

NEW YORK-NEW JERSEY TRAIL CONFERENCE, INC.

Financial Statements

Three months ended December 31, 2011 and year ended September 30, 2011

With Independent Auditors' Reports

New York-New Jersey Trail Conference, Inc.
Table of Contents
Three Months Ended December 31, 2011 and Year ended September 30, 2011

Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position.....	2
Statements of Activities and Changes in Net Assets.....	3
Statements of Cash Flows	4
Statements of Functional Expenses	5-6
Notes to Financial Statements	7-14
Supplementary Information	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	15-16
Summary of Findings and Responses	17-18



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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of New York - New Jersey Trail Conference, Inc. as of December 31, 2011 and September 30, 2011 and the related statements of activities and changes in net assets, cash flows and functional expenses for the three months and year then ended. These financial statements are the responsibility of New York - New Jersey Trail Conference, Inc.'s management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and September 30, 2011 and the changes in its net assets and its cash flows for the three months and year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2012 on our consideration of New York - New Jersey Trail Conference, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in blue ink that reads "WithumSmith+Brown, PC". The signature is written in a cursive, flowing style.

June 19, 2012

New York - New Jersey Trail Conference, Inc.
Statements of Financial Position
December 31, 2011 and September 30, 2011

	December 31, 2011	September 30, 2011
Assets		
Current assets		
Cash and cash equivalents	\$ 229,154	\$ 220,998
Investments	963,758	777,950
Accounts receivable	47,635	30,270
Grants and contributions receivable	142,662	291,211
Prepaid expenses and other current assets	9,189	14,115
Total current assets	<u>1,392,398</u>	<u>1,334,544</u>
Construction in progress	1,089,648	1,017,327
Property and equipment, net	23,517	25,990
Other assets		
Cash held for the Land Acquisition Stewardship Fund	1,151,600	1,151,600
Trail land and easements	449,737	449,737
Security deposits	3,375	3,375
Total other assets	<u>1,604,712</u>	<u>1,604,712</u>
	<u>\$ 4,110,275</u>	<u>\$ 3,982,573</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 71,158	\$ 105,065
Deferred membership income	123,814	107,223
Long-term liabilities		
Annuities obligations	23,182	21,057
Total liabilities	<u>218,154</u>	<u>233,345</u>
Net assets		
Unrestricted	2,114,524	1,927,237
Temporarily restricted	1,777,597	1,821,991
Total net assets	<u>3,892,121</u>	<u>3,749,228</u>
	<u>\$ 4,110,275</u>	<u>\$ 3,982,573</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
Three Months Ended December 31, 2011 and Year Ended September 30, 2011

	December 31, 2011			September 31, 2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenues						
Membership dues	\$ 58,049	\$ --	\$ 58,049	\$ 132,646	\$ --	\$ 132,646
Contributions	222,566	37,796	260,362	595,225	432,306	1,027,531
Grants and contracts	60,405	--	60,405	601,735	--	601,735
Sales of maps, books and other items	45,127	--	45,127	254,595	--	254,595
Interest and dividends	14,508	--	14,508	24,772	--	24,772
Realized gain (loss)	5,922	--	5,922	(2,274)	--	(2,274)
Unrealized gain (loss)	31,728	--	31,728	(64,448)	--	(64,448)
Other income	498	--	498	6,656	--	6,656
In-kind contributions	34,690	12,410	47,100	99,077	29,690	128,767
Land sales	--	--	--	--	395,129	395,129
Change in value of split interest annuity agreements	(2,512)	--	(2,512)	(3,640)	--	(3,640)
Total support and revenues	470,981	50,206	521,187	1,644,344	857,125	2,501,469
Net assets released from restrictions	94,600	(94,600)	--	392,396	(392,396)	--
	565,581	(44,394)	521,187	2,036,740	464,729	2,501,469
Expenses						
Program services						
Trail programs	181,003	--	181,003	951,171	--	951,171
Publications	63,331	--	63,331	172,444	--	172,444
Darlington Headquarters	8,972	--	8,972	43,220	--	43,220
Membership	15,842	--	15,842	40,259	--	40,259
Total program services	269,148	--	269,148	1,207,094	--	1,207,094
Supporting services						
Management and general	28,495	--	28,495	129,057	--	129,057
Fundraising	80,651	--	80,651	259,695	--	259,695
Total supporting services	109,146	--	109,146	388,752	--	388,752
Total expenses	378,294	--	378,294	1,595,846	--	1,595,846
Changes in net assets	187,287	(44,394)	142,893	440,894	464,729	905,623
Net assets, beginning of period/year	1,927,237	1,821,991	3,749,228	2,493,161	350,444	2,843,605
Prior period adjustment	--	--	--	(1,006,818)	1,006,818	--
Net assets, beginning of period/year, as restated	1,927,237	1,821,991	3,749,228	1,486,343	1,357,262	2,843,605
Net assets, end of period/year	\$ 2,114,524	\$ 1,777,597	\$ 3,892,121	\$ 1,927,237	\$ 1,821,991	\$ 3,749,228

