FINANCIAL STATEMENTS

rails·to·trails
conservancy

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

RAILS-TO-TRAILS CONSERVANCY

CONTENTS

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, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

February 9, 2021

RAILS-TO-TRAILS CONSERVANCY

STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 306,438	$ 221,948
Investments	4,766,369	3,113,965
Accounts receivable	123,519	137,765
Pledges and grants receivable	1,113,715	1,488,834
Inventory	177,833	107,029
Prepaid expenses	144,502	166,008
Total current assets	6,632,376	5,235,549
FIXED ASSETS		
Furniture	104,921	104,921
Computer equipment	284,766	270,971
Leasehold improvements	603,832	603,832
Software	218,603	218,603
	1,212,122	1,198,327
Less: Accumulated depreciation and amortization	(1,095,645)	(1,034,085)
Net fixed assets	116,477	164,242
NONCURRENT ASSETS		
Pledges and grants receivable, net of current portion	431,222	471,342
Deposits	32,037	36,679
Investments, net of current portion	5,523,675	5,189,144
Total noncurrent assets	5,986,934	5,697,165
TOTAL ASSETS	**$ 12,735,787**	**$ 11,096,956**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loan payable	$ 353,706	$ -
Accounts payable and accrued liabilities	1,585,388	697,830
Deferred revenue	538,684	315,443
Deferred rent	66,050	52,756
Deferred lease incentive	38,334	38,333
Total current liabilities	2,582,162	1,104,362
NONCURRENT LIABILITIES		
Loan payable, net of current portion	501,582	-
Deferred rent, net of current portion	114,973	180,843
Deferred lease incentive, net of current portion	54,306	92,640
Total noncurrent liabilities	670,861	273,483
Total liabilities	3,253,023	1,377,845
NET ASSETS		
Without donor restrictions	5,048,123	4,674,278
With donor restrictions	4,434,641	5,044,833
Total net assets	9,482,764	9,719,111
TOTAL LIABILITIES AND NET ASSETS	**$ 12,735,787**	**$ 11,096,956**

See accompanying notes to financial statements.

RAILS-TO-TRAILS CONSERVANCY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 5,221,102	$ 947,362	$ 6,168,464
Membership	3,420,306	500	3,420,806
Grants	(67,500)	994,925	927,425
Investment income, net	267,129	102,594	369,723
Merchandise and publications	328,219	-	328,219
Workplace giving	201,495	-	201,495
Corporate sponsorships	19,440	90,000	109,440
Contracts	65,972	-	65,972
Other revenue	35,597	-	35,597
Net assets released from donor restrictions	3,543,955	(3,543,955)	-
Total support and revenue	13,035,715	(1,408,574)	11,627,141
EXPENSES			
Program Services:			
Trail Development	5,071,773	-	5,071,773
Public Information/Events	2,541,798	-	2,541,798
Trail Policy	1,114,944	-	1,114,944
Research	194,519	-	194,519
Total program services	8,923,034	-	8,923,034
Supporting Services:			
Management and General	858,839	-	858,839
Fundraising	1,700,400	-	1,700,400
Member Programs	381,215	-	381,215
Total supporting services	2,940,454	-	2,940,454
Total expenses	11,863,488	-	11,863,488
Changes in net assets before other item	1,172,227	(1,408,574)	(236,347)
OTHER ITEM			
Reclassification of accumulated endowment earnings not yet authorized for spending	(798,382)	798,382	-
Changes in net assets	373,845	(610,192)	(236,347)
Net assets at beginning of year	4,674,278	5,044,833	9,719,111
NET ASSETS AT END OF YEAR	**$ 5,048,123**	**$ 4,434,641**	**$ 9,482,764**

RAILS-TO-TRAILS CONSERVANCY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	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**

