



**WithumSmith+Brown**  
**A Professional Corporation**  
**Certified Public Accountants and Consultants**

**NEW YORK-NEW JERSEY TRAIL CONFERENCE, INC.**

**Financial Statements**

**December 31, 2013 and 2012**

**With Independent Auditors' Reports**

**New York-New Jersey Trail Conference, Inc.**  
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**December 31, 2013 and 2012**

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## Independent Auditors' Report

To the Board of Directors,  
New York - New Jersey Trail Conference, Inc.:

### Report on the Financial Statements

We have audited the accompanying financial statements of New York – New Jersey Trail Conference, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 New York – New Jersey Trail Conference, Inc. as of December 31, 2013 and 2012, 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.

*Wilkerson Smith & Brown, PC*

April 22, 2014

**New York - New Jersey Trail Conference, Inc.**  
**Statements of Financial Position**  
**December 31, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 869,217	\$ 215,323
Investments	1,769,862	1,447,759
Accounts receivable	35,174	53,714
Grants receivable	283,491	307,163
Pledges receivable	448,079	332,008
Bequest receivable	100,000	201,123
Prepaid expenses and other current assets	9,917	29,863
Total current assets	<u>3,515,740</u>	<u>2,586,953</u>
Construction in progress	1,451,103	1,285,817
Property and equipment, net	77,528	23,287
Other assets		
Investments held for the Land Acquisition and Stewardship Fund	521,330	494,676
Pledges receivable, net of current portion	355,778	25,913
Trail land and easements	916,747	916,737
Security deposits	93,375	3,375
Total other assets	<u>1,887,230</u>	<u>1,440,701</u>
	<u>\$ 6,931,601</u>	<u>\$ 5,336,758</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable and accrued expenses	\$ 92,647	\$ 59,096
Deferred membership income	119,888	132,052
Total current liabilities	<u>212,535</u>	<u>191,148</u>
Long-term liabilities		
Annuities obligations	15,935	22,104
Total liabilities	<u>228,470</u>	<u>213,252</u>
Net assets		
Unrestricted	3,001,420	2,737,934
Temporarily restricted	3,701,711	2,385,572
Total net assets	<u>6,703,131</u>	<u>5,123,506</u>
	<u>\$ 6,931,601</u>	<u>\$ 5,336,758</u>

The Notes to Financial Statements are an integral part of these statements.

**New York - New Jersey Trail Conference, Inc.**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2013 and 2012**

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues						
Membership dues	\$ 253,896	\$ --	\$ 253,896	\$ 253,957	\$ --	\$ 253,957
Contributions	409,339	1,892,964	2,302,303	856,832	914,556	1,771,388
Grants and contracts	340,682	--	340,682	304,110	--	304,110
Sales of maps, books and other items	243,712	--	243,712	243,556	--	243,556
Interest and dividends	56,407	23,248	79,655	52,402	17,629	70,031
Realized gain	7,458	1,899	9,357	1,983	55	2,038
Unrealized gain	109,659	23,934	133,593	51,520	4,835	56,355
Other income	19,865	--	19,865	11,132	--	11,132
In-kind contributions	210,588	--	210,588	187,097	--	187,097
Change in value of split interest annuity agreements	(38)	--	(38)	(322)	--	(322)
	<u>1,651,568</u>	<u>1,942,045</u>	<u>3,593,613</u>	<u>1,962,267</u>	<u>937,075</u>	<u>2,899,342</u>
Net assets released from restrictions	<u>625,906</u>	<u>(625,906)</u>	<u>--</u>	<u>329,100</u>	<u>(329,100)</u>	<u>--</u>
	<u>2,277,474</u>	<u>1,316,139</u>	<u>3,593,613</u>	<u>2,291,367</u>	<u>607,975</u>	<u>2,899,342</u>
Expenses						
Program services						
Trail programs	1,223,211	--	1,223,211	900,532	--	900,532
Publications	180,211	--	180,211	172,495	--	172,495
Darlington Headquarters	22,904	--	22,904	25,501	--	25,501
Membership	106,549	--	106,549	95,385	--	95,385
	<u>1,532,875</u>	<u>--</u>	<u>1,532,875</u>	<u>1,193,913</u>	<u>--</u>	<u>1,193,913</u>
Supporting services						
Management and general	151,482	--	151,482	170,916	--	170,916
Fundraising	329,631	--	329,631	303,128	--	303,128
	<u>481,113</u>	<u>--</u>	<u>481,113</u>	<u>474,044</u>	<u>--</u>	<u>474,044</u>
	<u>2,013,988</u>	<u>--</u>	<u>2,013,988</u>	<u>1,667,957</u>	<u>--</u>	<u>1,667,957</u>
Changes in net assets	263,486	1,316,139	1,579,625	623,410	607,975	1,231,385
Net assets, beginning of year	<u>2,737,934</u>	<u>2,385,572</u>	<u>5,123,506</u>	<u>2,114,524</u>	<u>1,777,597</u>	<u>3,892,121</u>
Net assets, end of year	<u>\$ 3,001,420</u>	<u>\$ 3,701,711</u>	<u>\$ 6,703,131</u>	<u>\$ 2,737,934</u>	<u>\$ 2,385,572</u>	<u>\$ 5,123,506</u>

