FINANCIAL STATEMENTS

RAILS TO Trails conservancy

FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

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.

Opinion

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, 2024 and 2023, 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.

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, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Conservancy and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Conservancy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservancy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Gelman Rozenberg & Freedman

February 5, 2025

RAILS-TO-TRAILS CONSERVANCY

STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2024 AND 2023

ASSETS

	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	$ 454,437	$ 101,619
Investments	3,767,749	4,051,735
Accounts receivable	154,614	290,597
Pledges and grants receivable	1,009,455	418,057
Inventory	158,681	190,719
Prepaid expenses	192,749	227,016
Total current assets	5,737,685	5,279,743
FIXED ASSETS		
Furniture	151,164	147,557
Computer equipment	108,829	112,028
Leasehold improvements	14,490	-
Software	218,603	218,603
	493,086	478,188
Less: Accumulated depreciation and amortization	(340,576)	(304,198)
Net fixed assets	152,510	173,990
NONCURRENT ASSETS		
Pledges and grants receivable, net	54,630	-
Deposits	40,080	40,080
Investments, net	13,035,386	10,723,926
Right-of-use asset, net	3,804,218	4,108,738
Total noncurrent assets	16,934,314	14,872,744
TOTAL ASSETS	**$ 22,824,509**	**$ 20,326,477**

LIABILITIES AND NET ASSETS

	2024	2023
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,069,106	$ 1,069,241
Deferred revenue	610,010	638,783
Operating lease liability	7,229	170,696
Total current liabilities	1,686,345	1,878,720
NONCURRENT LIABILITIES		
Operating lease liability, net	4,399,582	4,089,026
Total liabilities	6,085,927	5,967,746
NET ASSETS		
Without donor restrictions	11,848,603	11,515,850
With donor restrictions	4,889,979	2,842,881
Total net assets	16,738,582	14,358,731
TOTAL LIABILITIES AND NET ASSETS	**$ 22,824,509**	**$ 20,326,477**

See accompanying notes to financial statements.

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 6,023,124	$ 1,721,407	$ 7,744,531
Membership	3,122,216	-	3,122,216
Net investment return	2,154,171	331,283	2,485,454
Grants	75,630	1,635,600	1,711,230
Digital and print products and subscriptions	733,528	-	733,528
Contracts	204,739	-	204,739
Workplace giving	138,298	-	138,298
Other revenue	114,170	-	114,170
Corporate sponsorships	41,265	30,000	71,265
Contributed nonfinancial assets	1,103,501	-	1,103,501
Net assets released from donor restrictions	1,671,192	(1,671,192)	-
Total support and revenue	15,381,834	2,047,098	17,428,932
EXPENSES			
Program Services:			
Trail Development	5,132,574	-	5,132,574
Public Information/Events	4,019,226	-	4,019,226
Trail Policy	1,635,199	-	1,635,199
Research	62,202	-	62,202
Total program services	10,849,201	-	10,849,201
Supporting Services:			
Management and General	1,122,359	-	1,122,359
Fundraising	2,545,208	-	2,545,208
Member Programs	532,313	-	532,313
Total supporting services	4,199,880	-	4,199,880
Total expenses	15,049,081	-	15,049,081
Changes in net assets	332,753	2,047,098	2,379,851
Net assets at beginning of year	11,515,850	2,842,881	14,358,731
NET ASSETS AT END OF YEAR	**$ 11,848,603**	**$ 4,889,979**	**$ 16,738,582**

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 5,604,062	$ 486,006	$ 6,090,068
Membership	3,335,588	-	3,335,588
Net investment return	1,007,759	170,021	1,177,780
Grants	35,669	520,732	556,401
Digital and print products and subscriptions	722,109	-	722,109
Contracts	140,850	-	140,850
Workplace giving	156,141	-	156,141
Other revenue	143,619	-	143,619
Corporate sponsorships	147,980	127,500	275,480
Contributed nonfinancial assets	851,655	-	851,655
Net assets released from donor restrictions	1,710,348	(1,710,348)	-
Total support and revenue	13,855,780	(406,089)	13,449,691
EXPENSES			
Program Services:			
Trail Development	4,421,555	-	4,421,555
Public Information/Events	3,737,056	-	3,737,056
Trail Policy	1,370,376	-	1,370,376
Research	163,775	-	163,775
Total program services	9,692,762	-	9,692,762
Supporting Services:			
Management and General	1,189,938	-	1,189,938
Fundraising	2,502,726	-	2,502,726
Member Programs	385,631	-	385,631
Total supporting services	4,078,295	-	4,078,295
Total expenses	13,771,057	-	13,771,057
Changes in net assets	84,723	(406,089)	(321,366)
Net assets at beginning of year	11,431,127	3,248,970	14,680,097
NET ASSETS AT END OF YEAR	**$ 11,515,850**	**$ 2,842,881**	**$ 14,358,731**

