RAILS-TO-TRAILS CONSERVANCY

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

As of and for the Year Ended September 30, 2016 (With Summarized Financial Information for the Year Ended September 30, 2015)

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, D.C.

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, 2016, 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.

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 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 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 Conservancy as of September 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the Rails-to-Trails Conservancy's September 30, 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cherry Bekaert LLP

Bethesda, Maryland
January 20, 2017

RAILS-TO-TRAILS CONSERVANCY

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 435,501	$ 788,450
Short-term investments	2,265,263	2,043,073
Accounts receivable	58,167	146,886
Pledges and grants receivable	755,088	1,067,397
Inventory	77,352	65,021
Prepaid expenses and other assets	120,814	118,773
Total Current Assets	3,712,185	4,229,600
Property and equipment, net	319,667	434,658
Long-term investments	3,780,933	3,447,949
Total Assets	$ 7,812,785	$ 8,112,207
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 829,703	$ 1,090,523
Refundable advances	23,640	61,260
Current portion of deferred lease incentive	38,333	38,333
Current portion of deferred rent	20,257	8,243
Total Current Liabilities	911,933	1,198,359
Other Liabilities:		
Deferred lease incentive	207,640	245,973
Deferred rent	300,755	316,071
Total Other Liabilities	508,395	562,044
Total Liabilities	1,420,328	1,760,403
Net Assets:		
Unrestricted	3,654,855	3,161,356
Temporarily restricted	2,082,524	2,555,370
Permanently restricted	655,078	635,078
Total Net Assets	6,392,457	6,351,804
Total Liabilities and Net Assets	$ 7,812,785	$ 8,112,207

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Revenue and Support:					
Membership dues	$ 3,098,333	$ -	$ -	$ 3,098,333	$ 3,166,281
Grants and Contributions:					
Contributions	3,479,385	187,500	20,000	3,686,885	3,695,108
Grants	34,355	1,228,619	-	1,262,974	1,986,074
Corporate sponsors	106,620	42,500	-	149,120	290,928
Workplace giving	194,376	-	-	194,376	197,886
Program Revenues:					
Contracts	138,980	-	-	138,980	169,774
Meetings and events	134,921	-	-	134,921	221,241
Merchandise and publications	191,428	-	-	191,428	169,851
Rental income	94,712	-	-	94,712	75,829
Other income	78,868	-	-	78,868	49,974
Investment income (loss)	358,741	-	-	358,741	(120,955)
Net assets released from restrictions	1,931,465	(1,931,465)	-	-	-
Total Revenue and Support	9,842,184	(472,846)	20,000	9,389,338	9,901,991
Expenses:					
Program Services:					
Public information/events	2,300,758	-	-	2,300,758	2,316,681
National and state policy	1,306,447	-	-	1,306,447	1,415,079
Member programs	418,475	-	-	418,475	366,036
Trail development	2,827,874	-	-	2,827,874	2,165,587
Research	341,854	-	-	341,854	438,917
Total Program Services	7,195,408	-	-	7,195,408	6,702,300
Supporting Services:					
Administrative services	843,917	-	-	843,917	821,795
Fundraising	1,309,360	-	-	1,309,360	1,292,719
Total Supporting Services	2,153,277	-	-	2,153,277	2,114,514
Total Expenses	9,348,685	-	-	9,348,685	8,816,814
Changes in net assets	493,499	(472,846)	20,000	40,653	1,085,177
Net assets, beginning of year	3,161,356	2,555,370	635,078	6,351,804	5,266,627
Net assets, end of year	$ 3,654,855	$ 2,082,524	$ 655,078	$ 6,392,457	$ 6,351,804

