RAILS-TO-TRAILS CONSERVANCY

FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

As of and for the Year Ended September 30, 2018 (With Comparative Totals for the Year Ended September 30, 2017)

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

RAILS-TO-TRAILS CONSERVANCY

TABLE OF CONTENTS

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 statement of financial position as of September 30, 2018, and the related statement 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 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 Conservancy as of September 30, 2018, and the change 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, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated February 14, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Cherry Bekaert LLP

Tysons Corner, Virginia
February 6, 2019

RAILS-TO-TRAILS CONSERVANCY

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 382,977	$ 602,738
Short-term investments	2,460,417	2,263,922
Accounts receivable - contracts	87,052	50,557
Pledges and grants receivable	2,469,754	859,852
Inventory	101,534	102,577
Prepaid expenses and other assets	170,141	123,761
Total Current Assets	5,671,875	4,003,407
Property and equipment, net	212,719	256,326
Other Assets:		
Pledges and grants receivable, non-current	437,722	170,000
Accounts receivable - contracts, non-current	56,500	-
Long-term investments	5,037,218	4,169,355
Total Other Assets	5,531,440	4,339,355
Total Assets	$ 11,416,034	$ 8,599,088
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	$ 1,028,535	$ 704,470
Refundable advances	2,419	74,281
Current portion of deferred lease incentive	38,333	38,333
Current portion of deferred rent	41,774	30,993
Total Current Liabilities	1,111,061	848,077
Other Liabilities:		
Deferred lease incentive	130,973	169,306
Deferred rent	233,509	273,355
Total Other Liabilities	364,482	442,661
Total Liabilities	1,475,543	1,290,738
Net Assets:		
Unrestricted	4,522,908	4,167,788
Temporarily restricted	4,599,255	2,485,484
Permanently restricted	818,328	655,078
Total Net Assets	9,940,491	7,308,350
Total Liabilities and Net Assets	$ 11,416,034	$ 8,599,088

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED SEPTEMBER 30, 2018

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2018	Comparative Total 2017
Revenue and Support:					
Membership dues	$ 3,220,568	$ -	$ -	$ 3,220,568	$ 3,024,234
Grants and Contributions:					
Contributions	3,602,566	643,437	163,250	4,409,253	4,170,260
Grants	85,602	3,940,000	-	4,025,602	1,406,417
Corporate sponsors	2,985	548,500	-	551,485	954,387
Workplace giving	171,957	-	-	171,957	209,133
Program Revenues:					
Contracts	266,105	-	-	266,105	90,669
Meetings and events	216,692	-	-	216,692	127,550
Merchandise and publications	266,796	-	-	266,796	244,657
Other income	95,249	-	-	95,249	90,883
Investment income	332,504	-	-	332,504	424,854
Net assets released from restrictions	3,018,166	(3,018,166)	-	-	-
Total Revenue and Support	11,279,190	2,113,771	163,250	13,556,211	10,743,044
Expenses:					
Program Services:					
Public information/events	2,223,455	-	-	2,223,455	2,177,226
National and state policy	1,143,509	-	-	1,143,509	1,433,135
Member programs	395,413	-	-	395,413	470,949
Trail development	4,398,504	-	-	4,398,504	3,320,970
Research	255,457	-	-	255,457	196,064
Total Program Services	8,416,338	-	-	8,416,338	7,598,344
Supporting Services:					
Administrative services	1,115,151	-	-	1,115,151	925,152
Fundraising	1,392,581	-	-	1,392,581	1,303,655
Total Supporting Services	2,507,732	-	-	2,507,732	2,228,807
Total Expenses	10,924,070	-	-	10,924,070	9,827,151
Changes in net assets	355,120	2,113,771	163,250	2,632,141	915,893
Net assets, beginning of year	4,167,788	2,485,484	655,078	7,308,350	6,392,457
Net assets, end of year	$ 4,522,908	$ 4,599,255	$ 818,328	$ 9,940,491	$ 7,308,350

RAILS-TO-TRAILS CONSERVANCY
STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Changes in net assets	$ 2,632,141	$ 915,893
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	69,658	94,539
Amortization of deferred lease incentive	(38,333)	(38,334)
Net realized and unrealized gain on investments	(227,824)	(332,016)
Decrease (increase) in operating assets:		
Accounts receivable	(92,995)	7,610
Pledges and grants receivable	(1,877,624)	(274,764)
Prepaid expenses and other assets	(46,380)	(2,947)
Inventory	1,043	(25,225)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	324,065	(125,233)
Refundable advances	(71,862)	50,641
Deferred rent	(29,065)	(16,664)
Net cash flows provided by operating activities	642,824	253,500
Cash flows from investing activities:		
Proceeds from sales of investments	843,306	1,048,342
Purchase of investments	(1,679,840)	(1,103,407)
Purchase of property and equipment	(26,051)	(31,198)
Net cash flows used in investing activities	(862,585)	(86,263)
Net (decrease)/increase in cash and cash equivalents	(219,761)	167,237
Cash and cash equivalents, beginning of year	602,738	435,501
Cash and cash equivalents, end of year	$ 382,977	$ 602,738

