 509(a)(1) of the Internal Revenue Code. Since there was no unrelated business income for the year ended September 30, 2013, there is no provision for income tax expense in these financial statements.

Accounting for uncertainty in income taxes – The Conservancy accounts for the effect of any uncertain tax positions based on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. It is management’s belief that the Conservancy does not hold any uncertain tax positions. The Conservancy’s returns are subject to examination by the IRS generally for three years after they were filed.

Fair value measurements – The Conservancy reports investments at fair value on a recurring basis. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the Conservancy to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date. The types of investments generally included in Level 1 include listed equity and debt securities publicly traded on a stock exchange.

(2) Summary of significant accounting policies (continued)

Level 2 – Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Inputs to the valuation methodology are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. There were no significant transfers between the levels of hierarchy in valuing the Conservancy's assets and liabilities. Note 4 summarizes, by level, the Conservancy's investments within the fair value hierarchy.

Use of 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 the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent events – The Conservancy has evaluated subsequent events through February 20, 2014, which is the date the financial statements were available to be issued. There were no subsequent events to be disclosed based on this evaluation.

(3) Grants receivable

Grants are recorded as receivables and revenue when the pledge is made. The Conservancy distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions.

Grants receivable are expected to be realized in the following periods:

Years Ending September 30,	
2014	$ 406,580
2015	250,000
	$ 656,580

(4) Investments

The following table summarizes the Conservancy's investments as of September 30, 2013:

	Fair Value	Cost
Investments in exchange-traded funds - equity	$ 2,045,627	$ 2,245,726
Investments in exchange-traded funds - fixed income	291,091	291,108
Investments in certificates of deposit	1,038,680	1,039,002
Cash and cash equivalents	552,233	12,749
Total	$ 3,927,631	$ 3,588,585

The following table sets forth by level, within the fair value hierarchy, the Conservancy's investments at fair value as of September 30, 2013:

	Level 1	Level 2	Level 3	Total
Investments in exchange-traded funds - equity	$ 2,045,627	$ -	$ -	$ 2,045,627
Investments in exchange-traded funds - fixed income	291,091	-	-	291,091
Investments in certificates of deposit	-	1,038,680	-	1,038,680
Cash and cash equivalents	552,233	-	-	552,233
Total investments at fair value	$ 2,888,951	$ 1,038,680	$ -	$ 3,927,631

The following table summarizes investment returns as of September 30, 2013:

Interest and dividends	$ 31,477
Realized and unrealized gains on investments	221,790
Total	$ 253,267

RAILS-TO-TRAILS CONSERVANCY

NOTES TO FINANCIAL STATEMENTS

(5) Property and equipment

Property and equipment consisted of the following at September 30, 2013:

	Cost	Accumulated Depreciation	Net Book Value
Furniture and equipment	$ 331,886	$ (295,620)	$ 36,266
Software	132,000	-	132,000
Leasehold improvements	597,932	(226,780)	371,152
	$ 1,061,818	$ (522,400)	$ 539,418

(6) Net assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2013 are restricted to the following program purposes, which are described in Note 1.

Direct Project Assistance/Research	$ 1,003,105
Regional Programs	34,200
Public Information/Education	90,000
	$ 1,127,305

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished during the year ended September 30, 2013 were as follows:

Direct Project Assistance/Research	$ 369,687
Regional Programs	234,638
Public Information/Education	215,000
	$ 819,325

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 and includes an additional $44,433 in accumulated investment earnings, which are also considered permanently restricted. The donor stipulated that the principal be invested in perpetuity; however, thirty years from the date of the gift, the fund will revert to the Conservancy's general endowment.

(6) Net assets (continued)

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.

(7) Endowment funds

At September 30, 2013, the Conservancy's endowment consists of multiple donor-restricted funds established for Conservancy programs. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets (consisting of earnings on the permanently restricted amounts) is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Conservancy in a manner consistent with its spending policy and the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Conservancy considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Conservancy, and (7) the Conservancy's investment policies.

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, 2013, there were no such deficiencies.

Investment and Spending Policies
The Conservancy has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets include those assets of donor-restricted funds that the Conservancy must hold in perpetuity.

(7) Endowment funds (continued)

Under this policy, the primary emphasis of the endowment assets is the preservation of capital with a secondary emphasis on growth of principal and income. The Conservancy seeks a rate of return that exceeds or meets a blended S&P and Barclay's bond index that correlates with the assets allocation guidelines in the Conservancy's investment policy. 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 strategy is reviewed at least annually by the Board of Directors.

In accordance with the donor's instructions, earnings on Fund 1 are available to support the Conservancy's general operations. 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.

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, the Conservancy's Board of Directors resolved that all of the 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.

The changes in endowment funds for the year ended September 30, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Net assets, September 30, 2012	$ 65,412	$ -	$ 630,078
Interest and dividends	-	10,079	-
Change in fair market value	-	53,789	-
Realized gains	-	4,800	-
Transfer to unrestricted from temporarily restricted	68,668	(68,668)	-
Net assets, September 30, 2013	$ 134,080	$ -	$ 630,078

(8) Commitments

The Conservancy leases office space in Washington, DC, Pennsylvania, Ohio and California with various expiration dates through February 2023, with scheduled annual increases over the term of the lease. In addition, the Conservancy entered into various non-cancelable three- and five-year sublease agreements.

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 3% per year. The Washington, DC lease also provided for an allowance of up to $575,000 for building and improvements as an incentive to enter the lease.

(8) Commitments (continued)

The 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 with expiration dates through February 2017.