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	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
Salaries and benefits	$ 2,490,329	$ 1,366,816	$ 1,245,467	$ 33,992	$ 5,136,604	$ 532,792	$ 837,430	$ 72,637	$ 1,442,859	$ 6,579,463
Professional fees	588,286	970,082	109,831	19,927	1,688,126	143,071	233,274	144,333	520,678	2,208,804
Printing and production	233,417	266,920	96	4,463	504,896	49,971	276,733	34,744	361,448	866,344
Advertising and media	143,466	654,932	-	-	798,398	12,966	11,494	4,000	28,460	826,858
Postage	204,041	113,299	664	-	318,004	49,513	407,487	6,603	463,603	781,607
Grants and scholarships	675,500	24,000	67,500	-	767,000	-	-	-	-	767,000
Software and database	183,168	224,222	23,869	-	431,259	29,347	74,413	67,727	171,487	602,746
Merchandise and fulfillment	23,280	65,168	75	-	88,523	41,592	279,738	153,349	474,679	563,202
Occupancy	234,926	96,280	81,227	2,608	415,041	29,563	55,408	4,302	89,273	504,314
Travel, meetings and conferences	209,140	57,675	33,244	-	300,059	137,682	23,837	321	161,840	461,899
Bank fees	-	75,006	-	-	75,006	14,422	164,205	27,214	205,841	280,847
List management services	47,214	27,442	-	-	74,656	12,057	143,503	-	155,560	230,216
Professional development	18,363	6,875	13,055	325	38,618	22,493	1,934	2,800	27,227	65,845
Dues and subscriptions	6,325	27,672	19,866	-	53,863	9,912	1,173	-	11,085	64,948
Voice and data services	20,426	12,543	8,934	300	42,203	9,449	6,341	423	16,213	58,416
Depreciation and amortization	21,058	11,189	9,440	303	41,990	3,237	7,489	500	11,226	53,216
Business insurance	16,070	9,005	6,593	212	31,880	2,236	5,231	349	7,816	39,696
Taxes and licenses	-	6,306	-	-	6,306	7,024	12,788	12,893	32,705	39,011
Office expenses and supplies	16,884	3,794	2,220	72	22,970	9,589	1,925	118	11,632	34,602
State lobbying	-	-	13,118	-	13,118	-	-	-	-	13,118
Miscellaneous	681	-	-	-	681	5,443	805	-	6,248	6,929
TOTAL	**$ 5,132,574**	**$ 4,019,226**	**$ 1,635,199**	**$ 62,202**	**$ 10,849,201**	**$ 1,122,359**	**$ 2,545,208**	**$ 532,313**	**$ 4,199,880**	**$ 15,049,081**

See accompanying notes to financial statements.