The Notes to Financial Statements are an integral part of these statements.

**New York - New Jersey Trail Conference, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2013 and 2012**

	2013	2012
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 1,579,625	\$ 1,231,385
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	13,696	9,833
Unrealized gain on investments	(133,593)	(56,355)
Realized gain on investments	(9,357)	(2,038)
Bad debt expense	247	591
Change in value of split interest annuity agreements	38	322
Changes in assets and liabilities		
Accounts receivable	18,293	(6,670)
Grants receivable	23,672	(164,501)
Pledge receivable	(445,936)	(357,921)
Bequest receivable	101,123	(201,123)
Prepaid expenses and other current assets	19,946	(20,674)
Security deposits	(90,000)	--
Accounts payable and accrued expenses	33,551	(12,062)
Deferred membership income	(12,164)	8,238
Net cash provided by operating activities	<u>1,099,141</u>	<u>429,025</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(67,937)	(9,603)
Additions to construction in progress	(165,286)	(196,169)
Purchase of trail lands and easements	(10)	(467,000)
Purchase of investments	(790,063)	(1,303,899)
Proceeds from the sale of investments	584,256	381,511
Cash held for the Land Acquisition and Stewardship Fund	--	1,151,600
Net cash used by investing activities	<u>(439,040)</u>	<u>(443,560)</u>
<b>Cash flows from financing activities</b>		
Payment of annuity obligations (net)	<u>(6,207)</u>	<u>(1,400)</u>
Net increase (decrease) in cash and cash equivalents	653,894	(15,935)
<b>Cash and cash equivalents</b>		
Beginning of year	<u>215,323</u>	<u>231,258</u>
End of year	<u>\$ 869,217</u>	<u>\$ 215,323</u>

**Supplemental disclosure of cash flow information**

No amounts were paid for interest or income taxes for the years ended December 31, 2013 and 2012.

The Notes to Financial Statements are an integral part of these statements.