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

New York - New Jersey Trail Conference, Inc.**Statements of Cash Flows****Three Months Ended December 31, 2011 and Year Ended September 30, 2011**

	December 31, 2011	September 30, 2011
Cash flows from operating activities		
Changes in net assets	\$ 142,893	\$ 905,623
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	2,473	9,661
Unrealized (gain) loss on investments	(31,728)	64,448
Realized (gain) loss on investments	(5,922)	2,274
Gain on sale of trail lands and easements	--	(395,129)
Change in value of split interest annuity agreements	2,512	882
Loss on conversion of split interest annuity agreement	--	2,758
Relief of annuity liability	--	(10,697)
Changes in assets and liabilities		
Accounts receivable	(17,365)	32,791
Grants and contributions receivable	148,549	(195,288)
Prepaid expenses and other current assets	4,926	(5,432)
Security deposits	--	314
Accounts payable and accrued expenses	(33,907)	14,482
Deferred membership income	16,591	107,223
Interest payable	--	(12,108)
Net cash provided by operating activities	<u>229,022</u>	<u>521,802</u>
Cash flows from investing activities		
Purchase of property and equipment	--	(14,957)
Additions to construction in progress	(59,911)	(352,645)
Sale of trail lands and easements	--	1,759,813
Purchase of investments	(338,120)	(429,586)
Proceeds from the sale of investments	189,962	31,235
Cash held for the Land Acquisition and Stewardship Fund	--	(1,151,600)
Net cash used by investing activities	<u>(208,069)</u>	<u>(157,740)</u>
Cash flows from financing activities		
Payment of notes payable	--	(216,000)
Payment of annuity obligations (net)	(12,797)	(33,500)
Net cash used by financing activities	<u>(12,797)</u>	<u>(249,500)</u>
Net increase in cash and cash equivalents	8,156	114,562
Cash and cash equivalents		
Beginning of period/year	<u>220,998</u>	<u>106,436</u>
End of period/year	<u>\$ 229,154</u>	<u>\$ 220,998</u>

Supplemental disclosure of cash flow information

No amounts were paid for interest or income taxes for the three months ended December 31, 2011 and the year ended September 30, 2011

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

New York - New Jersey Trail Conference, Inc.
Statement of Functional Expenses
Three Months Ended December 31, 2011

	<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	\$ 70,467	\$ 15,196	\$ 5,896	\$ 4,172	\$ 95,731	\$ 18,509	\$ 27,123	\$ 141,363
Payroll Taxes and Fringes	13,136	2,833	1,099	778	17,846	3,450	5,056	26,352
Professional Services	9,527	1,513	551	367	11,958	1,836	3,921	17,715
Occupancy	5,738	1,200	450	300	7,688	1,500	2,538	11,726
Office Expense	17,448	39,497	408	730	58,083	1,243	11,594	70,920
Insurance	2,409	521	195	130	3,255	650	1,102	5,007
Trail Development Costs	27,904	--	--	--	27,904	--	--	27,904
Travel	2,184	79	57	105	2,425	17	460	2,902
Dues and Fees	70	302	--	--	372	326	--	698
In-kind expenses	25,494	--	--	9,195	34,689	--	--	34,689
Workshops and Meetings	4,972	176	220	--	5,368	610	719	6,697
Other Operating Expenses	465	1,757	--	--	2,222	32	27,594	29,848
Depreciation	1,189	257	96	65	1,607	322	544	2,473
	<u>\$ 181,003</u>	<u>\$ 63,331</u>	<u>\$ 8,972</u>	<u>\$ 15,842</u>	<u>\$ 269,148</u>	<u>\$ 28,495</u>	<u>\$ 80,651</u>	<u>\$ 378,294</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 September 30, 2011