RAILS-TO-TRAILS CONSERVANCY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	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
Salaries and benefits	$ 2,353,670	$ 1,231,433	$ 1,081,590	$ 107,869	$ 4,774,562	$ 505,065	$ 849,931	$ 39,165	$ 1,394,161	$ 6,168,723
Professional fees	355,294	794,171	73,803	39,180	1,262,448	221,596	189,828	121,873	533,297	1,795,745
Printing and production	182,497	250,068	2,640	-	435,205	31,122	269,547	21,666	322,335	757,540
Advertising and media	130,151	702,944	15,889	-	848,984	16,113	11,327	4,000	31,440	880,424
Postage	172,883	98,678	575	-	272,136	48,657	430,506	17,162	496,325	768,461
Grants and scholarships	442,020	-	15,267	-	457,287	-	-	-	-	457,287
Software and database	180,288	229,644	8,052	200	418,184	23,662	68,901	54,973	147,536	565,720
Merchandise and fulfillment	14,432	107,165	-	-	121,597	26,344	266,840	84,880	378,064	499,661
Occupancy	249,413	101,810	76,467	11,014	438,704	30,776	57,798	3,655	92,229	530,933
Travel, meetings and conferences	156,212	43,732	33,716	174	233,834	146,327	24,608	302	171,237	405,071
Bank fees	-	76,337	-	-	76,337	12,382	168,186	19,470	200,038	276,375
List management services	68,426	27,994	-	-	96,420	19,151	142,181	1,981	163,313	259,733
Professional development	20,483	4,807	13,404	1,345	40,039	16,516	30	870	17,416	57,455
Dues and subscriptions	7,356	25,386	17,655	532	50,929	6,932	1,572	-	8,504	59,433
Voice and data services	20,686	12,880	7,955	1,030	42,551	8,974	6,328	341	15,643	58,194
Depreciation and amortization	20,059	10,470	7,772	1,119	39,420	2,984	6,880	371	10,235	49,655
Business insurance	14,715	8,987	6,141	812	30,655	2,252	4,993	270	7,515	38,170
Taxes and licenses	-	5,440	45	43	5,528	8,007	-	14,434	22,441	27,969
Office expenses and supplies	32,932	5,110	3,195	457	41,694	63,078	3,004	218	66,300	107,994
State lobbying	-	-	5,946	-	5,946	-	-	-	-	5,946
Miscellaneous	38	-	264	-	302	-	266	-	266	568
TOTAL	**$ 4,421,555**	**$ 3,737,056**	**$ 1,370,376**	**$ 163,775**	**$ 9,692,762**	**$ 1,189,938**	**$ 2,502,726**	**$ 385,631**	**$ 4,078,295**	**$ 13,771,057**

See accompanying notes to financial statements.

RAILS-TO-TRAILS CONSERVANCY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 2,379,851	$ (321,366)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	53,216	49,655
Unrealized gain	(1,628,540)	(917,918)
Realized (gain) loss	(460,225)	473
Amortization of right-of-use asset	304,520	110,245
Discount on long-term receivables	4,370	(7,669)
Decrease (increase) in:		
Accounts receivable	135,983	(179,796)
Pledges and grants receivable	(650,398)	1,199,034
Inventory	32,038	(47,991)
Prepaid expenses	34,267	(10,265)
Deposits	-	(12,338)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(135)	174,216
Deferred revenue	(28,773)	21,422
Deferred rent	-	(35,503)
Deferred lease incentive	-	(15,973)
Operating lease liability	147,089	40,739
Net cash provided by operating activities	323,263	46,965
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(31,736)	(160,102)
Purchases of investments	(1,762,346)	(1,483,812)
Proceeds from sale of investments	1,823,637	1,535,818
Net cash provided (used) by investing activities	29,555	(108,096)
Net increase (decrease) in cash and cash equivalents	352,818	(61,131)
Cash and cash equivalents at beginning of year	101,619	162,750
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 454,437**	**$ 101,619**
SCHEDULE OF NONCASH TRANSACTIONS:		
Right-of-Use Asset	**$ -**	**$ 4,218,983**
Operating Lease Liability for Right-of-Use Asset	**$ -**	**$ 4,218,983**

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 building a nation connected by trails, reimagining public spaces to create safe ways to be active outdoors. The Conservancy believes that communities are healthier and happier when trail networks are central to their design and since 1986, has worked to bring the power of trails to more communities across the country, serving as the national voice for the railtrail movement.

The Conservancy is the nation's largest trails organization with more than one million grassroots supporters and donors. The Conservancy is headquartered in Washington, D.C. and has offices in Maryland, Pennsylvania, Ohio, California, Wisconsin, and Florida. Funding for the Conservancy's activities comes 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 accounting principles generally accepted in the United States of America (U.S. GAAP) related to nonprofit entities. 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.

The Conservancy's major program services -

Trail Development: Since its inception, Rails to Trails Conservancy has worked to reimagine public corridors and rights of way to create safe ways for people to walk, bike and be active outside—creating equitable, vibrant public spaces that engage, inspire, and empower communities from coast to coast. This work embodies best practices and leading-edge initiatives to guide trail development in ways that promote community engagement and equitable distribution of trails, bring innovation to trail development and planning, prioritize trail networks and the connections that trails can deliver between people and places.