**New York - New Jersey Trail Conference, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2013**

	<u>Trail Programs</u>	<u>Publications</u>	<u>Darlington Headquarters</u>	<u>Membership</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 502,556	\$ 59,475	\$ 15,668	\$ 49,807	\$ 627,506	\$ 93,340	\$ 173,370	\$ 894,216
Payroll taxes and fringes	99,674	11,796	3,108	9,878	124,456	18,512	34,385	177,353
Professional services	77,706	4,889	1,630	5,545	89,770	6,849	59,336	155,955
Occupancy	32,050	3,190	862	2,672	38,774	5,007	9,300	53,081
Office expense	69,581	85,421	683	20,496	176,181	1,787	32,728	210,696
Insurance	10,737	1,271	335	1,064	13,407	1,994	3,704	19,105
Trail development costs	251,253	--	--	--	251,253	--	--	251,253
Travel	25,023	653	--	791	26,467	619	3,426	30,512
Dues and fees	3,923	789	309	267	5,288	750	1,092	7,130
In-kind expenses	108,792	--	--	10,237	119,029	19,145	--	138,174
Workshops and meetings	20,624	800	69	4,181	25,674	1,269	8,541	35,484
Other operating expenses	13,595	10,769	--	848	25,212	780	1,094	27,086
Bad debt expense	--	247	--	--	247	--	--	247
Depreciation	7,697	911	240	763	9,611	1,430	2,655	13,696
	<u>\$ 1,223,211</u>	<u>\$ 180,211</u>	<u>\$ 22,904</u>	<u>\$ 106,549</u>	<u>\$ 1,532,875</u>	<u>\$ 151,482</u>	<u>\$ 329,631</u>	<u>\$ 2,013,988</u>

The Notes to Financial Statements are an integral part of this statement.



**New York - New Jersey Trail Conference, Inc.**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2012**

	<u>Trail Programs</u>	<u>Publications</u>	<u>Darlington Headquarters</u>	<u>Membership</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 374,917	\$ 59,991	\$ 17,774	\$ 42,737	\$ 495,419	\$ 102,538	\$ 152,779	\$ 750,736
Payroll taxes and fringes	72,861	11,659	3,454	8,305	96,279	19,928	29,691	145,898
Professional services	69,680	5,497	1,508	4,679	81,364	9,576	70,785	161,725
Occupancy	26,483	3,756	939	2,817	33,995	6,573	9,390	49,958
Office expense	50,052	79,118	1,216	22,673	153,059	3,847	31,302	188,208
Insurance	7,907	1,265	316	949	10,437	2,214	3,163	15,814
Trail development costs	149,571	--	--	--	149,571	--	--	149,571
Travel	13,959	996	17	209	15,181	864	1,961	18,006
Dues and fees	2,039	627	50	142	2,858	1,413	142	4,413
In-kind expenses	105,773	--	--	10,237	116,010	19,145	--	135,155
Workshops and meetings	7,467	569	30	970	9,036	3,376	1,933	14,345
Other operating expenses	14,906	7,639	--	1,077	23,622	67	15	23,704
Bad debt expense	--	591	--	--	591	--	--	591
Depreciation	4,917	787	197	590	6,491	1,375	1,967	9,833
	<u>\$ 900,532</u>	<u>\$ 172,495</u>	<u>\$ 25,501</u>	<u>\$ 95,385</u>	<u>\$ 1,193,913</u>	<u>\$ 170,916</u>	<u>\$ 303,128</u>	<u>\$ 1,667,957</u>

The Notes to Financial Statements are an integral part of this statement.

**New York - New Jersey Trail Conference, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**1. The Trail Conference and Purpose**

New York - New Jersey Trail Conference, Inc. (the "Trail Conference"), is a not-for-profit organization incorporated in 1958 in the State of New York. The Trail Conference is committed to developing, building and maintaining hiking trails, protecting hiking trails through support and advocacy, and educating the public in the responsible use of trails and the natural environment; and in connection therewith, publishes trail guide books and maps. The primary sources of funding are contract income, membership dues, grants, contributions, publications and land sales.

The Trail Conference maintains its offices in Mahwah, New Jersey.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

External financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. The unrestricted net asset category represents net assets that are not subject to donor imposed restrictions, the temporarily restricted net asset category represents net assets that are subject to time or purpose donor imposed restrictions and the permanently restricted net asset category represents net assets that are subject to donor imposed restrictions that cannot be satisfied by either time or by actions of the Trail Conference. During the years ended December 31, 2013 and 2012, the Trail Conference had accounting transactions in the unrestricted and temporarily restricted net asset categories.