	<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	\$ 321,632	\$ 73,049	\$ 29,417	\$ 16,727	\$ 440,825	\$ 89,047	\$ 158,582	\$ 688,454
Payroll Taxes and Fringes	59,093	13,421	5,405	3,073	80,992	16,360	29,136	126,488
Professional Services	58,829	9,316	2,614	1,509	72,268	7,911	18,183	98,362
Occupancy	23,891	4,458	1,672	1,115	31,136	5,842	11,235	48,213
Office Expense	62,909	59,412	2,123	1,008	125,452	2,992	32,366	160,810
Insurance	7,250	1,568	588	392	9,798	2,054	3,951	15,803
Trail Development Costs	299,539	--	--	--	299,539	--	--	299,539
Travel	13,052	514	257	97	13,920	461	544	14,925
Dues and Fees	1,365	722	--	--	2,087	1,127	190	3,404
In-kind expenses	84,040	--	--	15,038	99,078	--	--	99,078
Workshops and Meetings	9,157	723	785	1,030	11,695	1,893	2,867	16,455
Other Operating Expenses	5,981	8,303	--	30	14,314	114	226	14,654
Depreciation	4,433	958	359	240	5,990	1,256	2,415	9,661
	<u>\$ 951,171</u>	<u>\$ 172,444</u>	<u>\$ 43,220</u>	<u>\$ 40,259</u>	<u>\$ 1,207,094</u>	<u>\$ 129,057</u>	<u>\$ 259,695</u>	<u>\$ 1,595,846</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, 2011 and September 30, 2011

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 three months ended December 31, 2011 and year ended September 30, 2011 the Trail Conference had accounting transactions in the unrestricted and temporarily restricted net asset categories. During fiscal year 2011, the Board of the Trail Conference approved the change of their fiscal year end from September 30 to December 31, effective October 1, 2011.

Revenue and Support Recognition

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.

Membership dues are collected annually. The portion of the dues which represents a contribution to the Trail Conference is recognized as revenue when received; the remaining portion of the dues, which represents the cost of benefits to be provided to the members, is recognized over the applicable membership period.

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 three months ended December 31, 2011 and year ended September 30, 2011 was valued at \$47,100 and \$128,767, respectively, of which \$12,410 and \$29,690 were capitalized. The Conference received approximately 14,000 and 58,100 hours of volunteer services for the three months and year ended December 31 and September 30, 2011, respectively, which did not meet the criteria above.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2011 and September 30, 2011

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.

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:

Description	Estimated Life (Years)
Office furniture and equipment	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 parks and mobilizes thousands of hard-working volunteers who create, protect, and promote more than 1,800 miles of public trails. In an era of severe budget shortfalls and an environment of increasing urban sprawl, this service has never been more crucial.
- Publications - The New York-New Jersey Trail Conference is the premiere information resource for hikers in the greater New York metropolitan area. We are committed to providing the public with 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 has sat empty in a community where it was once a vital learning center. Today the Trail Conference seeks to restore the building's public person by creating a 21st century workplace from which it will lead the protection of the region's trails and open space.
- Membership - The Trail Conference is a volunteer-directed, nonprofit organization with a membership of over 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 over 1,800 miles of public trails in the 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.

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2011 and September 30, 2011

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.

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 periods presented in these financial statements.

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, 2011 and September 30, 2011. There are no open tax years prior to 2008. The Trail Conference did not have any income tax related penalties or interest for the period and years in question.

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, 2011		September 30, 2011	
	Cost	Market	Cost	Market
Money market funds	\$ 4,521	\$ 4,521	\$ 27,809	\$ 27,809
Equities	368,878	364,858	294,726	266,878
Bonds funds	260,292	256,007	213,579	205,699
Mutual funds	345,271	338,372	297,869	277,564
	<u>\$ 978,962</u>	<u>\$ 963,758</u>	<u>\$ 833,983</u>	<u>\$ 777,950</u>

4. Grant and Contributions Receivable

Grants and contributions receivable consist of the following at:

	December 31, 2011	September 30, 2011
New Jersey Historic Trust Fund	\$ 28,681	\$ 122,181
Bergen County Preservation Trust Fund	25,024	71,006
New York State Environmental Protection Fund	45,319	74,384
New Jersey Department of Environmental Protection	34,176	17,531
Various Bear Mountain Trails	6,873	6,109
Hudson River Valley Greenway	2,589	--
	<u>\$ 142,662</u>	<u>\$ 291,211</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2011 and September 30, 2011

Additional grant funds are available from governmental agencies approximating \$1,000,000 for years subsequent to December 31, 2011 conditioned upon the Conference incurring qualified expenses and complying with matching requirements.