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

The Conservancy's major program services (continued) -

Trail Development (continued): Through our TrailNation portfolio of projects, the Conservancy is creating national models that showcase the outsized benefits that connected trails and active transportation routes can deliver—locally, regionally and nationally. The portfolio is focused on eight places across the country that are diverse in their geography, culture, size, and scope—southeast Wisconsin, the San Francisco Bay Area, the Industrial Heartland (Western Pennsylvania, West Virginia, Ohio and New York State), Greater Philadelphia, Maryland, Washington, D.C., Miami and New England. The lessons from TrailNation are shared among the Conservancy's TrailNation Collaborative, a nationwide peer learning community that brings together advocates, leaders, and professionals from across disciplines to establish and accelerate trail networks across America. The collaborative provides proven tools, methods, and resources, combined with the Conservancy's expertise and network of partners across the country, to accelerate the development of connected trail systems.

The Great American Rail Trail is a flagship trail development project. It will be the nation's first cross-country multiuse trail, stretching more than 3,700 miles between Washington, D.C., and Washington State. This trail is an iconic piece of American infrastructure that will connect thousands of miles of rail-trails and other multiuse trails, serving tens of millions of people living along the route as well as those who visit the trail from around the country and the world. The Conservancy provides the national leadership and on the ground support—the work to organize people, plans, and ideas; trail planning and community engagement; and the advocacy and marketing to eventually complete the Great American Rail Trail.

The Conservancy continues to support trail builders nationwide in several ways, including managing an early warning system to notify stakeholders of upcoming railway abandonments; creating statewide trail inventories and development plans; providing technical assistance and grants for local trail development and management projects; and providing best practices training and education.

Public Information/Events: The Conservancy serves as the voice of the trail's movement, speaking out about the transformative power of trails, encouraging their use, and generating demand for trails nationwide.

The Conservancy's flagship initiative, TrailLink.com served millions of visitors in 2024 providing access to more than 5,300 trails representing 41,000 miles through its website and five-star rated apps. This trail content is also offered in a series of print guidebooks.

Through storytelling and direct engagement, the Conservancy shares information about trails across a variety of public channels that collectively reach millions of people, including its magazine, monthly eNews, social media, website, news media and publications. The Conservancy also spearheads trail use campaigns and events designed to engage and inspire the public to use trails, including our Celebrate Trails Day event, Trail Moments campaign and Share the Trail campaign.

Trail Policy: As the nation's foremost advocacy organization for trails and active transportation, the Conservancy seeks to grow and safeguard public funding for trails, walking and bicycling at every level—Federal, state and local—ensuring the investments needed to create a transformative 21st century active transportation system in America and promoting policies that make trail building possible.

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

The Conservancy's major program services (continued) -

Trail Policy (continued): At the Federal level, the Conservancy leads efforts to grow and protect the legacy Transportation Alternatives Program (which includes the Recreational Trails Program)—the largest source of funding for trail development and maintenance—and advocates for innovations in public funding including championing the Active Transportation Infrastructure Investment Program, which establishes competitive grants that will strategically invest in projects that connect trails and active transportation infrastructure.

As the country's only national organization solely committed to defending the preservation of former railroad corridors for continued public use, the Conservancy has helped shape the legal framework around railtrails and continues to defend the Federal Railbanking Statute in Congress and the courts as an essential tool to preserve unused rail corridors. The Conservancy also monitors litigation on cases involving enforcement of Federal laws related to railbanking.

Research: The Conservancy'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, the impact trails have on people and places, 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, the Conservancy also digitizes member and constituent information in alignment with the organization's comprehensive GIS database of more than 45,000 miles of trails, creating a centralized resource that assists the organization in identifying opportunities for linking trail systems, and mobilizing grassroots support of trail projects. Other activities include delivery of member benefit and service programs.

New accounting pronouncement adopted -

Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Conservancy that are subject to the guidance in FASB ASC 326 are accounts receivable. The Conservancy implemented the ASU on October 1, 2023, using a modified retrospective approach. Based on management's analysis, the standard does not have a material effect on the financial statements as a whole.

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 amounts of $990,775 and $123,247 for the years ended September 30, 2024 and 2023, 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.

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

Investments -

Investments are recorded at their readily determinable fair value. Dividends, interest, realized and unrealized gains and losses are included in investment return, 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 receivable -

Accounts receivable primarily consists of amounts due within one year related to digital and print products and subscriptions and contract revenue. Accounts receivable are recorded at their net realizable value which approximates fair value. Accounts receivable are evaluated for an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any change in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. Based on management's assessment, the Conservancy did not have any allowance for credit losses as of October 1, 2023 or September 30, 2024.