**Revenue and Support Recognition**

Membership dues are collected annually and recognized over the applicable membership period.

The Trail Conference recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as unrestricted or restricted support according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, temporarily restricted net assets are reclassified and reported in the statements of activities and changes in net assets as net assets released from restrictions.

The Trail Conference recognizes as earned those contract revenues which have been determined to be exchange transactions in the statements of activities and changes in net assets to the extent that expenses have been incurred for the purpose specified by the grantor during the period. Program revenues received in advance of their usage are classified as deferred revenue in the statements of financial position. In applying this concept, the legal and contractual requirements of each individual contract are used as guidance.

Unrestricted revenues are obtained from the sale of maps, books and other items. These revenues are recorded when the merchandise is sold and are used to offset program expenses as well as management and general and fundraising expenses.

Contributed services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people possessing those skills and would otherwise be purchased by the Trail Conference if not donated. Professional services and goods donated for the years ended December 31, 2013 and 2012 were valued at \$210,588 and \$187,097, respectively, of which \$72,414 and \$51,942, respectively were capitalized. The Trail Conference received approximately 72,914 and 72,674 hours of volunteer services for the years ended December 31, 2013 and 2012, respectively, which did not meet the criteria above.

**Investments**

Investments, primarily consisting of equity and debt securities, are stated at fair value. Gains and losses, both realized and unrealized, resulting from increases or decreases in the fair value of investments are reflected in the statements of activities and changes in net assets as increases or decreases in unrestricted net assets unless the use was restricted by explicit donor stipulations or by law.

**New York - New Jersey Trail Conference, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Property and Equipment**

Office furniture and equipment is recorded at cost, except for donated items which are recorded at the fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The principal rates for computing depreciation by major asset category are as follows:

<b>Description</b>	<b>Estimated Life (Years)</b>
Office furniture, equipment and software	3 – 10

**Expense Classification**

The expenses of the Trail Conference are presented in the statements of activities and changes in net assets under the following classifications which describe the Trail Conference's program activities:

- Trail Programs – The New York-New Jersey Trail Conference partners with agencies and mobilizes thousands of hard-working volunteers who create, protect, and promote approximately 2,000 miles of public trails and trail lands. In an era when the amount of public open space is increasing much faster than park budgets, this service is more crucial than ever.
- Publications - The New York-New Jersey Trail Conference is the primary information resource for hikers in the greater New York metropolitan area. Services include accurate, up-to-date maps, books, and web references so they can explore our parks and preserves safely and enjoyably.
- Darlington Headquarters – For 40 years, the Darlington Schoolhouse sat empty in a community where it was once a vital learning center. The Trail Conference is restoring the building as its headquarters.
- Membership - The Trail Conference is a volunteer-directed, nonprofit organization with a membership of approximately 10,000 individuals and 100 clubs representing over 100,000 active, outdoor-loving people. Membership directly supports our mission to create, protect, and promote a network of approximately 2,000 miles of public trails in the greater New York-New Jersey metropolitan region.

All expenses that were not directly associated with the above service categories are categorized as management and general expenses or fundraising expense.

Costs are generally charged to programs, management and general and fundraising based on direct costs incurred attributable to each function. Certain costs are allocated among programs and supporting services based on salary percentages estimated from time records which approximates the benefit derived by each function.

**Cash and Cash Equivalents**

Cash and cash equivalents are short term, highly liquid investments with a maturity date of three months or less on the date of acquisition.

**New York - New Jersey Trail Conference, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**Valuation of Long-Lived Assets**

In accordance with the provisions of the accounting pronouncement on accounting for the impairment or disposal of long-lived assets, the Trail Conference reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the years presented in these financial statements.

