# FINANCIAL STATEMENTS

rails·to·trails
conservancy

# FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

# RAILS-TO-TRAILS CONSERVANCY

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CPAs & ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Rails-to-Trails Conservancy (the Conservancy), which comprise the statements of financial position as of September 30, 2019, and the related statements of activities and changes in net assets, functional expenses 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 that 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 the Conservancy as of September 30, 2019, 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.

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## Report on Prior Year Comparative Statements

The financial statements of the Conservancy for the year ended September 30, 2018 were audited by other auditors, whose report dated February 6, 2019, expressed an unmodified opinion on those statements.

Gelman Rosenberg & Freedman

February 5, 2020

# RAILS-TO-TRAILS CONSERVANCY

## STATEMENTS OF FINANCIAL POSITION
## AS OF SEPTEMBER 30, 2019 AND 2018

### ASSETS

| | 2019 | 2018 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 221,948 | $ 382,977 |
| Investments | 3,113,965 | 2,460,417 |
| Accounts receivable | 137,765 | 87,052 |
| Pledges and grants receivable | 1,488,834 | 2,469,754 |
| Inventory | 107,029 | 101,534 |
| Prepaid expenses | 202,687 | 170,141 |
| Total current assets | 5,272,228 | 5,671,875 |
| **FIXED ASSETS** | | |
| Furniture | 104,921 | 104,921 |
| Computer equipment | 270,971 | 255,706 |
| Leasehold improvements | 603,832 | 603,832 |
| Software | 218,603 | 218,603 |
| | 1,198,327 | 1,183,062 |
| Less: Accumulated depreciation and amortization | (1,034,085) | (970,343) |
| Net fixed assets | 164,242 | 212,719 |
| **NONCURRENT ASSETS** | | |
| Pledges and grants receivable, net of current portion | 471,342 | 437,722 |
| Accounts receivable, net of current portion | - | 56,500 |
| Investments, net of current portion | 5,189,144 | 5,037,218 |
| Total noncurrent assets | 5,660,486 | 5,531,440 |
| **TOTAL ASSETS** | **$ 11,096,956** | **$ 11,416,034** |

### LIABILITIES AND NET ASSETS

| | 2019 | 2018 |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 697,830 | $ 909,157 |
| Deferred revenue | 315,443 | 121,797 |
| Deferred rent | 52,756 | 41,774 |
| Deferred lease incentive | 38,333 | 38,333 |
| Total current liabilities | 1,104,362 | 1,111,061 |
| **NONCURRENT LIABILITIES** | | |
| Deferred rent, net of current portion | 180,843 | 233,509 |
| Deferred lease incentive, net of current portion | 92,640 | 130,973 |
| Total noncurrent liabilities | 273,483 | 364,482 |
| Total liabilities | 1,377,845 | 1,475,543 |
| **NET ASSETS** | | |
| Without donor restrictions | 4,674,278 | 4,522,908 |
| With donor restrictions | 5,044,833 | 5,417,583 |
| Total net assets | 9,719,111 | 9,940,491 |
| **TOTAL LIABILITIES AND NET ASSETS** | **$ 11,096,956** | **$ 11,416,034** |

See accompanying notes to financial statements.

## RAILS-TO-TRAILS CONSERVANCY

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
## FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