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	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	$ 2,195,648	$ 908,480	$ 765,868	$ 147,595	$ 4,017,591	$ 429,885	$ 664,160	$ 22,849	$ 1,116,894	$ 5,134,485
Grants and scholarships	1,527,552	1,500	2,500	-	1,531,552	-	-	-	-	1,531,552
Professional fees	253,567	317,766	201,514	29,517	802,364	103,443	117,885	95,475	316,803	1,119,167
Advertising and media	119,980	674,766	3,800	-	798,546	3,633	10,871	3,500	18,004	816,550
Postage	225,120	70,536	58	-	295,714	50,285	253,930	19,851	324,066	619,780
Printing and production	278,329	84,575	64,832	10,506	438,242	40,314	51,118	2,802	94,234	532,476
Rent	138,702	165,904	32,064	-	336,670	22,229	65,688	71,356	159,273	495,943
Software and database	17,498	37,413	347	-	55,258	24,357	219,964	100,555	344,876	400,134
Bank fees	102,305	102,512	1,997	5	206,819	19,888	55,536	25,047	100,471	307,290
List management services	-	86,620	-	-	86,620	12,548	106,808	26,049	145,405	232,025
Merchandise and fulfillment	59,507	15,977	-	-	75,484	12,817	109,337	666	122,820	198,304
Travel, meetings and conferences	46,731	6,983	9,659	796	64,169	45,448	14,598	-	60,046	124,215
Office expenses and supplies	22,286	3,599	2,122	395	28,402	66,115	2,224	555	68,894	97,296
Voice and data services	26,830	26,169	7,570	1,522	62,091	14,875	6,066	654	21,595	83,686
Depreciation and amortization	26,292	11,894	7,898	1,477	47,561	6,663	6,942	394	13,999	61,560
Dues and subscriptions	10,599	16,524	8,629	407	36,159	1,010	4,520	225	5,755	41,914
Business insurance	14,262	6,106	4,055	759	25,182	2,657	3,565	202	6,424	31,606
Taxes and licenses	5	2,550	-	-	2,555	2,310	43	11,035	13,388	15,943
Professional development	6,210	1,924	1,950	1,540	11,624	279	17	-	296	11,920
Miscellaneous	350	-	31	-	381	83	7,128	-	7,211	7,592
State lobbying	-	-	50	-	50	-	-	-	-	50
TOTAL	**$ 5,071,773**	**$ 2,541,798**	**$ 1,114,944**	**$ 194,519**	**$ 8,923,034**	**$ 858,839**	**$ 1,700,400**	**$ 381,215**	**$ 2,940,454**	**$ 11,863,488**

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
Postage	235,824	65,970	238	249	302,281	53,780	272,073	3,645	329,498	631,779
Advertising and media	203,319	393,068	-	-	596,387	4,998	1,075	3,555	9,628	606,015
Printing and production	200,456	113,410	5,915	71,858	391,639	17,173	171,653	21,528	210,354	601,993
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
Merchandise and fulfillment	21,321	22,879	-	-	44,200	33,425	161,444	144,315	339,184	383,384
Travel, meetings and conferences	196,986	12,603	22,738	1,051	233,378	90,329	29,765	609	120,703	354,081
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
Voice and data services	27,360	81,920	7,608	1,533	118,421	16,757	4,594	363	21,714	140,135
Office expenses and supplies	50,080	7,779	4,773	874	63,506	72,568	2,651	211	75,430	138,936
Dues and subscriptions	6,517	20,154	29,800	774	57,245	958	5,876	225	7,059	64,304
Depreciation	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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (236,347)	$ (221,380)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	61,560	63,742
Unrealized (gain) loss	(188,962)	7,347
Realized gain	(65,885)	(67,026)
Decrease (increase) in:		
Accounts receivable	14,246	5,787
Pledges and grants receivable	415,239	947,300
Inventory	(70,804)	(5,495)
Prepaid expenses	21,506	(31,903)
Deposits	4,642	(643)
Increase (decrease) in:		
Accounts payable and accrued liabilities	887,558	(211,327)
Deferred revenue	223,241	193,646
Deferred rent	(52,576)	(41,684)
Deferred lease incentive	(38,333)	(38,333)
Net cash provided by operating activities	975,085	600,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(13,794)	(15,265)
Purchase of investments	(2,359,211)	(2,183,359)
Proceeds from sale of investments	627,122	1,437,564
Net cash used by investing activities	(1,745,883)	(761,060)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	855,288	-
Net cash provided by financing activities	855,288	-
Net increase (decrease) in cash and cash equivalents	84,490	(161,029)
Cash and cash equivalents at beginning of year	221,948	382,977
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 306,438**	**$ 221,948**

