RAILS-TO-TRAILS CONSERVANCY

FINANCIAL STATEMENTS

As of and for the Year Ended September 30, 2015 (With Summarized Financial Information for the Year Ended September 30, 2014)

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

RAILS-TO-TRAILS CONSERVANCY

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Directors
Rails-to-Trails Conservancy
Washington, DC

We have audited the accompanying financial statements of Rails-to-Trails Conservancy (a nonprofit organization), which comprise the statements of financial position as of September 30, 2015, and the related statements of activities and cash flows for the year 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rails-to-Trails as of September 30, 2015, 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.

Other Matter

The prior year summarized comparative information has been derived from the Conservancy's September 30, 2014 financial statements, which were audited by another auditor who expressed an unmodified opinion on those statements on February 11, 2015.

Cherry Bekaert, LLP

Bethesda, Maryland
March 8, 2016

RAILS-TO-TRAILS CONSERVANCY

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 788,450	$ 614,997
Short-term investments	2,043,073	1,900,532
Accounts receivable	146,886	80,488
Pledges and grants receivable	1,067,397	714,948
Inventory	65,021	39,935
Prepaid expenses and other assets	118,773	116,284
Total Current Assets	4,229,600	3,467,184
Property and equipment, net	434,658	539,192
Long-term investments	3,447,949	2,597,370
Total Assets	$ 8,112,207	$ 6,603,746
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,090,523	$ 687,788
Refundable advances	61,260	14,281
Current portion of deferred lease incentive	38,333	38,333
Current portion of deferred rent	8,243	7,806
Total Current Liabilities	1,198,359	748,208
Other Liabilities:		
Deferred lease incentive	245,973	284,307
Deferred rent	316,071	304,604
Total Other Liabilities	562,044	588,911
Total Liabilities	1,760,403	1,337,119
Net Assets:		
Unrestricted	3,161,356	3,221,315
Temporarily restricted	2,555,370	1,410,234
Permanently restricted	635,078	635,078
Total Net Assets	6,351,804	5,266,627
Total Liabilities and Net Assets	$ 8,112,207	$ 6,603,746

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Revenue and Support:					
Membership Dues	$ 3,166,281	$ -	$ -	$ 3,166,281	$ 2,976,911
Grants and Contributions:					
Contributions	3,215,108	480,000	-	3,695,108	3,281,136
Grants	70,974	1,915,100	-	1,986,074	1,096,721
Corporate sponsors	140,928	150,000	-	290,928	301,263
Workplace giving	197,886	-	-	197,886	238,915
Program Revenues:					
Contracts	169,774	-	-	169,774	217,581
Meetings and events	221,241	-	-	221,241	191,650
Merchandise and publications	169,851	-	-	169,851	150,283
Rental income	75,829	-	-	75,829	90,326
Other income	49,974	-	-	49,974	77,454
Investment (loss) income	(120,955)	-	-	(120,955)	268,213
Net assets released from restrictions	1,399,964	(1,399,964)	-	-	-
Total Revenue and Support	8,756,855	1,145,136	-	9,901,991	8,890,453
Expenses:					
Program Services:					
Direct project assistance/research	-	-	-	-	1,115,385
Regional programs	-	-	-	-	1,219,786
Public information/events	2,316,681	-	-	2,316,681	1,808,533
National and state policy	1,415,079	-	-	1,415,079	1,120,019
Member programs	366,036	-	-	366,036	412,553
Trail development	2,165,587	-	-	2,165,587	59,719
Research	438,917	-	-	438,917	391,850
Total Program Services	6,702,300	-	-	6,702,300	6,127,845
Supporting Services:					
Administrative services	821,795	-	-	821,795	783,155
Fundraising	1,292,719	-	-	1,292,719	1,231,317
Total Supporting Services	2,114,514	-	-	2,114,514	2,014,472
Total Expenses	8,816,814	-	-	8,816,814	8,142,317
Change in net assets	(59,959)	1,145,136	-	1,085,177	748,136
Net assets, beginning of year	3,221,315	1,410,234	635,078	5,266,627	4,518,491
Net assets, end of year	$ 3,161,356	$ 2,555,370	$ 635,078	$ 6,351,804	$ 5,266,627

RAILS-TO-TRAILS CONSERVANCY
STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Cash flows from operating activites:		
Change in net assets	$ 1,085,177	$ 748,136
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	130,873	103,355
Amortization of deferred lease incentive	(38,333)	(38,333)
Net realized and unrealized loss (gain) on investments	141,854	(215,030)
Decrease in operating assets:		
Accounts receivable	(66,398)	108,258
Pledges and grants receivable	(352,449)	(58,368)
Prepaid expenses and other assets	(2,489)	(723)
Inventory	(25,086)	(17,536)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	402,735	(24,236)
Refundable advances	46,979	(45,770)
Deferred rent	11,904	13,074
Net cash flows provided by operating activities	1,334,767	572,827
Cash flows from investing activities:		
Proceeds from sales of investments	2,742,531	2,689,109
Purchases of investments	(3,877,506)	(3,044,350)
Purchases of property and equipment	(26,339)	(103,129)
Net cash flows used by investing activities	(1,161,314)	(458,370)
Net increase in cash and cash equivalents	173,453	114,457
Cash and cash equivalents, beginning of year	614,997	500,540
Cash and cash equivalents, end of year	$ 788,450	$ 614,997

The accompanying notes to the financial statements are an integral part of this statement.