| | 2019 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| **SUPPORT AND REVENUE** | | | |
| Contributions | $ 4,523,785 | $ 1,066,500 | $ 5,590,285 |
| Membership | 3,265,925 | - | 3,265,925 |
| Grants | 150 | 1,192,932 | 1,193,082 |
| Corporate sponsorships | 22,394 | 243,800 | 266,194 |
| Investment income, net | 211,951 | - | 211,951 |
| Workplace giving | 192,167 | - | 192,167 |
| Merchandise and publications | 149,024 | - | 149,024 |
| Contracts | 124,335 | - | 124,335 |
| Other revenue | 64,215 | - | 64,215 |
| Net assets released from donor restrictions | 2,875,982 | (2,875,982) | - |
| Total support and revenue | 11,429,928 | (372,750) | 11,057,178 |
| **EXPENSES** | | | |
| Program Services: | | | |
| Trail Development | 4,475,153 | - | 4,475,153 |
| Public Information/Events | 2,116,117 | - | 2,116,117 |
| Trail Policy | 1,097,403 | - | 1,097,403 |
| Research | 334,961 | - | 334,961 |
| Total program services | 8,023,634 | - | 8,023,634 |
| Supporting Services: | | | |
| Management and General | 1,282,425 | - | 1,282,425 |
| Fundraising | 1,572,563 | - | 1,572,563 |
| Member Programs | 399,936 | - | 399,936 |
| Total supporting services | 3,254,924 | - | 3,254,924 |
| Total expenses | 11,278,558 | - | 11,278,558 |
| Changes in net assets | 151,370 | (372,750) | (221,380) |
| Net assets at beginning of year | 4,522,908 | 5,417,583 | 9,940,491 |
| **NET ASSETS AT END OF YEAR** | **$ 4,674,278** | **$ 5,044,833** | **$ 9,719,111** |

See accompanying notes to financial statements.

**RAILS-TO-TRAILS CONSERVANCY**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

| | 2018 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| **SUPPORT AND REVENUE** | | | |
| Contributions | $ 3,602,566 | $ 806,687 | $ 4,409,253 |
| Membership | 3,220,568 | - | 3,220,568 |
| Grants | 85,602 | 3,940,000 | 4,025,602 |
| Corporate sponsorships | 2,985 | 548,500 | 551,485 |
| Investment income, net | 309,581 | - | 309,581 |
| Workplace giving | 171,957 | - | 171,957 |
| Merchandise and publications | 266,796 | - | 266,796 |
| Contracts | 266,105 | - | 266,105 |
| Other revenue | 95,249 | - | 95,249 |
| Meetings and events | 216,692 | - | 216,692 |
| Net assets released from donor restrictions | 3,018,166 | (3,018,166) | - |
| Total support and revenue | 11,256,267 | 2,277,021 | 13,533,288 |
| **EXPENSES** | | | |
| Program Services: | | | |
| Trail Development | 4,398,505 | - | 4,398,505 |
| Public Information/Events | 2,223,456 | - | 2,223,456 |
| Trail Policy | 1,143,509 | - | 1,143,509 |
| Research | 255,456 | - | 255,456 |
| Total program services | 8,020,926 | - | 8,020,926 |
| Supporting Services: | | | |
| Management and General | 1,092,222 | - | 1,092,222 |
| Fundraising | 1,392,587 | - | 1,392,587 |
| Member Programs | 395,412 | - | 395,412 |
| Total supporting services | 2,880,221 | - | 2,880,221 |
| Total expenses | 10,901,147 | - | 10,901,147 |
| Changes in net assets | 355,120 | 2,277,021 | 2,632,141 |
| Net assets at beginning of year | 4,167,788 | 3,140,562 | 7,308,350 |
| **NET ASSETS AT END OF YEAR** | **$ 4,522,908** | **$ 5,417,583** | **$ 9,940,491** |