RAILS-TO-TRAILS CONSERVANCY

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Changes in net assets	$ 40,653	$ 1,085,177
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	134,128	130,873
Amortization of deferred lease incentive	(38,333)	(38,333)
Net realized and unrealized (gain) loss on investments	(275,497)	141,854
Decrease (increase) in operating assets:		
Accounts receivable	88,719	(66,398)
Pledges and grants receivable	312,309	(352,449)
Prepaid expenses and other assets	(2,041)	(2,489)
Inventory	(12,331)	(25,086)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(260,820)	402,735
Refundable advances	(37,620)	46,979
Deferred rent	(3,302)	11,904
Net cash flows (used in) provided by operating activities	(54,135)	1,334,767
Cash flows from investing activities:		
Proceeds from sales of investments	2,955,682	2,742,531
Purchases of investments	(3,235,359)	(3,877,506)
Purchases of property and equipment	(19,137)	(26,339)
Net cash flows used in investing activities	(298,814)	(1,161,314)
Net increase (decrease) in cash and cash equivalents	(352,949)	173,453
Cash and cash equivalents, beginning of year	788,450	614,997
Cash and cash equivalents, end of year	$ 435,501	$ 788,450

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

Note 1—Organization and nature of operations

Rails-to-Trails Conservancy ("RTC"), the nation's largest trails organization with more than 160,000 members and supporters, is dedicated to working with communities to preserve and transform unused rail corridors into multiuse trails and trail networks, creating healthier places for healthier people. Founded in 1985, RTC is located in Washington, D.C. and has four regional offices in Pennsylvania, Ohio, California and Florida. Funding for RTC's activities come primarily through membership dues and contributions.

RTC's major program services are as follows:

Trail Development: Since its inception, RTC has supported trail building through a variety of **strategic initiatives**: managing an early warning system that notifies communities, state and local agencies of upcoming railway abandonments; creating statewide trail inventories and development plans; providing technical assistance for local trail development and management projects; and offering training and education for communities and trail-building groups.

RTC's **projects of national significance** represent the organization's largest trail development initiative. These projects are intended to spur trail-network development nationwide, changing the landscape for active transportation by establishing trail systems that get people where they want to go. The heart of this work comes through smart investments that close gaps in trail systems and improve access to major destinations across communities and entire regions. The scope of this work is a placemaking strategy, with trails as the catalyst. Currently, RTC operates a portfolio of six projects of national significance, with a goal of 12 projects by the year 2020.

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

Public Information / Events: While the benefits of trail use are far-reaching, not everyone knows how to access trails. RTC's trail-use initiatives provide tips for getting out on the trail and connect people with local trails and bucket-list destinations. RTC's flagship initiative, **TrailLink.com** served more than 7.4 million visitors in FY16 connecting them to over 30,000 miles of trails through its free website and mobile apps. Trail use **campaigns** include Opening Day for Trails—building excitement for the start of the trail use season in the spring; Share the Trails—promoting safe and respectful trail use; and the Sojourn series—educating about how trails are built through an experiential, multi-day trail ride. RTC also provides rail-trail information through its quarterly magazine, monthly eNews, social media, news media and publications.

Trail Policy: RTC's policy and advocacy work ensures public investment in rail-trails at all levels of government, focusing on opportunities to support communities in building critical trail, biking and walking infrastructure. RTC promotes policies at the federal and state level that make trail building possible.

RTC is a leader in the fight to protect the federal Transportation Alternatives program, which is the largest source of funding for trail development. RTC steadfastly defends 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.

Member Programs: In addition to the programs provided to members through public information and education, RTC is also digitizing member and constituent information and trails information, creating a centralized database that will assist the organization 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 – RTC'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, 2016 were $2,082,524 and permanently restricted net assets as of September 30, 2016 were $655,078.

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, 2016 was $134,128.

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.

RTC 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, 2016, donations-in-kind of $506,485 was received by RTC.

Note 2—Summary of significant accounting policies (continued)

Contract revenue is recognized in the period when earned. Meetings and events revenue is recognized in the period in which the particular meeting or event is held. Merchandise and publications revenue is recognized when the goods are shipped to the customer.

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 – RTC 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. RTC 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, 2016, there is no provision for income tax expense in these financial statements.

Accounting for Uncertainty in Income Taxes – RTC 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 RTC does not hold any uncertain tax positions. RTC's returns are subject to examination by the IRS generally for three years after they were filed.

Fair Value Measurements – RTC 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 RTC 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.

Note 2—Summary of significant accounting policies (continued)

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 RTC's assets and liabilities. Note 3 summarizes, by level, RTC's investments within the fair value hierarchy.