Note 1—Organization and nature of operations

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:

Trail Development – The Conservancy supports trail building through a variety of strategic initiatives including an early warning system that notifies communities, state and local agencies of upcoming railway abandonment. Local and regional initiatives include development of statewide trail inventories and development plans, technical assistance for local projects, and training and education for communities and trail building groups. The Conservancy provides direct financial support for trail building and amenities to trail projects and open trails through its grant initiative. Projects of National Significance represent the largest initiative in this category where the Conservancy pursues a handful of strategic trail and active transportation network projects throughout the United States to create models that can be replicated across the country.

Research – The Conservancy's research program monitors state utilization of federal alternatives funding, evaluates the economic impact of trails, and conducts national trail bike and pedestrian counts to model and predict trail use. Trail connectivity research, tools and analysis, assist communities in planning and prioritizing trail improvement projects.

Public Information/Events – The Conservancy promotes the benefits of rail-trails and encourages trail use. Rail-trails provide places for cyclists, 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. Serving over 7 million visitors in FY15, TrailLink.com and its mobile apps represent the largest initiative in this category offering quality information to help the public find trails and safe places to walk and bike.

National and State 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.

Note 2—Summary of significant accounting policies

Basis of Presentation – 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.

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, 2015 were $2,555,370 and permanently restricted net assets as of September 30, 2015 were $635,078.

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 or life of the asset, whichever is shorter. Software is amortized using the straight-line method over three years. Depreciation and amortization expense for the year ended September 30, 2015 was $130,873.

Revenue and Support – 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.

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

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, 2015, donations-in-kind of $737,800 was received by the Conservancy.

Note 2—Summary of significant accounting policies (continued)

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, 2015, 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. 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.
>
> 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.

Investments are classified as current or long-term based on donor intent and the Conservancy's investment policy guidelines.

Note 2—Summary of significant accounting policies (continued)

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 March 8, 2016, which is the date the financial statements were available to be issued. There were no subsequent events to be disclosed based on this evaluation.

Note 3—Investments

The following table summarizes the Conservancy's investments as of September 30, 2015:

	Fair Value	Cost
Investments in exchange-traded funds - equity	$ 2,406,344	$ 2,207,029
Investments in exchange-traded funds - fixed income	1,452,253	1,456,602
Investments in certificates of deposit	1,317,845	1,318,008
Cash and cash equivalents	314,580	314,580
Total	$ 5,491,022	$ 5,296,219

The following table sets forth by level, within the fair value hierarchy, the Conservancy's investments at fair value as of September 30, 2015:

	Level 1	Level 2	Level 3	Total
Investments in exchange-traded funds - equity	$ 2,406,344	$ -	$ -	$ 2,406,344
Investments in exchange-traded funds - fixed income	1,452,253	-	-	1,452,253
Investments in certificates of deposit	1,317,845	-	-	1,317,845
Cash and cash equivalents	314,580	-	-	314,580
Total investments at fair value	$ 5,491,022	$ -	$ -	$ 5,491,022

Note 3—Investments (continued)

The following table summarizes investment returns as of September 30 2015:

Interest and dividends	$ 20,899
Realized and unrealized loss on investments	(141,854)
Total	$ (120,955)

Note 4—Property and equipment

Property and equipment consisted of the following at September 30, 2015:

	Cost	Accumulated Depreciation	Net Book Value
Furniture and equipment	$ 285,346	$ (244,749)	$ 40,597
Software	217,500	(118,402)	99,098
Leasehold improvements	603,832	(308,869)	294,963
	$ 1,106,678	$ (672,020)	$ 434,658

Note 5—Net assets

Temporarily Restricted Net Assets – Temporarily restricted net assets at September 30, 2015 are restricted to the following program purposes, which are described in Note 1.

Trail development	$ 2,087,940
Trail policy	290,000
Research	177,430
	$ 2,555,370

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

Trail development	$ 889,964
Trail policy	310,000
Public education	40,000
Research	160,000
	$ 1,399,964

Note 5—Net assets (continued)

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.

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.

Note 6—Endowment funds

At September 30, 2015, 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, 2015, 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.

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.

Note 6—Endowment funds (continued)

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, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Net assets, September 30, 2014	$ 200,187	$ -	$ 635,078
Contributions	-		-
Interest and dividends, net of fees	-	847	-
Change in fair market value	-	(22,134)	-
Realized gains	-	117	-
Transfer to unrestricted from			-
temporarily restricted	(21,170)	21,170	-
Net assets, September 30, 2015	$ 179,017	$ -	$ 635,078

Note 7—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.