## RAILS-TO-TRAILS CONSERVANCY

## STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED SEPTEMBER 30, 2019

| | Program Services | | | | | Supporting Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Trail Development | Public Information/ Events | Trail Policy | Research | Total Program Services | Management and General | Fundraising | Member Programs | Total Supporting Services | Total Expenses |
| Salary and benefits | $ 2,257,972 | $ 892,712 | $ 751,238 | $ 170,234 | $ 4,072,156 | $ 439,308 | $ 447,401 | $ 38,340 | $ 925,049 | $ 4,997,205 |
| Professional fees | 414,616 | 298,784 | 139,618 | 69,560 | 922,578 | 215,581 | 134,742 | 73,431 | 423,754 | 1,346,332 |
| Printing and production | 200,456 | 117,192 | 5,915 | 71,858 | 395,421 | 17,173 | 267,369 | 21,528 | 306,070 | 701,491 |
| Advertising and media | 203,319 | 393,068 | - | - | 596,387 | 4,998 | 1,075 | 3,555 | 9,628 | 606,015 |
| Postage and fulfillment | 235,824 | 65,970 | 238 | 249 | 302,281 | 53,780 | 272,073 | 3,645 | 329,498 | 631,779 |
| Rent | 274,495 | 86,558 | 70,138 | 12,904 | 444,095 | 41,149 | 39,816 | 3,181 | 84,146 | 528,241 |
| Software and database | 15,374 | 45,606 | 30,046 | - | 91,026 | 246,343 | 72,484 | 73,881 | 392,708 | 483,734 |
| Grants and scholarships | 449,128 | - | 606 | - | 449,734 | - | - | - | - | 449,734 |
| Travel, meetings and conferences | 196,986 | 12,603 | 22,738 | 1,051 | 233,378 | 90,329 | 29,765 | 609 | 120,703 | 354,081 |
| Merchandise costs | 21,321 | 19,097 | - | - | 40,418 | 33,425 | 65,728 | 144,315 | 243,468 | 283,886 |
| List management services | 55,655 | 15,364 | 208 | - | 71,227 | 11,882 | 118,125 | - | 130,007 | 201,234 |
| Bank fees | 660 | 33,922 | - | - | 34,582 | 12,342 | 101,646 | 25,381 | 139,369 | 173,951 |
| Office expenses and supplies | 50,080 | 7,779 | 4,773 | 874 | 63,506 | 72,568 | 2,651 | 211 | 75,430 | 138,936 |
| Voice and data services | 27,360 | 81,920 | 7,608 | 1,533 | 118,421 | 16,757 | 4,594 | 363 | 21,714 | 140,135 |
| Dues and subscriptions | 6,517 | 20,154 | 29,800 | 774 | 57,245 | 958 | 5,876 | 225 | 7,059 | 64,304 |
| Depreciation and amortization | 30,153 | 12,712 | 8,563 | 1,727 | 53,155 | 4,257 | 5,861 | 469 | 10,587 | 63,742 |
| Business insurance | 14,433 | 6,342 | 4,335 | 874 | 25,984 | 4,470 | 2,968 | 237 | 7,675 | 33,659 |
| State lobbying | 10,000 | - | 19,188 | - | 29,188 | - | - | - | - | 29,188 |
| Professional development | 10,698 | 905 | 1,774 | 3,323 | 16,700 | 10,124 | 364 | - | 10,488 | 27,188 |
| Taxes and licenses | - | 1,123 | - | - | 1,123 | 6,539 | - | 10,565 | 17,104 | 18,227 |
| Miscellaneous | 106 | 4,306 | 617 | - | 5,029 | 442 | 25 | - | 467 | 5,496 |
| **TOTAL** | **$ 4,475,153** | **$ 2,116,117** | **$ 1,097,403** | **$ 334,961** | **$ 8,023,634** | **$ 1,282,425** | **$ 1,572,563** | **$ 399,936** | **$ 3,254,924** | **$ 11,278,558** |

See accompanying notes to financial statements.