**Concentrations of Credit Risk**

The Trail Conference's financial instruments that are exposed to concentrations of credit risk consist primarily of its cash, cash equivalents, investments, grants receivables and contributions receivable. Management maintains funds in high quality institutions to lessen the amount of uninsured exposure. Cash equivalents and investments are in high-quality securities. Although subject to market fluctuations this investment policy somewhat limits the Trail Conference's exposure to concentrations of credit risk. The Trail Conference has a long standing history of collecting its pledges and contributions receivable which are from various individuals, corporations and foundations. An allowance for uncollectible accounts is normally recorded in the financial statements for any amounts considered uncollectible.

**Income Taxes**

New York - New Jersey Trail Conference, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not reflect a provision for Federal income taxes. The Trail Conference follows the pronouncement related to income taxes. There were no uncertain tax positions at December 31, 2013 and 2012. There are no open tax years prior to 2010. The Trail Conference did not have any income tax related penalties or interest for the years presented in these statements.

**Fair Value of Financial Instruments**

The carrying amounts of financial instruments including cash and cash equivalents, accounts receivable and grants and contribution receivables, and accounts payable and accrued expenses approximate their fair values because of the relatively short maturity of these instruments.

**3. Investments**

The following summarizes the relationship between the market value and cost of investments at December 31:

	2013		2012	
	Cost	Market	Cost	Market
Money market funds	\$ 170,318	\$ 170,318	\$ 11,935	\$ 11,935
Equity funds	1,031,650	1,144,155	953,698	977,208
Bond funds	218,318	212,075	314,191	321,608
Mutual funds	685,800	764,644	611,703	631,684
	<u>2,106,086</u>	<u>2,291,192</u>	<u>1,891,527</u>	<u>1,942,435</u>
Less: Investments held for the Land Acquisition and Stewardship Fund	(492,561)	(521,330)	(489,729)	(494,676)
	<u>\$ 1,613,525</u>	<u>\$ 1,769,862</u>	<u>\$ 1,401,798</u>	<u>\$ 1,447,759</u>

**New York - New Jersey Trail Conference, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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**4. Grants and Contributions Receivable**

Grants and contributions receivable consist of the following at December 31:

	<b>2013</b>	<b>2012</b>
New Jersey Historic Trust Fund	\$ 28,003	\$ 108,626
Bergen County Preservation Trust Fund	25,680	108,349
New York State Environmental Protection Fund	59,472	79,980
New York State Department of Environmental Conservation	26,490	--
New York State Office of Parks, Recreation and Historic Preservation	22,296	--
New Jersey Department of Environmental Protection	5,318	6,288
Palisades Interstate Park Commission	111,232	--
Lark in the Park	5,000	--
Various Bear Mountain Trails	--	3,205
Hudson River Valley Greenway	--	715
	<u>\$ 283,491</u>	<u>\$ 307,163</u>

Additional grant funds are available from governmental agencies approximating \$1,870,000 for years subsequent to December 31, 2013 conditioned upon the Trail Conference incurring qualified expenses and complying with matching requirements.

**5. Pledges Receivable**

Pledges receivable at December 31, consisted of the following:

	<b>2013</b>	<b>2012</b>
Due in one year or less	\$ 448,079	332,008
Due between one year and five years	355,778	25,913
Total pledges receivable	<u>\$ 803,857</u>	<u>357,921</u>

**6. Property and Equipment**

Property and equipment was comprised of the following at December 31:

	<b>2013</b>	<b>2012</b>
Furniture and fixtures	\$ 4,790	\$ 14,882
Software	37,601	5,307
Equipment	76,871	68,813
	<u>119,262</u>	<u>89,002</u>
Less: Accumulated depreciation	(41,734)	(65,715)
	<u>\$ 77,528</u>	<u>\$ 23,287</u>

Depreciation expense charged to operations amounted to \$13,696 and \$9,833 for the years ended December 31, 2013 and 2012, respectively.