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, the nation's largest trails organization with more than 160,000 members and supporters, is building a nation connected by trails. We reimagine public spaces to create safe ways for everyone to walk, bike, and be active outdoors. Founded in 1985, the Conservancy is located in Washington, D.C. and has four regional offices in Pennsylvania, Ohio, California, Wisconsin and Florida. Funding for the Conservancy's activities come primarily through membership dues and contributions.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entitie*s. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor 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** - Net assets may be subject to donor-imposed stipulations that are more restrictive than the Conservancy's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

RTC's major program services -

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.

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

RTC's major program services (continued) -

Trail Development (continued): 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, D.C., Miami, South Texas and our 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 flagship initiative, TrailLink.com provides access to 4,500 trails representing 40,000 miles. Trail use surged in FY20 as the country turned to trails during the COVID-19 pandemic. TrailLink.com proudly served more than 10.5 million visitors through its free website and 1 million through its mobile apps. COVID-19 resources were broadly distributed providing information on how to use trails safely during the pandemic. 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.

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.

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.

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

New accounting pronouncements adopted (continued) -

The Conservancy early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended during fiscal year 2019. 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 early 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 $2,976,751 and $2,749,185 for the years ended September 30, 2020 and 2019, respectively.

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.

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.

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

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*.

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, 2020 and 2019 totaled $61,560 and $63,742, 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, 2020 and 2019, 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.

Revenue -

Contributions, grants and contracts -

Contributions, grants and contracts are recognized in the appropriate category of net assets in the period received. The Conservancy performs an analysis of the individual contribution, grant, or contract to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

Contributions, grants and contracts qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, grants and contracts qualifying as contributions that are unconditional that have 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 future commitments, as well as reimbursable expenses incurred in accordance with grant agreements.

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

Revenue (continued) -

Contributions, grants and contracts (continued) -

The Conservancy receives contract funding for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as exchange transactions within the "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the contract agreements.

Membership -

The membership dues are bifurcated between the contribution and benefits received. Contribution revenue is recognized upon receipt. Benefit revenue is recognized as revenue when the performance obligations are met. The benefit revenue is associated with the delivery of the Conservancy's magazine over the membership term and is valued based on cost and included in deferred revenue until earned.

TrailLink Unlimited subscription revenue -

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*. The value of the subscription is based on the sales price. Deferred TrailLink Unlimited revenue is reported as deferred revenue until earned.

Merchandise and publications -

Merchandise is recognized as revenue whether performance obligations are met which is when sold. Transaction price is based on sales price. The transaction price is determined based on cost/sales price. Any amounts received in advance are considered deferred revenue in the Statements of Financial Position.

Corporate sponsorships -

Revenue is recognized when earned. Accordingly, corporate sponsorship revenue is recognized when the underlying conditions of the sponsorship are satisfied.

Workplace giving -

Revenue is recognized when the contribution is received and recorded in the appropriate category of net assets.

Deferred revenue consisted of the following as of September 30, 2020 and 2019:

	2020	2019
Deferred subscriptions	$ 388,228	$ 171,548
Deferred membership	147,890	141,403
Deferred rental income	2,566	2,492
TOTAL DEFERRED REVENUE	**$ 538,684**	**$ 315,443**

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

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, rent, software, and data services. For the years ended September 30, 2020 and 2019, donations in-kind totaled $968,903 and $827,660, 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.

Advertising -

The Conservancy expenses advertising costs as incurred. Advertising expense was $816,550 and $606,015 for the years ended September 30, 2020 and 2019, respectively. In-kind advertising expenses for the years ended September 30, 2020 and 2019 were $596,580 and $392,000, 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.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact the Conservancy's operations. The overall potential impact is unknown at this time.

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.

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

Fair value measurement (continued) -

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.