## RAILS-TO-TRAILS CONSERVANCY

## STATEMENT OF FUNCTIONAL EXPENSES
## FOR THE YEAR ENDED SEPTEMBER 30, 2018

| | Program Services | | | | | Supporting Services | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Trail Development | Public Information/ Events | Trail Policy | Research | Total Program Services | Management and General | Fundraising | Member Programs | Total Supporting Services | Total Expenses |
| Salary and benefits | $ 2,254,513 | $ 904,369 | $ 763,344 | $ 186,835 | $ 4,109,061 | $ 467,342 | $ 392,212 | $ 37,893 | $ 897,447 | $ 5,006,508 |
| Professional fees | 588,766 | 325,395 | 134,560 | 29,669 | 1,078,390 | 201,193 | 136,804 | 42,024 | 380,021 | 1,458,411 |
| Advertising and media | 150,999 | 431,092 | 5 | - | 582,096 | 4,960 | 2,294 | 2,000 | 9,254 | 591,350 |
| Postage and fulfillment | 195,625 | 67,809 | 75 | 111 | 263,620 | 53,171 | 214,285 | 31,270 | 298,726 | 562,346 |
| Rent | 268,847 | 80,180 | 71,565 | 12,583 | 433,175 | 64,789 | 32,463 | 3,239 | 100,491 | 533,666 |
| Printing and production | 143,655 | 102,340 | 2,735 | - | 248,730 | 18,164 | 214,369 | 28,747 | 261,280 | 510,010 |
| Travel, meetings and conferences | 223,159 | 104,062 | 29,629 | 3,612 | 360,462 | 94,400 | 36,389 | 779 | 131,568 | 492,030 |
| Grants and scholarships | 294,954 | - | 32,355 | - | 327,309 | - | - | - | - | 327,309 |
| Software and database | 25,244 | 50,305 | 33,749 | - | 109,298 | 14,770 | 76,939 | 94,570 | 186,279 | 295,577 |
| Merchandise costs | 31,884 | 39,524 | - | - | 71,408 | 34,561 | 63,102 | 117,613 | 215,276 | 286,684 |
| List management services | 45,894 | 15,361 | 132 | - | 61,387 | 11,959 | 110,711 | 10,703 | 133,373 | 194,760 |
| Office expenses and supplies | 71,509 | 23,922 | 4,735 | 1,252 | 101,418 | 89,343 | 2,388 | 217 | 91,948 | 193,366 |
| Bank fees | 193 | 34,468 | - | - | 34,661 | 13,915 | 91,294 | 20,873 | 126,082 | 160,743 |
| Depreciation | 33,055 | 13,082 | 10,301 | 1,865 | 58,303 | 5,625 | 5,210 | 520 | 11,355 | 69,658 |
| Voice and data services | 25,617 | 12,626 | 8,188 | 1,607 | 48,038 | 12,530 | 4,530 | 365 | 17,425 | 65,463 |
| Dues and subscriptions | 3,686 | 4,228 | 20,800 | 14,701 | 43,415 | - | 6,713 | - | 6,713 | 50,128 |
| Business insurance | 16,286 | 10,679 | 4,816 | 872 | 32,653 | 2,644 | 2,436 | 243 | 5,323 | 37,976 |
| Professional development | 20,661 | 1,490 | 8,024 | 2,349 | 32,524 | 1,998 | 48 | - | 2,046 | 34,570 |
| State lobbying | - | - | 18,258 | - | 18,258 | - | - | - | - | 18,258 |
| Taxes and licenses | 25 | 1,555 | 80 | - | 1,660 | 858 | 400 | 3,820 | 5,078 | 6,738 |
| Miscellaneous | 3,933 | 969 | 158 | - | 5,060 | - | - | 536 | 536 | 5,596 |
| **TOTAL** | **$ 4,398,505** | **$ 2,223,456** | **$ 1,143,509** | **$ 255,456** | **$ 8,020,926** | **$ 1,092,222** | **$ 1,392,587** | **$ 395,412** | **$ 2,880,221** | **$ 10,901,147** |

See accompanying notes to financial statements.

**RAILS-TO-TRAILS CONSERVANCY**

**STATEMENTS OF CASH FLOWS**
**FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

| | 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Changes in net assets | $ (221,380) | $ 2,632,141 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 63,742 | 69,658 |
| Realized and unrealized gain | (59,679) | (227,824) |
| Decrease (increase) in: | | |
| Accounts receivable | 5,787 | (92,995) |
| Pledges and grants receivable | 947,300 | (1,877,624) |
| Inventory | (5,495) | 1,043 |
| Prepaid expenses | (32,546) | (46,380) |
| (Decrease) increase in: | | |
| Accounts payable and accrued liabilities | (211,327) | 324,065 |
| Deferred revenue | 193,646 | (71,862) |
| Deferred rent abatement | (41,684) | (29,065) |
| Deferred lease incentive | (38,333) | (38,333) |
| Net cash provided by operating activities | 600,031 | 642,824 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of fixed assets | (15,265) | (26,051) |
| Purchase of investments | (2,183,359) | (1,679,840) |
| Proceeds from sale of investments | 1,437,564 | 843,306 |
| Net cash used by investing activities | (761,060) | (862,585) |
| Net decrease in cash and cash equivalents | (161,029) | (219,761) |
| Cash and cash equivalents at beginning of year | 382,977 | 602,738 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **$ 221,948** | **$ 382,977** |