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 and 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 TrailNation project portfolio represents 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. This work is currently being implemented in eight places across the country—places diverse in their geography, culture, size and scope—southeast Wisconsin, the San Francisco Bay Area, the industrial heartland, Philadelphia, Baltimore, Washington, D.C., Miami and South Texas.

Research: RTC's research program focuses on creating innovative tools that can empower communities to advance trail systems in their cities and 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 and 7.0 million visitors during the years ended September 30, 2018 and 2017, respectively, connecting them to over 30,000 miles of trails through its free website and mobile apps. RTC also builds support for trail use through its online campaigns, quarterly magazine, monthly eNews, social media, news media, publications and trail events.

National and State 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, state, and local level that make trail building possible.

RTC is a leader in the fight to protect the federal Transportation Alternatives Program ("TAP"), 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 through public information and education, RTC also digitizes member and constituent information and trail information, creating a centralized resource that assists 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, 2018 and 2017 were $4,599,255 and $2,485,484, respectively, and permanently restricted net assets as of September 30, 2018 and 2017, were $818,328 and $655,078, respectively.

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. 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 at September 30, 2018 and 2017.

Inventory – Inventories consist of member premiums, such as T-shirts and guidebooks that RTC gives to members when they make a donation of a certain dollar amount, as well as items for sale in RTC's online store. They are stated at the lower of cost (first-in, first-out basis) or net realizable value.

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 years ended September 30, 2018 and 2017 was $69,658 and $94,539, respectively.

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.

Note 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 and expense in the accompanying statement of activities and changes in net assets includes legal and advertising services. For the years ended September 30, 2018 and 2017, donations-in-kind of $466,779 and $575,295, respectively, were received by RTC.

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.

Advertising Expenses – Advertising costs are expensed as incurred. Total advertising costs were $591,350 and $596,764 for the years ended September 30, 2018 and 2017, respectively. In-kind advertising expenses are recorded at year-end and were $428,248 and $410,000 for the years ended September 30, 2018 and 2017, respectively.

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 years ended September 30, 2018 and 2017, 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 Internal Revenue Service 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.

Note 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 RTC's assets and liabilities. Note 4 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 February 6, 2019, 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—Pledges and grants receivable

Pledges and grants receivable consist of the following as of September 30:

Amounts due in:	2018	2017
Less than one year	$ 2,469,754	$ 859,852
One to five years	437,722	170,000
Total	$ 2,907,476	$ 1,029,852

Note 4—Investments

The following table summarizes RTC's investments at par value as of September 30:

	2018	2017
Investments in exchange-traded funds - equity	$ 4,081,907	$ 2,917,578
Investments in exchange-traded funds - fixed income	1,177,482	1,548,362
Investments in certificates of deposit	1,573,384	1,963,106
Cash and cash equivalents	664,862	4,231
Total	$ 7,497,635	$ 6,433,277

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

2018	Level 1	Level 2	Level 3	Total
Investments in exchange-traded funds - equity	$ 4,081,907	$ -	$ -	$ 4,081,907
Investments in exchange-traded funds - fixed income	1,177,482	-	-	1,177,482
Investments in certificates of deposit	1,573,384		-	1,573,384
Cash and cash equivalents	664,862	-	-	664,862
Total investments at fair value	$ 7,497,635	$ -	$ -	$ 7,497,635
2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments in exchange-traded funds - equity	$ 2,917,578	$ -	$ -	$ 2,917,578
Investments in exchange-traded funds - fixed income	1,548,362	-	-	1,548,362
Investments in certificates of deposit	1,963,106		-	1,963,106
Cash and cash equivalents	4,231	-	-	4,231
Total investments at fair value	$ 6,433,277	$ -	$ -	$ 6,433,277

The following table summarizes investment returns as of September 30:

	2018	2017
Interest and dividends	$ 104,680	$ 92,838
Realized and unrealized gain on investments	227,824	332,016
Total	$ 332,504	$ 424,854

Note 5—Property and equipment

Property and equipment consisted of the following at September 30:

2018	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Furniture and equipment	$ 360,627	$ (320,507)	$ 40,120
Software	218,603	(218,419)	184
Leasehold improvements	603,832	(431,417)	172,415
	$ 1,183,062	$ (970,343)	$ 212,719

2017	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Furniture and equipment	$ 334,576	$ (291,146)	$ 43,430
Software	218,603	(218,052)	551
Leasehold improvements	603,832	(391,487)	212,345
	$ 1,157,011	$ (900,685)	$ 256,326

Note 6—Net assets

Temporarily Restricted Net Assets – Temporarily restricted net assets at September 30, 2018 and 2017 are restricted to the following program purposes, which are described in Note 1.