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 March 2017.

Note 7—Commitments (continued)

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
2016	$ 456,887	$ 50,712	$ 406,175
2017	446,679	12,771	433,908
2018	450,334	-	450,334
2019	449,161	-	449,161
2020	440,143	-	440,143
Thereafter	1,561,858	-	1,561,858
	$ 3,805,062	$ 63,483	$ 3,741,579

Rent expense for the year ended September 30, 2015 was $477,302.

Note 8—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.

Note 9—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% of qualified compensation or a total of $151,603 for the year ended September 30, 2015.

Note 10—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, 2015 plus 2%. As of and during the year ended September 30, 2015, no amounts had been drawn from the line of credit.

Note 11—Allocation of joint costs

During the year ended September 30, 2015, the Conservancy incurred joint costs of $1,292,719 from activities that included both educational materials and fundraising appeals. Of those costs, $715,395 was allocated to programs, $428,431 was allocated to fundraising, and $148,893 was allocated to administrative expenses.

Note 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, 2014, from which the summarized information was derived.

SUPPLEMENTAL INFORMATION

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Supplemental Information

To the Board of Directors
Rails-to-Trails Conservancy
Washington, DC

We have audited the financial statements of Rails-to-Trails Conservancy (the "Conservancy") as of and for the year ended September 30, 2015, and our report thereon dated March 8, 2016, 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, 2015 and comparative totals for 2014, 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.

The financial statements of Rails-to-Trails Conservancy as of and for the year ended September 30, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements in their report dated February 11, 2015. The 2014 supplemental information is consistent, in all material respects, with the audited financial statements from which they have been derived.

Cherry Bekaert, LLP

Bethesda, Maryland
March 8, 2016

RAILS-TO-TRAILS CONSERVANCY

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2015

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2014)

	Program Services						Supporting Services				
	Trail Development	Research	Public Information/ Events	National and State Policy	Member Programs	Total Program Services	Administrative Services	Fundraising	Total Supporting Services	Total 2015	Total 2014
Salaries and related expenses	$ 1,016,376	$ 203,296	$ 778,885	$ 819,711	$ 34,748	$ 2,853,016	$ 392,517	$ 335,535	$ 728,052	$ 3,581,068	$ 3,356,886
Professional fees	287,495	169,331	366,718	374,052	21,642	1,219,238	77,507	107,374	184,881	1,404,119	1,017,436
Printing and production	102,339	505	165,649	5,582	27,918	301,993	16,602	302,618	319,220	621,213	548,889
Advertising and media	-	-	480,000	2,220	2,000	484,220	7,156	-	7,156	491,376	494,909
Postage and fulfillment	178,934	881	60,165	280	9,663	249,923	42,572	245,009	287,581	537,504	512,697
Rent	47,655	-	-	-	-	47,655	429,647	-	429,647	477,302	459,729
List management services	49,120	-	13,069	-	109,066	171,255	14,174	82,250	96,424	267,679	304,758
Travel, meals and entertainment	66,090	9,979	122,687	35,975	19,432	254,163	42,453	25,221	67,674	321,837	265,139
Grants and scholarships	162,083	-	-	4,880	-	166,963	-	-	-	166,963	149,520
Merchandise costs	25,597	9,844	16,693	-	95,364	147,498	22,514	21,580	44,094	191,592	302,339
Office expenses and supplies	39,610	7,968	16,006	387	83	64,054	97,494	289	97,783	161,837	120,147
Telephone and facsimile	9,204	392	6,376	469	248	16,689	80,014	6,982	86,996	103,685	112,643
Miscellaneous	677	-	37,083	19,695	11,729	69,184	13,026	49,213	62,239	131,423	208,564
Depreciation and amortization	-	-	72,510	-	-	72,510	58,363	-	58,363	130,873	103,355
Bank fees	-	-	26,262	-	18,574	44,836	28,049	64,516	92,565	137,401	109,017
Business insurance	-	-	3,260	-	-	3,260	31,376	-	31,376	34,636	32,143
Meetings	926	-	2,398	-	-	3,324	-	-	-	3,324	750
Staff development	13,282	1,255	-	2,419	-	16,956	-	489	489	17,445	16,008
Dues and subscription	4,706	88	2,823	15,006	-	22,623	-	615	615	23,238	16,072
Taxes and licenses	41	86	672	152	9,657	10,608	1,691	-	1,691	12,299	8,550
Indirect cost allocation	161,452	35,292	145,425	134,251	5,912	482,332	(533,360)	51,028	(482,332)	-	2,766
Total Expenses	$ 2,165,587	$ 438,917	$ 2,316,681	$ 1,415,079	$ 366,036	$ 6,702,300	$ 821,795	$ 1,292,719	$ 2,114,514	$ 8,816,814	$ 8,142,317