See accompanying notes to financial statements.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Rails-to-Trails Conservancy (the Conservancy) is a non-profit organization, incorporated and located in the District of Columbia. The Conservancy is 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, the Conservancy is located in Washington, D.C. and has four regional offices in Pennsylvania, Ohio, California, and Florida. Funding for the Conservancy'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 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 nine 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, DC, Miami and South Texas. In the spring of 2019 RTC launched its ninth and most ambitious project, the Great American Rail Trail - a 3,700 mile coast to coast trail from Washington DC to Washington State.

*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 million visitors in FY19 connecting them to over 36,000 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 and Share the Trails—promoting safe and respectful trail use. RTC also provides rail-trail information through its quarterly magazine, monthly eNews, social media, news media and publications.

*Trial 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 (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.

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

Organization (continued) -

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

*Member Programs:* In addition to the programs provided through public information and education, RTC also digitizes member and consistent 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.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entitie*s.

New accounting pronouncements adopted -

During 2019 the Conservancy adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entitie*s. The ASU reduced the 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 was applied retrospectively.

During 2019, the Conservancy adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Conservancy recognized revenue; however, the presentation and disclosures of revenue has been enhanced. The Conservancy elected a modified retrospective approach.

Also during 2019, the Conservancy adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made.* This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. The Conservancy adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

The Conservancy considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amount of $2,749,185 and $1,256,770 for the years ended September 30, 2019 and 2018, respectively.

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

Cash and cash equivalents (continued) -

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

Investments -

Investments are recorded at their readily determinable fair value. Dividends, interest, realized and unrealized gains and losses are included in investment income, net of investment expenses paid to external investment advisors in the Statements of Activities and Changes in Net Assets.

Investments acquired by gift are recorded at their fair value at the date of the gift. The Conservancy's policy is to liquidate all gifts of investments as soon as possible after the gift.

Following is a description of the valuation methodology used for investments measured at fair value.

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

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

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

Accounts, pledges and grants receivable -

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

Inventory -

Inventory consists of member premiums, such as T-shirts and guidebooks that the Conservancy gives to members when they make a donation of a certain dollar amount, as well as items for sale in the Conservancy's online store.

Inventory is measured at the lower of cost and net realizable value using the first-in, first-out method of inventory under FASB ASU 2015-11 *Simplifying the Measurement of Inventory*.

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

Fixed assets -

Fixed assets in excess of $1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the years ended September 30, 2019 and 2018 totaled $63,742 and $69,658, respectively.

Income taxes -

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

Uncertain tax positions -

For the years ended September 30, 2019 and 2018, the Conservancy has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Program and deferred revenue -

The membership dues are bifurcated amongst the different benefits received and recognized as revenue when the performance obligations are met. Transaction price is determined based on cost and/or sales price. Any amounts considered as a contribution are recognized upon receipt. The Conservancy recognizes the TrailLink subscriptions on a pro-rata basis over the subscription period and has determined that this treatment is materially consistent with the requirements of ASU 2014-09, *Revenue from Contracts with Customers*.

Deferred revenue consists of the membership dues and TrailLink Subscriptions that have not yet been earned and performance obligations have not been met.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions -** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

- **Net Assets With Donor Restrictions -** Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions.

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

Net asset classification (continued) -

- **Net Assets With Donor Restrictions (continued) -** When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as without donor restrictions only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Pledges and grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Corporate sponsorships and contract revenue -

Revenue is recognized when earned. Corporate sponsorship revenue is recognized when the underlying event takes place. Contract revenue is recognized as actual expenditures are incurred or as performance obligations are met.

Contributed services and donations in-kind -

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

For the years ended September 30, 2019 and 2018, donations in-kind totaled $827,660 and $466,779, respectively.