**7. Construction in Progress**

The Trail Conference has incurred costs related to the Darlington School House amounting to \$1,451,103 and \$1,285,817 for the years ended December 31, 2013 and 2012, respectively. The costs include an initial acquisition cost of \$357,658 and capital improvement costs of \$1,093,445 and \$928,159 for the years ended December 31, 2013 and 2012, respectively.

**New York - New Jersey Trail Conference, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

In November 2007, in conjunction with the Township of Mahwah, the County of Bergen and the State of New Jersey, the Trail Conference acquired the Darlington School House. The School House is to be restored to serve as both a public resource for trail and environmental education and the future headquarters for the Trail Conference. As part of the agreement, if the Trail Conference should determine that they no longer wish to proceed with their original intent to restore and/or occupy the school house as their headquarters, the other parties have the right of first refusal to purchase at the "maximum purchase price" as defined in the conservation easement recorded with the deed. As required by the deed of conservation and Historic Preservation Easement the following is the statement of capital costs both donated and incurred:

	2013	2012
Incurring		
Architectural and engineering costs	\$ 145,291	\$ 145,291
Construction costs	612,699	483,272
Donated		
Legal fees	274,204	238,345
Engineering	61,251	61,251
	<u>\$ 1,093,445</u>	<u>\$ 928,159</u>

**8. Recurring Fair Value Measurements**

The Trail Conference has provided fair value disclosure information for relevant assets and liabilities in these financial statements. For applicable assets subject to this pronouncement, the Trail Conference values such assets using quoted market prices in active markets for identical assets to the extent possible (Level 1). To the extent that such market prices are not available, the Trail Conference values such assets using observable measurement criteria, including quoted market prices of similar assets in active and inactive markets and other corroborated factors (Level 2). In the event that quoted market prices in active markets and other observable measurement criteria are not available, the Trail Conference develops measurement criteria based on the best information available (Level 3).

The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of December 31, along with the basis for the determination of fair value:

	2013			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Money market funds	\$ 170,318	\$ 170,318	\$ --	\$ --
Bond mutual funds and exchange traded funds				
PIMCO Total Return fund	167,036	167,036	--	--
Vanguard High Yield Corporate fund	45,039	45,039	--	--
Vanguard Short-Term Bond ETF	211,620	211,620	--	--
Bonds and equities mutual funds				
Vanguard Wellesley Income fund	409,330	409,330	--	--
Vanguard Wellington fund	395,968	395,968	--	--
Oakmark International I	136,014	136,014	--	--
Yachtman Fund Service	47,204	47,204	--	--
Wisdomtree Emerging Markets	34,980	34,980	--	--
Equity mutual funds and exchange traded funds				
Harbor International	60,635	60,635	--	--
iShares Russell Midcap Growth ETF	131,966	131,966	--	--
iShares Russell Midcap Value ETF	135,878	135,878	--	--
Vanguard Energy Fund	95,004	95,004	--	--
Vanguard Div Appreciation	195,666	195,666	--	--
Wisdomtree Trust	54,534	54,534	--	--
	<u>\$ 2,291,192</u>	<u>\$ 2,291,192</u>	<u>\$ --</u>	<u>\$ --</u>

**New York - New Jersey Trail Conference, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

	2012			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Money market funds	\$ 11,935	\$ 11,935	\$ --	\$ --
Bond mutual funds and exchange traded funds				
PIMCO Total Return fund	340,826	340,826	--	--
Vanguard High Yield Corporate fund	103,644	103,644	--	--
Vanguard Short-Term Bond ETF	196,523	196,523	--	--
Bonds and equities mutual funds				
Vanguard Wellesley Income fund	483,130	483,130	--	--
Vanguard Wellington fund	309,343	309,343	--	--
Yachtman Fund Service	36,953	36,953	--	--
Equity mutual funds and exchange traded funds				
Harbor International	51,897	51,897	--	--
OCM Gold Fund Advisor	27,398	27,398	--	--
iShares Russell Midcap Growth ETF	86,868	86,868	--	--
iShares Russell Midcap Value ETF	90,754	90,754	--	--
Vanguard Energy Fund	68,488	68,488	--	--
Vanguard Div Appreciation	71,484	71,484	--	--
Vanguard Utilities ETF	63,192	63,192	--	--
	<u>\$ 1,942,435</u>	<u>\$ 1,942,435</u>	<u>\$ --</u>	<u>\$ --</u>