Pledges and grants receivable -

Pledges and grants receivable include unconditional promises to give that are expected to be collected in future years. Pledges and grants receivable are recorded at their fair value, which is measured as the present value of the future cash flows. The discount on long-term pledges and grants receivable is computed using the risk-adjusted interest rates applicable to the years in which the promises to give were received. Amortization of the discount is included in contributions and grants.

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 stated at the lower of cost or net realizable value using the first in, first out (FIFO) method of valuation. Management performs an annual physical count of all merchandise and publications and, as a result, inventory is adjusted annually to agree to the physical count. Therefore, management has not established an allowance for obsolete 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 lesser of the useful life of the asset or the remaining term 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, 2024 and 2023 totaled $53,216 and $49,655, respectively.

Income taxes -

The Conservancy is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code ("IRC"), as an organization described in IRC Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Conservancy is not a private foundation.

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

Revenue from contracts with customers -

The Conservancy’s digital and print products and subscriptions and contracts are the most significant revenue streams that are treated as exchange transaction revenue following ASC Topic 606. Revenue from contracts with customers is recorded when the performance obligations are met. The Conservancy has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost and/or sales price. Amounts received in advance of satisfying performance obligations are recorded as deferred revenue. The Conservancy’s contracts with customers generally have initial terms of one year or less.

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.

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 ASC Topic 606. TrailLink subscriptions are included in digital and print products and subscriptions on the accompanying Statements of Activities and Changes in Net Assets. The value of the subscription is based on the sales price. Deferred TrailLink Unlimited revenue is reported as deferred revenue until earned.

Support from contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. The Conservancy performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

Support from contributions 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, including grants qualifying as contributions, that are unconditional but 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. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements. Contributions that are both received and released from restrictions in the same year are classified as without donor restrictions.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Conditional contributions received in advance of meeting specified conditions established by donors are recorded as refundable advances. However, the Conservancy had no refundable advances as of September 30, 2024 and 2023.

In addition, the Conservancy may obtain funding source agreements related to conditional contributions, which will be received in future years. The Conservancy’s unrecognized conditional contributions to be received in future years totaled $1,800,000 as of September 30, 2024. The Conservancy had no conditional contributions to be received in future years as of September 30, 2023.

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

Contributed nonfinancial assets -

Contributed nonfinancial assets 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.

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 $826,858 and $880,424 for the years ended September 30, 2024 and 2023, respectively, and included $545,337 and $535,174 of contributed advertising, 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.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

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.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended September 30, 2024 and 2023. Transfers between levels are recorded at the end of the reporting period, if applicable. Investments are measured at fair value 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.
- *Cash and Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.

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, 2024:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Equities	$ 7,874,390	$ -	$ -	$ 7,874,390
Fixed income	4,645,362	-	-	4,645,362
Certificates of deposit	-	3,292,608	-	3,292,608
Cash and money market funds	990,775	-	-	990,775
TOTAL	**$ 13,510,527**	**$ 3,292,608**	**$ -**	**$ 16,803,135**

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, 2023 were as follows:

	Level 1	Level 2	Level 3	Total
Asset Class:				
Equities	$ 6,499,900	$ -	$ -	$ 6,499,900
Fixed income	6,725,786	-	-	6,725,786
Certificates of deposit	-	1,426,728	-	1,426,728
Cash and money market funds	123,247	-	-	123,247
TOTAL	**$ 13,348,933**	**$ 1,426,728**	**$ -**	**$ 14,775,661**

Included in net investment income are the following:

	2024	2023
Interest and dividends	$ 455,326	$ 311,146
Unrealized gain	1,628,540	917,918
Realized gain (loss)	460,225	(473)
Less: Management fees	(58,637)	(50,811)
NET INVESTMENT INCOME	**$ 2,485,454**	**$ 1,177,780**

3. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets consisted of the following revenue streams as of:

	September 30, 2024	September 30, 2023	October 1, 2022
Subscriptions	$ 79,403	$ 78,712	$ 42,063
Contracts	74,223	90,795	68,395
Other	988	121,090	343
RECEIVABLES FROM CONTRACTS	**$ 154,614**	**$ 290,597**	**$ 110,801**

Contract liabilities consisted of the following revenue streams as of:

	September 30, 2024	September 30, 2023	October 1, 2022
Subscriptions	$ 390,045	$ 426,880	$ 406,579
Membership	219,965	211,903	200,182
Other	-	-	10,600
TOTAL CONTRACT LIABILITIES	**$ 610,010**	**$ 638,783**	**$ 617,361**

4. PLEDGES AND GRANTS RECEIVABLE

The Conservancy has received written promises to give from various donors totaling $1,068,455 and $418,057 as of September 30, 2024 and 2023, respectively. Pledges and grants that are due in more that one year have been recorded at the net present value of their estimated cash flows, using a discount rate of 8.00% as of September 30, 2024 and 2023.