Use of estimates -

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

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

Advertising -

The Conservancy expenses advertising costs as incurred. Advertising expense was $606,015 and $591,350 for the years ended September 30, 2019 and 2018, respectively. In-kind advertising expenses for the years ended September 30, 2019 and 2018 were $392,000 and $428,248, respectively.

Functional allocation of expenses -

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

Fair value measurement -

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

In accordance with FASB ASC 820, *Fair Value Measurement*, the Conservancy has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

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

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

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

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes.

Net assets previously classified as of September 30, 2018 as unrestricted net assets in the amount of $4,522,908 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amount of $4,599,255 and $818,328, respectively, are now classified as "net assets with donor restrictions".

New accounting pronouncements (not yet adopted) -

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2020. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The Conservancy plans to adopt the new ASUs at the respective required implementation dates.

## 2. INVESTMENTS

Investments consisted of the following as of September 30, 2019 and 2018:

| | 2019 Fair Value | 2018 Fair Value |
|---|---|---|
| Equities | $ 3,101,705 | $ 3,061,556 |
| Fixed income | 1,485,547 | 2,197,831 |
| Certificates of deposit | 966,672 | 981,478 |
| Cash and money market | 2,749,185 | 1,256,770 |
| **TOTAL INVESTMENTS** | **$ 8,303,109** | **$ 7,497,635** |

Included in investment income are the following:

| | 2019 | 2018 |
|---|---|---|
| Interest and dividends | $ 177,139 | $ 104,680 |
| Unrealized (loss) gain | (7,347) | 229,895 |
| Realized gain (loss) | 67,026 | (2,071) |
| Less: Management fees | (24,867) | (22,923) |
| **TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES** | **$ 211,951** | **$ 309,581** |

## 2. INVESTMENTS (Continued)

There was one transfer between Level 1 and Level 2 in the fair value hierarchy during the year ended September 30, 2019 equal to the value of the Certificates of Deposit. There were no transfers in the fair value hierarchy during the year ended September 30, 2018. Transfers between levels are recorded at the end of the reporting period, when applicable.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy and those invested and measured at NAV as a practical expedient as of September 30, 2019.

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Asset Class:** | | | | |
| Equities | $ 3,101,705 | $ - | $ - | $ 3,101,705 |
| Fixed income | 1,485,547 | - | - | 1,485,547 |
| Certificates of deposit | - | 966,672 | - | 966,672 |
| Cash and money market | 2,749,185 | - | - | 2,749,185 |
| **TOTAL** | **$ 7,336,437** | **$ 966,672** | **$ -** | **$ 8,303,109** |

As of September 30, 2019, included in investments is approximately $1.47M in funds held for the future construction of trails in the City of Brownsville, Texas.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy and those invested and measured at NAV as a practical expedient as of September 30, 2018 were as follows:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **Asset Class:** | | | | |
| Equities | $ 3,061,556 | $ - | $ - | $ 3,061,556 |
| Fixed income | 2,197,831 | - | - | 2,197,831 |
| Certificates of deposit | - | 981,478 | - | 981,478 |
| Cash and money market | 1,256,770 | - | - | 1,256,770 |
| **TOTAL** | **$ 6,516,157** | **$ 981,478** | **$ -** | **$ 7,497,635** |

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

## 3. PLEDGES AND GRANTS RECEIVABLE

As of September 30, 2019 and 2018, contributors to the Conservancy have made written promises to give totaling $1,987,434 and $2,907,476, respectively.

## 3. PLEDGES AND GRANTS RECEIVABLE (Continued)

Amounts due beyond one year of the Statements of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 5% and 4.5% (Federal Prime Rate) as of September 30, 2019 and 2018.