Reclassification -

Certain amounts in the 2019 financial statements were reclassified to conform 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, 2019 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".

During fiscal year ended September 30, 2020 the organization reclassified investments earnings from the endowment not yet authorized for spending. This reclassification is shown as an other item within the accompanying Statements of Activities and Changes in Net Assets and resulted in a reclassification of $798,382 from net assets without donor restrictions to net assets with donor restrictions.

New accounting pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *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 Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

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

New accounting pronouncement (not yet adopted) (continued) -

The Conservancy plans to adopt the new ASU at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS

Investments consisted of the following as of September 30, 2020 and 2019:

	2020 Fair Value	2019 Fair Value
Equities	$ 3,355,106	$ 3,101,705
Fixed income	1,376,498	1,485,547
Certificates of deposit	2,581,689	966,672
Cash and money market	2,976,751	2,749,185
TOTAL INVESTMENTS	**$ 10,290,044**	**$ 8,303,109**

Included in investment income, net are the following:

	2020	2019
Interest and dividends	$ 140,645	$ 177,139
Unrealized gain (loss)	188,962	(7,347)
Realized gain	65,885	67,026
Less: Management fees	(25,769)	(24,867)
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	**$ 369,723**	**$ 211,951**

As noted in Note 1, investments are measured at fair valued and the disclosure inputs are as follows:

- *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.

There have been no changes in the methodologies used as of September 30, 2020. There were no transfers in the fair value hierarchy during the year ended September 30, 2020. Transfers between levels are recorded at the end of the reporting period, when applicable.

2. INVESTMENTS (Continued)

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as of September 30, 2020.

	Level 1	Level 2	Level 3	Total
Asset Class:				
Equities	$ 3,355,106	$ -	$ -	$ 3,355,106
Fixed income	1,376,498	-	-	1,376,498
Certificates of deposit	-	2,581,689	-	2,581,689
Cash and money market	2,976,751	-	-	2,976,751
TOTAL	**$ 7,708,355**	**$ 2,581,689**	**$ -**	**$ 10,290,044**

As of September 30, 2020, included in investments is approximately $953,789 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 as of September 30, 2019 were as follows:

	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**

3. PLEDGES AND GRANTS RECEIVABLE

As of September 30, 2020 and 2019, contributors to the Conservancy have made written promises to give totaling $1,572,194 and $1,987,434, respectively. 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, 2020 and 2019. Following is a schedule of amounts due, by year, as of September 30, 2020 and 2019:

	2020	2019
Less than one year	$ 1,113,715	$ 1,488,834
One to five years	458,479	498,600
Total	1,572,194	1,987,434
Less: Allowance to discount balance to present value	(27,257)	(27,258)
NET RECEIVABLES	**$ 1,544,937**	**$ 1,960,176**

4. LOAN PAYABLE

On April 20, 2020, the Conservancy received loan proceeds in the amount of $845,288 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months.

4. LOAN PAYABLE (Continued)

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. The Conservancy intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. The Conservancy intends to apply for forgiveness after completing the 24-week period. Additionally, the Conservancy received an Economic Injury and Disaster Loan advance for $10,000.

If forgiveness is granted, the Conservancy will record revenue from debt extinguishment during the period that forgiveness was approved.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

Year Ending September 30,	
2021	$ 353,706
2022	501,582
	$ 855,288

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2020 and 2019:

	2020	2019
Subject to expenditure for specified purpose:		
Trail Development	$ 2,423,029	$ 3,794,255
Public Information/Events	171,500	200,000
Trail Policy	73,679	85,000
General Support - Time or Match Restriction	118,492	147,250
Contributions to be invested in perpetuity	818,328	818,328
Accumulated earnings on endowment funds	829,613	-
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	**$ 4,434,641**	**$ 5,044,833**

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:

	2020	2019
Time and purpose restrictions accomplished:		
Trail Development	$ 3,219,271	$ 2,584,982
Public Information/Events	80,000	-
Trail Policy	116,321	154,500
Research	-	25,000
General Support - Time or Match Restriction	57,000	111,500
Appropriation of endowment assets for expenditure	71,363	-
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 3,543,955**	**$ 2,875,982**