	2018	**2017**
Trail development	$ 4,201,005	$ 2,209,484
National and state policy	129,500	221,000
General support – time or match restriction	243,750	5,000
Public information/events	-	50,000
Research	25,000	-
	$ 4,599,255	$ 2,485,484

Note 6—Net assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished during the years ended September 30, 2018 and 2017 were as follows:

	2018	2017
Trail development	$ 2,699,666	$ 2,170,741
National and state policy	156,500	91,493
General support – time or match restriction	60,000	22,500
Public information/events	52,000	135,000
Research	50,000	-
	$ 3,018,166	$ 2,419,734

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 plus 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.

RTC has received $26,000 in contributions to its general endowment during the years ending September 2011-2016. During the year end September 30, 2018, $163,250 was restricted for the Keith Laughlin Legacy Endowment Fund ("Fund 3"). Note 7 provides further information on the endowment funds.

Note 7—Endowment funds

At September 30, 2018, 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. During the year ended September 30, 2018, RTC established the Keith Laughlin Legacy Endowment Fund. RTC's board of directors established this fund to honor the 18 years of service of its President Keith Laughlin. The Board made personal pledges in excess of $500,000, of which $163,250 was permanently restricted. The remainder of Endowment funds is from $20,000 from the Cunningham Estate and $6,000 from Board Member Gail Lipstein.

Note 7—Endowment funds (continued)

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, 2018 and 2017, 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.

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

In accordance with the donor's instructions, earnings on Fund 3 are available to support RTC's general operations. Under RTC's Endowment Spending Policy, earnings on this fund, up to 5% of Fund 3's market value as of the prior fiscal year are considered available for current operations.

Note 7—Endowment funds (continued)

The changes in endowment funds for the years ended September 30, 2018 and 2017 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Net assets, September 30, 2016	$ 235,186	$ -	$ 655,078
Interest and dividends, net of fees	-	4,781	-
Change in fair market value	-	40,613	-
Realized gains	-	4,653	-
Transfer to unrestricted from temporarily restricted	50,047	(50,047)	-
Net assets, September 30, 2017	$ 285,233	$ -	$ 655,078
Contributions	-	-	163,250
Interest and dividends, net of fees	-	3,829	-
Change in fair market value	-	29,005	-
Realized gains	-	483	-
Transfer to unrestricted from temporarily restricted	33,317	(33,317)	-
Net assets, September 30, 2018	$ 318,550	$ -	$818,328

Note 8—Commitments

RTC leases office space in Washington, D.C.; Baltimore; Pennsylvania; Ohio; and California with various expiration dates through February 2023, with scheduled annual increases over the term of the lease.

The Washington, D.C. 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, D.C. 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 under noncancelable operating leases with expiration dates through March 2023.

Note 8—Commitments (continued)

The future minimum rental payments due under the current lease agreements are as follows:

Years Ending September 30,	Total
2019	$ 501,517
2020	460,085
2021	462,685
2022	472,567
2023	199,142
	$ 2,095,996

Rent expense for the years ended September 30, 2018 and 2017 was $533,666 and $511,195, respectively.

RTC has a commitment for $115,000 relating to services which will be performed during the year ending September 30, 2019 by a public relations and media agency, Karma Agency to develop the brand, case for giving, campaign materials and launch.

Note 9—Concentrations

Credit Risk – RTC maintains cash balances at several financial institutions, which, at times, may exceed federally insured limits. As of September 30, 2018 and 2017, RTC's cash balances in excess of FDIC insured amounts totaled $152,205 and $297,975, respectively. RTC monitors its exposure associated with cash in bank deposits and has not experienced any losses in such accounts.

Note 10—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 $223,827 and $167,426 for the years ended September 30, 2018 and 2017, respectively.

Note 11—Allocation of joint costs

During the years ended September 30, 2018 and 2017, RTC incurred joint costs of $1,390,849 and $1,322,196, respectively, from activities that included both educational materials and fundraising appeals. Of those costs, $766,683 and $605,029, respectively, was allocated to programs, $428,774 and $529,686, respectively, was allocated to fundraising, and $195,392 and $187,481, respectively, was allocated to administrative expenses.

Note 12—Prior year Comparative Totals

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, 2017, from which the summarized information was derived.