Following is a schedule of amounts due, by year, as of September 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Less than one year | $ 1,488,834 | $ 2,469,754 |
| One to five years | 498,600 | 437,722 |
| Total | 1,987,434 | 2,907,476 |
| Less: Allowance to discount balance to present value | (27,258) | - |
| **NET RECEIVABLES** | **$ 1,960,176** | **$ 2,907,476** |

## 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2019 and 2018:

| | 2019 | 2018 |
|---|---|---|
| Subject to expenditure for specified purpose: | | |
| Trail Development | $ 3,794,255 | $ 4,201,005 |
| Public Information/Events | 200,000 | - |
| Trail Policy | 85,000 | 129,500 |
| Research | - | 25,000 |
| General Support - Time or Match Restriction | 147,250 | 243,750 |
| Contributions to be invested in perpetuity | 818,328 | 818,328 |
| **TOTAL NET ASSETS WITH DONOR RESTRICTIONS** | **$ 5,044,833** | **$ 5,417,583** |

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

| | 2019 | 2018 |
|---|---|---|
| Time and purpose restrictions accomplished: | | |
| Trail Development | $ 2,584,982 | $ 2,699,666 |
| Public Information/Events | - | 52,000 |
| Trail Policy | 154,500 | 156,500 |
| Research | 25,000 | 50,000 |
| General Support - Time or Match Restriction | 111,500 | 60,000 |
| **TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS** | **$ 2,875,982** | **$ 3,018,166** |

## 5. LIQUIDITY AND AVAILABILITY

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

| | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | $ 221,948 | $ 382,977 |
| Investments | 8,303,109 | 7,497,635 |
| Accounts receivable | 137,765 | 87,052 |
| Pledges and grants receivable | 1,960,176 | 2,907,476 |
| Subtotal financial assets available within one year | 10,622,998 | 10,875,140 |
| Less: Donor restricted funds | (5,044,833) | (5,417,583) |
| **FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR** | **$ 5,578,165** | **$ 5,457,557** |

The Conservancy has a policy to structure its financial assets to be available and liquid as its obligations become due. As of September 30, 2019 and 2018, the Conservancy has approximately six months of average operating expenditures on hand.

## 6. CONTRIBUTED SERVICES AND MATERIALS

During the years ended September 30, 2019 and 2018, the Conservancy was the beneficiary of donated goods and services which allowed the Conservancy to provide greater resources toward various programs. Contributed services and materials are recorded as contribution revenue and allocated across the functional categories within the accompanying Statements of Activities and Changes in Net Assets. To properly reflect contributed services and materials, the following donations have been included in revenue and expense for the years ended September 30, 2019 and 2018.

| | 2019 | 2018 |
|---|---|---|
| Donated advertising | $ 392,000 | $ 428,248 |
| Donated technology | 307,050 | - |
| Donated research data | 65,000 | - |
| Donated legal services | 63,610 | 38,531 |
| **TOTAL** | **$ 827,660** | **$ 466,779** |

The following programs have benefited from these donated services:

| | 2019 | 2018 |
|---|---|---|
| Public Information/Events | $ 461,500 | $ 428,248 |
| Management and general | 237,550 | - |
| Research | 65,000 | - |
| Trail Policy | 63,610 | 38,531 |
| **TOTAL** | **$ 827,660** | **$ 466,779** |

## 7. LEASE COMMITMENTS

The Conservancy leases office space for its headquarters in Washington, D.C. under a fifteen-year agreement, which originated in March 2008 and expires February 2023. Base rent is $312,500 per year, plus a proportionate share of expenses, increasing by a factor of 3% per year. Additionally, the landlord provided a $575,000 tenant improve allowance. The fixed rate increases and lease incentives are recognized on a straight-line basis over the term of the lease. As of September 30, 2019 and 2018 the deferred rent liability was $233,599 and $275,283, respectively, and the deferred lease incentive was $130,973 and $169,306, respectively.

The Conservancy also leases office space in Baltimore, Pennsylvania, Ohio, Philadelphia, and California under fixed rate agreements with scheduled annual increases through 2022.

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

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

| Year Ending September 30, | |
|---|---|
| 2020 | $ 485,673 |
| 2021 | 490,427 |
| 2022 | 475,078 |
| 2023 | 196,952 |
| | $ 1,648,130 |

Rent expense for the years ended September 30, 2019 and 2018 was $528,241 and $533,666, respectively.