**9. Annuity Obligations**

The Trail Conference is the beneficiary of several charitable gift annuities. Under the annuity agreements, the Trail Conference is the trustee and distributes to the donor or the donor's designee amounts stipulated in the annuity contracts.

At the time of gift and adjusted annually, the Trail Conference records contribution revenue and a liability for amounts payable to the beneficiaries using an actuarial calculation based on estimated mortality rates and other assumptions that could change in the near term. The discount rate used in the calculation at December 31, 2013 and 2012 was 6 percent. As of December 31, 2013 and 2012, the investments had a fair value of \$20,826 and \$28,828, respectively, and the liability under annuity obligations was \$15,935 and \$22,104, respectively.

**10. Net Assets**

Components of unrestricted net assets at December 31 were as follows:

	2013	2012
Available for general operations	\$ 682,871	\$ 721,647
Board designated Legacy Fund	589,918	507,183
Board designated funds for the Land Acquisition and Stewardship Fund	200,000	200,000
Investment in property and equipment	1,528,631	1,309,104
	<u>\$ 3,001,420</u>	<u>\$ 2,737,934</u>

**New York - New Jersey Trail Conference, Inc.**  
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**December 31, 2013 and 2012**

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**Land Acquisition and Stewardship Fund**

The Trail Conference acquires privately owned land as part of its trail planning and protection program. Trail land is held for conservation purposes. The Trail Conference's intention is to sell these lands to governmental or non-profit entities which will preserve the property as trail lands open for public use. These lands were purchased with funds provided by the Land Acquisition and Stewardship Fund which constitutes a temporarily restricted revolving loan fund and are maintained as part of that fund with eventual proceeds used to replenish the fund.

**Legacy Fund**

The Board created a quasi-endowment fund, where the Board may allocate the fund's principal and earnings for any Board designated purpose.

Components of temporarily restricted net assets at December 31 were as follows:

	<b>2013</b>	<b>2012</b>
Temporarily restricted - restricted by donor for programmatic use as follows		
Bear Mountain Trails	\$ 2,202	\$ 2,702
Catskill Community Trails	44,453	94,540
Shelter Construction in Catskills	--	1,890
Darlington School House	1,771,037	331,472
NJ Program Work	--	13,114
East Hudson Comm Trails Program	97,666	147,222
Trail Building Management	9,788	9,788
Tool Fund	476	1,620
Eagle Roost Protection Project	--	4,994
Irene Relief Fund	5,439	12,631
Sandy Relief Fund	--	4,000
Land Acquisition and Stewardship Fund	1,450,170	1,408,069
Lenape Trail Fund	5,920	7,373
Youth Trail Projects	7,067	7,640
Interpretive Exhibit	42,612	61,981
Pochuck Stewardship Fund	5,771	5,771
NJ Trail Crew Development Fund	12,726	18,667
Shawangunks Ridge Fund	4,230	4,440
Strategic Planning	11,050	11,050
Gunks Advocacy	61,579	61,579
Bridges in Minnewaska	2,277	4,400
East Hudson Invasive Program	11,719	19,840
Tennessee Gas Pipeline	148,426	150,000
Various Trail Projects	7,103	789
Temporarily restricted net assets	<u>\$ 3,701,711</u>	<u>\$ 2,385,572</u>