Following is a schedule of amounts due, by year, as of September 30, 2024 and 2023:

	2024	2023
Less than one year	$ 1,009,455	$ 418,057
One to five years	59,000	-
Total	1,068,455	418,057
Less: Allowance to discount balance to present value	(4,370)	-
NET PLEDGES AND GRANTS RECEIVABLE	**$ 1,064,085**	**$ 418,057**

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2024 and 2023:

	2024	2023
Subject to expenditure for specified purpose:		
Trail Development	$ 2,990,163	$ 1,205,239
Trail Policy	12,500	12,500
General Support - Time or Match Restriction	10,642	642
Contributions to be invested in perpetuity	823,328	823,328
Accumulated earnings on endowment funds	1,053,346	801,172
NET ASSETS WITH DONOR RESTRICTIONS	**$ 4,889,979**	**$ 2,842,881**

5. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from donor restrictions either by incurring expenses which satisfied the restricted purposes specified by the donors or through the passage of time during the years ended September 30, 2024 and 2023, respectively:

	2024	2023
Time and purpose restrictions accomplished:		
Trail Development	$ 1,447,083	$ 1,374,592
Public Information/Events	30,000	40,000
Trail Policy	-	57,500
General Support - Time or Match Restriction	115,000	152,889
Appropriation of endowment assets for expenditure	79,109	85,367
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	**$ 1,671,192**	**$ 1,710,348**

6. LIQUIDITY AND AVAILABILITY

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.

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

	2024	2023
Cash and cash equivalents	$ 454,437	$ 101,619
Investments	16,803,135	14,775,661
Accounts receivable	154,614	290,597
Pledges and grants receivable	1,064,085	418,057
Subtotal financial assets available within one year	18,476,271	15,585,934
Less: Donor restricted funds	(4,889,979)	(2,842,881)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	**$ 13,586,292**	**$ 12,743,053**

7. CONTRIBUTED NONFINANCIAL ASSETS

During the years ended September 30, 2024 and 2023, the Conservancy was the beneficiary of contributed nonfinancial assets which allowed the Conservancy to provide greater resources toward various programs. Contributed nonfinancial assets are recorded as contribution revenue and allocated across the functional categories within the accompanying Statements of Activities and Changes in Net Assets. Contributed nonfinancial assets are valued at the standard hourly rates charged for those services, or the prices that would be charged for the product in the normal market. There were no donor restrictions over the contributed nonfinancial assets received by the Conservancy.

7. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The contributed nonfinancial assets consisted of the following for the years ended September 30, 2024 and 2023:

	2024	2023
Donated advertising	$ 545,337	$ 535,174
Donated technology	293,900	303,453
Donated rent	8,400	8,400
Donated travel	603	-
Donated legal services	255,261	4,628
TOTAL	**$ 1,103,501**	**$ 851,655**

The following programs have benefited from these donated services:

	2024	2023
Trail Development	$ 408,861	$ 159,003
Public Information/Events	690,537	685,149
Management and General	4,103	7,503
TOTAL	**$ 1,103,501**	**$ 851,655**

8. LEASE COMMITMENTS

The Conservancy follows FASB ASC 842 for leases. The Conservancy has elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and is applying this expedient to all relevant asset classes. The Conservancy has also elected to use a risk-free rate as the lease discount rate for all leases as allowed under FASB ASC 842.

Short-term Leases:

The Conservancy received donated office space in Wisconsin under a one-year agreement (Note 7). The Organization has elected the practical expedient for these short-term leases as the lease terms are less than 12 months.

Operating Leases:

The Conservancy relocated its headquarters office in Washington D.C. in June 2023 and entered into a twelve-year lease. Base rent is $460,554 per year, plus a proportionate share of expenses, increasing by a factor of 2.5% per year. Additionally, the landlord provided a $117,090 lease incentive for furniture, fixtures, equipment and moving costs.

The Conservancy also leases office space in Maryland, Ohio, and California under fixed rate agreements with scheduled annual increases through 2025.