The future minimum rental payments and non-cancelable sublease income due under the current lease and sublease agreements are as follows:

Years Ending September 30,	Total	Subleases	Net
2014	$ 415,727	$ 59,300	$ 356,427
2015	408,740	54,640	354,100
2016	418,830	50,712	368,118
2017	411,408	12,771	398,637
2018	414,877	-	414,877
Thereafter	1,984,714	-	1,984,714
	$ 4,054,296	$ 177,423	$ 3,876,873

Rent expense for the year ended September 30, 2013 was $456,038.

(9) Concentrations

Credit risk – The Conservancy maintains cash balances at several financial institutions, which, at times, may exceed federally insured limits. The Conservancy monitors its exposure associated with cash in bank deposits and has not experienced any losses in such accounts.

(10) Retirement plan

The Conservancy sponsors a tax-deferred annuity plan for all employees that is qualified under Section 403(b) of the Internal Revenue Code. The plan provides for employee salary reduction contributions and employer discretionary base contributions. All employees who have completed six months of service are eligible for an employer contribution.

The Conservancy made a discretionary contribution of 6%, or a total of $122,399, for the year ended September 30, 2013.

(11) Lines of credit

The Conservancy maintains a $250,000 secured line of credit with SunTrust Bank, to be drawn upon as needed, with an interest rate using one month London Interbank Offered Rate (LIBOR) as of September 30, 2013 plus 2%. As of and during the year ended September 30, 2013, no amounts had been drawn from the line of credit. The line of credit expires on April 24, 2014.

(12) Allocation of joint costs

During the year ended September 30, 2013, the Conservancy incurred joint costs of $989,342 from activities that included both educational materials and fundraising appeals. Of those costs, $452,846 was allocated to programs, $444,744 was allocated to fundraising, and $91,752 was allocated to administrative expenses.

(13) 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, 2012, from which the summarized information was derived.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors

RAILS-TO-TRAILS CONSERVANCY

We have audited the financial statements of Rails-to-Trails Conservancy (the "Conservancy") as of and for the year ended September 30, 2013, and our report thereon dated February 20, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses for the year ended September 30, 2013 and comparative totals for 2012, which follow, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of the Conservancy's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying and other accounting records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Mayer Hoffman McCann, P.C.

Bethesda, Maryland
February 20, 2014

RAILS-TO-TRAILS CONSERVANCY

SUPPLEMENTARY INFORMATION – SCHEDULE OF FUNCTIONAL EXPENSES

Year Ended September 30, 2013
(With Summarized Financial Information for the Year Ended September 30, 2012)

	Program Services							Supporting Services				
	Direct Project Assistance/ Research	Regional Programs	Public Information/ Education	National Policy	Member Programs	Trail Conservancy	Total Program Services	Administrative Services	Fundraising	Total Supporting Services	Total 2013	Total 2012
Salaries and related expenses	$ 548,170	$ 815,707	$ 563,743	$ 391,427	$ 42,078	$ 3,595	$2,364,720	$ 363,864	$ 247,837	$ 611,701	$ 2,976,421	$ 2,761,299
Professional fees	13,368	58,286	347,267	140,491	12,225	-	571,637	50,306	102,389	152,695	724,332	594,553
Printing and production	106,457	5,095	147,212	862	18,702	-	278,328	18,218	219,667	237,885	516,213	555,177
Advertising and media	300	-	480,490	-	-	-	480,790	5,731	25	5,756	486,546	487,371
Postage and fulfillment	123,630	2,166	57,904	188	62,179	-	246,067	27,251	197,615	224,866	470,933	472,450
Rent	-	52,909	-	-	-	-	52,909	403,129	-	403,129	456,038	449,744
List management services	64,662	1,007	10,322	329	108,382	-	184,702	17,877	103,109	120,986	305,688	295,564
Travel, meals and entertainment	39,695	109,302	7,343	23,865	14,749	-	194,954	29,671	29,681	59,352	254,306	246,472
Grants and scholarships	128,512	83,875	1,150	-	-	-	213,537	-	-	-	213,537	187,483
Merchandise costs	35,412	10,462	20,490	-	102,974	-	169,338	25,919	96,339	122,258	291,596	192,199
Office expenses and supplies	2,072	37,468	742	119	-	-	40,401	90,279	188	90,467	130,868	149,571
Telephone and facsimile	5,994	7,709	223	61	579	-	14,566	88,816	245	89,061	103,627	89,576
Miscellaneous	325	(382)	24,295	16,620	826	-	41,684	4,872	37,098	41,970	83,654	59,266
Depreciation and amortization	-	2,801	-	-	-	-	2,801	56,327	-	56,327	59,128	65,501
Bank fees	-	4,050	13,283	-	13,993	-	31,326	22,044	37,676	59,720	91,046	72,819
Business insurance	-	3,020	-	-	-	-	3,020	29,145	-	29,145	32,165	32,094
Meetings	7,242	1,517	-	-	10	-	8,769	-	-	-	8,769	2,479
Staff development	3,945	12,779	100	3,013	-	-	19,837	380	-	380	20,217	12,790
Dues and subscription	785	486	1,897	5,879	2,299	-	11,346	286	-	286	11,632	12,217
Taxes and licenses	526	575	-	298	4,593	-	5,992	1,700	10	1,710	7,702	10,485
Indirect cost allocation	190,745	-	189,226	79,143	9,161	475	468,750	(511,824)	43,074	(468,750)	-	-
TOTAL EXPENSES	$ 1,271,840	$ 1,208,832	$ 1,865,687	$ 662,295	$ 392,750	$ 4,070	$5,405,474	$ 723,991	$ 1,114,953	$ 1,838,944	$7,244,418	$6,749,110

See Independent Auditors' Report on Supplementary Information