**New York - New Jersey Trail Conference, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	2013	2012
Bear Mountain Trails	\$ 500	\$ 7,122
Catskill Community Trails	66,305	47,516
Shelter Construction in Catskills	1,890	110
Darlington School House	394,781	139,604
NJ Program Work	13,114	16,886
East Hudson Comm Trails Program	59,556	25,842
Tool Fund	1,144	1,916
Eagle Roost Protection Project	4,994	--
Irene Relief Fund	7,192	1,759
Sandy Relief Fund	4,000	--
Land Acquisition and Stewardship Fund	7,020	15,787
West Hudson Community Trails Program	--	3,202
Lenape Trail Fund	1,503	231
Youth Trail Projects	573	86
Interpretive Exhibit	20,419	53,945
NJ Trail Crew Development Fund	15,941	10,597
Shawangunks Ridge Fund	210	159
Gunks Advocacy	--	421
Bridges in Minnewaska	6,623	2,000
East Hudson Invasive Program	9,121	160
Tennessee Gas Pipeline	1,574	--
Various Trail Projects	9,446	1,757
Temporarily restricted net assets released	<u>\$ 625,906</u>	<u>\$ 329,100</u>

**11. Employee Retirement Plan**

The Trail Conference established a retirement savings plan pursuant to Section 403(b) of the Internal Revenue Code. All full-time employees over 21 years of age who have been employed by the Trail Conference at least six months are eligible to enroll in the plan. The Trail Conference matches 50 percent of the employee's contribution up to 6 percent of salary. The contributions for the years ended December 31, 2013 and 2012 were \$11,689 and \$10,536, respectively. Vesting of the employer match is as follows:

- 1/3 at the beginning of the 13<sup>th</sup> month of employment
- 2/3 at the beginning of the 25<sup>th</sup> month of employment
- 100% at the beginning of the 37<sup>th</sup> month of employment

**12. Leases**

The Trail Conference leased office and warehouse space in Mahwah, New Jersey under an operating lease which expired in August 2012. Thereafter, the lease continued on a month to month basis but may be terminated at any time by either party with six months notice. Total rent expense for each of the years ended December 31, 2013 and 2012 was \$45,600, respectively.

**13. Commitment and Contingencies**

**Easements**

As a condition of the donation of certain lands to the Sterling Forest New York State Park by the Duke Foundation, the Trail Conference was granted a "conservation" easement for the sole purpose of prohibiting hunting on these lands. The Trail Conference is responsible for monitoring these lands and reporting any observations of hunting to Park authorities.

**New York - New Jersey Trail Conference, Inc.**  
**Notes to Financial Statements**  
**December 31, 2013 and 2012**

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There are certain rights and responsibilities granted to and from the Trail Conference via easements and agreements that are related to the acquisition of the Darlington Schoolhouse property. These agreements have been recorded with the Bergen County, NJ Clerk's office as part of the deed and other closing documents.

The agreements include:

- Parking Access Easement – the County of Bergen and the Northwest Bergen County Utilities Authority granted an easement that allows the Trail Conference to access their land for construction, parking and geothermal wells.
- Encroachment Access Easement – the Township of Mahwah granted the Trail Conference the use of Township property that is located immediately in front of the existing building.
- Tenants in Common Agreement – this is not an easement, but it does establish certain rights and responsibilities with regards to our shared property.
- Conservation & Historic Easement – this is an easement that the Tenants in Common (Trail Conference and Township of Mahwah) have granted to the County of Bergen. It stipulates various historic and conservation measures as a condition of ownership, with enforcement responsibility vested in the County.
- Gifford Trail Easement – individual granted an easement in Schenectady County New York for hiking and other passive recreational use by the general public.

**14. Subsequent Events**

The Trail Conference has evaluated subsequent events occurring after the statement of financial position date through the date of April 22, 2014, the date the financial statements were available for release. Based upon this evaluation, the Trail Conference has determined that no subsequent events have occurred, which require disclosure in the financial statements.