For the year ended September 30, 2024 and 2023, respectively, total lease costs were $495,914 and $497,354. Total cash paid for all operating leases were $12,165 and $326,748 during the years ended September 30, 2024 and 2023, respectively. As of September 30, 2024 and 2023, respectively, the weighted-average remaining lease term and rate for operating leases is 11.62 and 10.62 years and 3.68% and 3.68%, respectively.

8. LEASE COMMITMENTS (Continued)

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

Year Ending September 30,	
2025	$ 168,570
2026	487,902
2027	500,099
2028	512,602
2029	525,417
Thereafter	3,233,641
	5,428,231
Less: Imputed interest	(1,021,420)
	4,406,811
Less: Current portion	(7,229)
LONG-TERM PORTION	**$ 4,399,582**

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, 2024 and 2023 totaled $287,483 and $282,659, respectively and are included in salaries and benefits on the accompanying Statements of Functional Expenses.

10. ENDOWMENT

The Conservancy’s endowment consists of multiple donor-restricted funds to generate a permanent source of income for the Conservancy’s programs. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During the year ended September 30, 1997, the Conservancy established the Langdon Gates Burwell Endowment Fund (“Fund 1”). This fund was established with a gift of stock valued at $334,645 at the date of the gift 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 the Conservancy’s general endowment.

An additional $31,000 of contributions to be restricted in perpetuity were added to Fund 1 in the fiscal years 2011, 2016 and 2021. In accordance with the donor’s instructions, earnings on Fund 1 are available to support the Conservancy’s general operations.

During the year ended September 30, 1998, the Conservancy established the Wyss Endowment Fund (“Fund 2”). This fund was established with a gift of cash of $250,000.

10. ENDOWMENT (Continued)

For investment earnings on Fund 2, the donor recommended that half of the annual earnings from the endowment be used for general operating expenses and the other half be used to increase the endowment, with an allowance for the Board of Directors to override this provision. In prior years, the Conservancy's Board of Directors resolved that all the investment earnings on Fund 2 be considered without donor restriction and available to support general operations.

During the year ended September 30, 2018, the Conservancy established the Keith Laughlin Legacy Endowment Fund. The Conservancy'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 the Conservancy's general operations.

Interpretation of relevant law -

The Conservancy has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by Washington, D.C. as requiring the preservation of the fair value of the original gift made to the donor-restricted endowment funds, absent explicit donor stipulations to the contrary.

As a result, of this interpretation, the Conservancy classifies as net assets with donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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.

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.

10. ENDOWMENT (Continued)

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.

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, 2024 and 2023, there were no deficiencies noted on the endowment funds.

Endowment net asset composition by type of fund as of September 30, 2024:

	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	$ -	$ 823,328	$ 823,328
Accumulated investment earnings	-	1,053,346	1,053,346
TOTAL ENDOWMENT FUNDS	**$ -**	**$ 1,876,674**	**$ 1,876,674**

Changes in endowment net assets for the year ended September 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 1,624,500	$ 1,624,500
Net investment return	-	331,283	331,283
Appropriations	-	(79,109)	(79,109)
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 1,876,674**	**$ 1,876,674**

Endowment net asset composition by type of fund as of of September 30, 2023:

	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	$ -	$ 823,328	$ 823,328
Accumulated investment earnings	-	801,172	801,172
TOTAL ENDOWMENT FUNDS	**$ -**	**$ 1,624,500**	**$ 1,624,500**

10. ENDOWMENT (Continued)

Changes in endowment net assets for the year ended of September 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 1,539,846	$ 1,539,846
Net investment return	-	170,021	170,021
Appropriations	-	(85,367)	(85,367)
ENDOWMENT NET ASSETS, END OF YEAR	**$ -**	**$ 1,624,500**	**$ 1,624,500**

11. ALLOCATION OF JOINT COSTS

During the years ended September 30, 2024 and 2023, the Conservancy incurred joint costs of $2,670,967 and $2,375,518, respectively, from activities that included both educational materials and fundraising appeals, as follows:

	2024	2023
Program Services	$ 861,396	$ 683,127
Management and General	211,504	191,706
Fundraising	1,598,067	1,500,685
Total Supporting Services	1,809,571	1,692,391
TOTAL JOINT COSTS	**$ 2,670,967**	**$ 2,375,518**

12. SUBSEQUENT EVENTS

In preparing these financial statements, the Conservancy has evaluated events and transactions for potential recognition or disclosure through February 5, 2025, the date the financial statements were issued.