6. LIQUIDITY AND AVAILABILITY

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

	2020	2019
Cash and cash equivalents	$ 306,438	$ 221,948
Investments	4,766,369	3,113,965
Accounts receivable	123,519	137,765
Pledges and grants receivable	1,544,937	1,960,176
Subtotal financial assets available within one year	6,741,263	5,433,854
Less: Donor restricted funds	(4,434,641)	(5,044,833)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 2,306,622**	**$ 389,021**

The Conservancy has a policy to structure its financial assets to be available and liquid as its obligations become due. Additionally, the Conservancy has a significant reserve of net assets with donor restrictions to support programmatic operations. The Conservancy also has a significant long-term investment portfolio which they may draw upon, pending Board approval.

7. CONTRIBUTED SERVICES AND MATERIALS

During the years ended September 30, 2020 and 2019, 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, 2020 and 2019.

	2020	2019
Donated advertising	$ 596,580	$ 392,000
Donated technology	241,600	307,050
Donated rent	18,250	-
Donated research data	-	65,000
Donated legal services	112,473	63,610
TOTAL	**$ 968,903**	**$ 827,660**

The following programs have benefited from these donated services:

	2020	2019
Trail Development	$ 137,300	$ -
Public Information/Events	715,630	461,500
Management and General	3,500	237,550
Research	-	65,000
Trail Policy	112,473	63,610
TOTAL	**$ 968,903**	**$ 827,660**

8. 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, 2020 and 2019 the deferred rent liability was $181,023 and $233,599, respectively, and the deferred lease incentive was $92,640 and $130,973, respectively. The Conservancy also subleases a portion of its office space under a month-to-month lease agreement. The associated rental income is included in Other revenue within the accompanying Statement of Activities. The Conservancy also leases office space in Baltimore, Ohio, and California under fixed rate agreements with scheduled annual increases through 2022. Lastly, the Conservancy receives donated office space in Wisconsin under a one-year agreement commencing April 1, 2020.

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,	
2021	$ 491,954
2022	475,695
2023	196,952
	$ 1,164,601

Rent expense for the years ended September 30, 2020 and 2019 was $532,476 and $528,241, respectively.

9. 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, 2020 and 2019 totaled $223,897 and $214,151, respectively.

10. 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 to be restricted in perpetuity. 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.

10. ENDOWMENT (Continued)

An additional $26,000 of contributions to be restricted in perpetuity 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 without donor restriction 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 restricted in perpetuity. 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.

10. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of September 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 818,328	$ 818,328
Accumulated investment earnings	-	829,613	829,613
TOTAL ENDOWMENT FUNDS	**$ -**	**$ 1,647,941**	**$ 1,647,941**

Changes in endowment net assets for the year ended September 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 798,382	$ 818,328	$ 1,616,710
Investment return, net	-	102,594	102,594
Transfer of accumulated earnings from prior years	(798,382)	798,382	-
Appropriations	-	(71,363)	(71,363)
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 1,647,941**	**$ 1,647,941**

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 818,328	$ 818,328
Accumulated investment earnings	798,382	-	798,382
TOTAL ENDOWMENT FUNDS	**$ 798,382**	**$ 818,328**	**$ 1,616,710**

Changes in endowment net assets for the year ended of 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**

10. ENDOWMENT (Continued)

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, 2020 and 2019, there were no deficiencies noted on the endowment funds.

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.

11. ALLOCATION OF JOINT COSTS

During the years ended September 30, 2020 and 2019, the Conservancy incurred joint costs of $1,684,144 and $1,581,440, respectively, from activities that included both educational materials and fundraising appeals, as follows:

	2020	2019
Program Services	$ 587,528	$ 850,165
Management and General	172,364	174,493
Fundraising	924,252	556,782
Total Supporting Services	1,096,616	731,275
TOTAL JOINT COSTS	**$ 1,684,144**	**$ 1,581,440**

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Conservancy has evaluated events and transactions for potential recognition or disclosure through February 9, 2021, the date the financial statements were issued.