Note 13—Upcoming accounting pronouncements

Future Pronouncements – In August 2016, Financial Accounting Standards Board ("FASB") issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the statements of activities and changes in net assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Conservancy's financial statements, it is not expected to alter the Conservancy's reported financial position. The Conservancy has elected to defer implementation until the applicable required date.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires lessees to recognize most leases on the balance sheet. This is expected to increase both reported assets and liabilities. The new lease standard does not substantially change lessor accounting. For non-public companies, the standard will be effective for annual reporting periods beginning after December 15, 2019 and interim periods within annual reporting periods beginning after December 15, 2020. Lessees and lessors will be required to apply the new standard at the beginning of the earliest period presented in the financial statements in which they first apply the new guidance, using a modified retrospective transition method. The requirements of this standard include a significant increase in required disclosures. The Conservancy has elected to defer implementation until the applicable required date.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU 2014-09"). ASU 2014-09 outlines a new, single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. This new revenue recognition model provides a five-step analysis in determining when and how revenue is recognized. The new model will require revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration a company expects to receive in exchange for those goods or services. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers* (Topic 606): *Deferral of Effective Date* ("ASU 2015-14"). The amendments in ASU 2015-14 defer the effective date of ASU 2014-09 for all entities by one year. The standard will be effective for non-public entities for annual reporting periods beginning after December 15, 2018 and interim periods within annual reporting periods beginning after December 15, 2019. Early adoption is permitted, beginning after December 15, 2016. Companies may use either a full retrospective or a modified retrospective approach to adopt ASU 2014-09. The Conservancy has elected to defer implementation until the applicable required date.

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, 2018, and our report thereon dated February 6, 2019, 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, 2018 and comparative totals for 2017, which follow, is presented for purposes of additional analysis and is 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

Tysons Corner, Virginia
February 6, 2019

RAILS-TO-TRAILS CONSERVANCY
SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2017)

	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 2018	Comparative Total 2017
Salaries and related expenses	$ 2,254,513	$ 186,835	$ 904,369	$ 763,344	$ 37,893	$ 4,146,954	$ 467,342	$ 392,212	$ 859,554	$ 5,006,508	$ 4,402,712
Professional fees	588,766	29,669	325,395	134,560	18,059	1,096,449	201,193	136,804	337,997	1,434,446	1,207,878
Printing and production	143,655	-	102,340	2,735	28,747	277,477	18,164	214,369	232,533	510,010	513,372
Advertising and media	150,999	-	431,092	5	2,000	584,096	4,960	2,294	7,254	591,350	596,764
Postage and fulfillment	195,625	111	67,809	75	31,270	294,890	53,171	214,285	267,456	562,346	480,638
Rent	72,200	-	-	-	-	72,200	461,466	-	461,466	533,666	511,195
List management services	70,317	-	18,661	132	120,655	209,765	19,660	119,418	139,078	348,843	361,113
Travel, meals, and entertainment	200,839	3,612	101,387	29,629	779	336,246	94,400	36,389	130,789	467,035	382,469
Grants and scholarships	294,954	-	-	32,355	-	327,309	-	-	-	327,309	347,509
Merchandise costs	31,884	-	39,524	-	117,613	189,021	34,561	63,102	97,663	286,684	209,788
Office expenses and supplies	59,003	-	18,227	53	-	77,283	115,871	212	116,083	193,366	167,936
Voice and data services	2,543	280	3,674	825	-	7,322	57,274	867	58,141	65,463	78,418
Miscellaneous	4,754	-	47,974	52,165	9,119	114,012	6,700	66,739	73,439	187,451	185,705
Depreciation and amortization	-	-	368	-	-	368	69,290	-	69,290	69,658	94,539
Bank fees	193	-	34,468	-	20,873	55,534	37,207	92,787	129,994	185,528	166,383
Business insurance	832	-	4,736	-	-	5,568	32,408	-	32,408	37,976	37,916
Conferences	22,320	-	2,675	-	-	24,995	-	-	-	24,995	13,318
Professional development	20,661	2,349	1,490	8,024	-	32,524	1,998	48	2,046	34,570	30,509
Dues and subscription	3,686	14,701	4,228	20,800	-	43,415	-	6,713	6,713	50,128	26,566
Taxes and licenses	25	-	1,555	80	3,820	5,480	858	400	1,258	6,738	12,423
Indirect cost allocation	280,735	17,900	113,483	98,727	4,585	515,430	(561,372)	45,942	(515,430)	-	-
Total Expenses	$ 4,398,504	$ 255,457	$ 2,223,455	$ 1,143,509	$ 395,413	$ 8,416,338	$ 1,115,151	$ 1,392,581	$ 2,507,732	$ 10,924,070	$ 9,827,151