## 8. RETIREMENT PLAN

The Conservancy provides retirement benefits to its employees through a 403(b) tax-deferred annuity plan covering all full-time employees. After six months of service, the Conservancy will make a discretionary contribution to the Plan in such amount equal to 6% of the employee's gross income per pay period. Contributions to the Plan during the years ended September 30, 2019 and 2018 totaled $214,151 and $223,827, respectively.

## 9. ENDOWMENT

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

During the year ended September 30, 1997, RTC established the Langdon Gates Burwell Endowment Fund (“Fund 1”). This fund was established with a gift of stock valued at $334,645 at the date of the gift plus an additional $44,433 in accumulated investment earnings, which are also considered 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.

## 9. ENDOWMENT (Continued)

An additional $26,000 of permanently restricted contributions were added to Fund 1 in the fiscal years 2011 and 2016. In accordance with the donor's instructions, earnings on Fund 1 are available to support RTC's general operations.

During the year ended September 30, 1998, RTC established the Wyss Endowment Fund ("Fund 2"). This fund was established with a gift of cash of $250,000. For investment earnings on Fund 2, the donor recommended that half of the annual earnings from the endowment be used for general operating expenses and the other half be used to increase the endowment, with an allowance for the Board of Directors to override this provision. In prior years, RTC's Board of Directors resolved that all the investment earnings on Fund 2 be considered unrestricted and available to support general operations.

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. In accordance with the donor's instructions, earnings on Fund 3 are available to support RTC's general operations.

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

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

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

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

## 9. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of September 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Total Endowment Funds:** | | | |
| **Cumulative Earnings and Corpus, Respectively** | **$ 798,382** | **$ 818,328** | **$ 1,616,710** |

Changes in endowment net assets for the year ended September 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 818,834 | $ 818,328 | $ 1,637,162 |
| Investment return, net | 47,395 | - | 47,395 |
| Appropriations | (67,847) | - | (67,847) |
| **ENDOWMENT NET ASSETS, END OF YEAR** | **$ 798,382** | **$ 818,328** | **$ 1,616,710** |

Endowment net asset composition by type of fund as of of September 30, 2018:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Total Endowment Funds:** | | | |
| **Cumulative Earnings and Corpus, Respectively** | **$ 818,834** | **$ 818,328** | **$ 1,637,162** |

Changes in endowment net assets for the year ended of September 30, 2018:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 720,598 | $ 655,078 | $ 1,375,676 |
| Investment return, net | - | 33,317 | 33,317 |
| Contributions | - | 163,250 | 163,250 |
| Transfer to without donor restriction | 98,236 | (33,317) | 64,919 |
| **ENDOWMENT NET ASSETS, END OF YEAR** | **$ 818,834** | **$ 818,328** | **$ 1,637,162** |

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Conservancy to retain as a fund of perpetual duration. As of September 30, 2019 and 2018, there were no deficiencies noted on the endowment funds.

## 9. ENDOWMENT (Continued)

Return Objectives and Risk Parameters -

The Conservancy has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of those assets of donor-restricted funds that the Conservancy must hold in perpetuity or for a donor-specified period(s). Under the investment policy, as approved by the Board of Directors, the endowment's assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark including 45% S&P 500 index and 40% Barclays US Aggregate Index and 15% MCI World ex USA.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, the Conservancy relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Conservancy targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

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

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

## 10. ALLOCATION OF JOINT COSTS

During the years ended September 30, 2019 and 2018, the Conservancy incurred joint costs of $1,581,440 and $1,390,849, respectively, from activities that included both educational materials and fundraising appeals, as follows:

| | 2019 | 2018 |
|---|---|---|
| Program Services | $ 850,165 | $ 766,683 |
| Management and General | 174,493 | 195,392 |
| Fundraising | 556,782 | 428,774 |
| Total Supporting Services | 731,275 | 624,166 |
| **TOTAL JOINT COSTS** | **$ 1,581,440** | **$ 1,390,849** |

## 11. SUBSEQUENT EVENTS

In preparing these financial statements, the Conservancy has evaluated events and transactions for potential recognition or disclosure through February 5, 2020, the date the financial statements were issued.