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

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 – RTC has evaluated subsequent events through January 20, 2017, 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 RTC's investments as of September 30, 2016:

	Fair Value	Cost
Investments in exchange-traded funds - equity	$ 2,647,996	$ 2,517,743
Investments in exchange-traded funds - fixed income	1,561,951	1,269,322
Investments in certificates of deposit	1,830,459	1,831,004
Cash and cash equivalents	5,790	5,790
Total	$ 6,046,196	$ 5,623,859

The following table sets forth by level, within the fair value hierarchy, RTC's investments at fair value as of September 30, 2016:

	Level 1	Level 2	Level 3	Total
Investments in exchange-traded funds - equity	$ 2,647,996	$ -	$ -	$ 2,647,996
Investments in exchange-traded funds - fixed income	1,561,951	-	-	1,561,951
Investments in certificates of deposit	1,830,459	-	-	1,830,459
Cash and cash equivalents	5,790	-	-	5,790
Total investments at fair value	$ 6,046,196	$ -	$ -	$ 6,046,196

Note 3—Investments (continued)

The following table summarizes investment returns as of September 30, 2016:

Interest and dividends	$ 83,244
Realized and unrealized gain on investments	275,497
Total	$ 358,741

Note 4—Property and equipment

Property and equipment consisted of the following at September 30, 2016:

	Cost	Accumulated Depreciation	Net Book Value
Furniture and equipment	$ 303,383	$ (264,794)	$ 38,589
Software	218,603	(191,087)	27,516
Leasehold improvements	603,832	(350,270)	253,562
	$ 1,125,818	$ (806,151)	$ 319,667

Note 5—Net assets

Temporarily Restricted Net Assets – Temporarily restricted net assets at September 30, 2016 are restricted to the following program purposes, which are described in Note 1.

Trail development	$ 1,911,347
General support – time or match restriction	26,218
Public information/events	144,959
	$ 2,082,524

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished during the year ended September 30, 2016 were as follows:

Trail development	$ 1,490,128
National and state policy	230,000
General support – time or match restriction	27,500
Public information/events	6,227
Research	177,610
	$ 1,931,465

Note 5—Net assets (continued)

Permanently Restricted Net Assets – 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 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, 30 years from the date of the gift, the fund will revert to RTC s general endowment.

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.

Note 6—Endowment funds

At September 30, 2016, RTC's endowment consists of multiple donor-restricted funds established for RTC 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 RTC 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, RTC 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 RTC in a manner consistent with its spending policy and the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, RTC 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 RTC, and (7) RTC'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, 2016, there were no such deficiencies.

Investment and Spending Policies – RTC 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 RTC 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. RTC 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 RTC's investment policy. To satisfy its long-term rate-of-return objectives, RTC 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 RTC's general operations. Under RTC'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, RTC's Board of Directors resolved that all of the investment earnings on Fund 2 be considered unrestricted and available to support general operations. Under RTC'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, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Net assets, September 30, 2015	$ 179,017	$ -	$ 635,078
Contributions	-	-	20,000
Interest and dividends, net of fees	-	8,150	-
Change in fair market value	-	40,752	-
Realized gains	-	7,267	-
Transfer to unrestricted from temporarily restricted	56,169	(56,169)	-
Net assets, September 30, 2016	$ 235,186	$ -	$ 655,078

Note 7—Commitments

RTC 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, RTC entered into various noncancelable 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, RTC leases certain equipment and vehicles under noncancelable operating leases with expiration dates through March 2017.

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

Note 7—Commitments (continued)

Years Ending September 30,	Total	Subleases	Net
2017	$ 457,196	$ 23,963	$ 433,233
2018	461,062	-	461,062
2019	569,327	-	569,327
2020	440,143	-	440,143
2021	453,347	-	453,347
Thereafter	663,900	-	663,900
	$ 3,044,975	$ 23,963	$ 3,021,012

Rent expense for the year ended September 30, 2016 was $509,434.

Note 8—Concentrations

Credit Risk – RTC maintains cash balances at several financial institutions, which, at times, may exceed federally insured limits. As of September 30, 2016, RTC's cash balances in excess of FDIC insured amounts totaled $230,305. RTC monitors its exposure associated with cash in bank deposits and has not experienced any losses in such accounts.

Note 9—Retirement plan

RTC 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.

RTC made a discretionary contribution of 6% of qualified compensation or a total of $159,317 for the year ended September 30, 2016.

Note 10—Line of credit

RTC maintained 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, 2016 plus 2%. As of and during the year ended September 30, 2016, no amounts had been drawn from the line of credit and was terminated in April 2016.

Note 11—Allocation of joint costs

During the year ended September 30, 2016, RTC incurred joint costs of $1,172,447 from activities that included both educational materials and fundraising appeals. Of those costs, $676,999 was allocated to programs, $352,693 was allocated to fundraising, and $142,755 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 RTC's financial statements for the year ended September 30, 2015, 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, D.C.

We have audited the financial statements of Rails-to-Trails Conservancy ("RTC") as of and for the year ended September 30, 2016, and our report thereon dated January 20, 2017, which expressed an unmodified opinion on those financial statements, appears on page 1. 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, 2016 and comparative totals for 2015, 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 RTC'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.

Cherry Bekaert LLP

Bethesda, Maryland
January 20, 2017

RAILS-TO-TRAILS CONSERVANCY
SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2015)

	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 2016	Total 2015
Salaries and related expenses	$ 1,259,871	$ 193,549	$ 762,657	$ 892,182	$ 25,774	$ 3,134,033	$ 401,346	$ 341,685	$ 743,031	$ 3,877,064	$ 3,581,068
Professional fees	497,153	95,795	406,415	182,606	48,860	1,230,829	121,206	88,438	209,644	1,440,473	1,404,119
Printing and production	98,867	1,025	120,042	(523)	23,502	242,913	11,848	261,328	273,176	516,089	621,213
Advertising and media	174,814	-	480,523	-	2,000	657,337	8,886	2,081	10,967	668,304	491,376
Postage and fulfillment	118,231	841	60,566	40	6,814	186,492	26,741	294,677	321,418	507,910	537,504
Rent	63,310	-	-	-	-	63,310	446,124	-	446,124	509,434	477,302
List management services	45,891	67	24,035	434	98,219	168,646	12,859	78,436	91,295	259,941	267,679
Travel, meals, and entertainment	85,578	11,325	116,915	42,319	44,243	300,380	61,634	18,753	80,387	380,767	321,837
Grants and scholarships	217,075	-	-	-	-	217,075	-	-	-	217,075	166,963
Merchandise costs	24,274	1,188	35,910	-	135,531	196,903	29,299	15,279	44,578	241,481	191,592
Office expenses and supplies	17,926	3,223	12,496	272	25	33,942	90,462	70	90,532	124,474	161,837
Telephone and facsimile	7,704	430	1,282	574	712	10,702	82,768	1,891	84,659	95,361	103,685
Miscellaneous	770	1,099	32,464	31,494	1,564	67,391	(117)	77,535	77,418	144,809	131,423
Depreciation and amortization	-	-	72,498	-	-	72,498	61,630	-	61,630	134,128	130,873
Bank fees	2	-	22,238	-	19,801	42,041	31,948	77,821	109,769	151,810	137,401
Business insurance	2	-	1,410	-	-	1,412	32,692	-	32,692	34,104	34,636
Meetings	422	-	1,187	2,945	-	4,554	-	-	-	4,554	3,324
Staff development	5,625	2,341	717	2,974	250	11,907	-	75	75	11,982	17,445
Dues and subscription	3,203	10	8,305	11,010	108	22,636	170	611	781	23,417	23,238
Taxes and licenses	216	-	479	88	5,173	5,956	(448)	-	(448)	5,508	12,299
Indirect cost allocation	206,940	30,961	140,619	140,032	5,899	524,451	(575,131)	50,680	(524,451)	-	-
Total Expenses	$ 2,827,874	$ 341,854	$ 2,300,758	$ 1,306,447	$ 418,475	$ 7,195,408	$ 843,917	$ 1,309,360	$ 2,153,277	$ 9,348,685	$ 8,816,814