5. Trail Land and Easements

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.

6. Property and Equipment

Property and equipment was comprised of the following at:

	December 31, 2011	September 30, 2011
Furniture and fixtures	\$ 14,882	\$ 14,882
Software	5,307	5,307
Equipment	59,210	59,210
	<u>79,399</u>	<u>79,399</u>
Less: Accumulated depreciation	(55,882)	(53,409)
	<u>\$ 23,517</u>	<u>\$ 25,990</u>

Depreciation expense charged to operations amounted to \$2,473 and \$9,661 for the three months ended December 31, 2011 and year ended September 30, 2011, respectively.

7. Construction in Progress

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. The portion of the purchase price and related acquisition and construction costs incurred by the Trail Conference, along with contributed services, are included as construction in progress on the statement of financial position. As required by the deed of conservation and Historic Preservation Easement the following is the statement of capital costs both donated and incurred:

	December 31, 2011	September 30, 2011
Incurring:		
Acquisition cost	\$ 357,658	\$ 357,658
Architectural and engineering costs	145,291	123,570
Construction costs	339,045	300,854
Donated:		
Legal fees	186,403	173,994
Engineering	61,251	61,251
	<u>\$ 1,089,648</u>	<u>\$ 1,017,327</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2011 and September 30, 2011

8. Recurring Fair Value Measurements

The Trail Conference has provided fair value disclosure information for relevant assets and liabilities in these financial statements. The following table summarizes assets (liabilities) which have been accounted for at fair value on a recurring basis as of December 31 and September 31, along with the basis for the determination of fair value:

	December 31, 2011			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Money market funds	\$ 4,521	\$ 4,521	\$ --	\$ --
Bond mutual funds and exchange traded funds				
PIMCO total return fund	179,240	179,240	--	--
Vanguard high yield corp	76,767	76,767	--	--
Vanguard Short-Term Bond ETF	150,928	150,928		
Bonds and equities mutual funds				
Vanguard Wellesley income fund	221,022	221,022	--	--
Equity mutual funds and exchange traded funds				
Harbor International	42,937	42,937	--	--
iShares Russell Midcap Growth ETF	75,142	75,142	--	--
iShares Russell Midcap Growth ETF	76,727	76,727	--	--
Vanguard Energy Fund	44,169	44,169	--	--
Vanguard Precious Metals	30,244	30,244	--	--
Vanguard Utilities ETF	62,061	62,061	--	--
	<u>\$ 963,758</u>	<u>\$ 963,758</u>	<u>\$ --</u>	<u>\$ --</u>
	September 30, 2011			
	Total	Quoted Prices in Active Markets (Level 1)	Observable Measurement Criteria (Level 2)	Unobservable Measurement Criteria (Level 3)
Money market funds	\$ 27,809	\$ 27,809	\$ --	\$ --
Bond mutual funds and exchange traded funds				
PIMCO total return fund	155,419	155,419	--	--
Vanguard high yield corp	50,280	50,280	--	--
Vanguard Short-Term Bond ETF	90,946	90,946		
Bonds and equities mutual funds				
Dodge & Cox balanced fund	11,385	11,385		
Vanguard Wellesley income fund	159,266	159,266		
Equity mutual funds and exchange traded funds				
Harbor International	45,013	45,013		
iShares Russell Midcap Growth ETF	89,891	89,891	--	--
iShares Russell Midcap Growth ETF	86,040	86,040	--	--
Vanguard Energy Fund	31,644	31,644	--	--
Vanguard Precious Metals	30,257	30,257	--	--
	<u>\$ 777,950</u>	<u>\$ 777,950</u>	<u>\$ --</u>	<u>\$ --</u>

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 attempts to value 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).

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2011 and September 30, 2011

9. Leases

The Trail Conference leased office and warehouse space in Mahwah, New Jersey under an operating lease which expires in August 2012. Thereafter, the lease will continue on a month to month basis but may be terminated at any time by either party with six months notice. Total rent expense for the three months ended December 31, 2011 and year ended December 31, 2011 was \$11,400 and \$44,600, respectively. At December 31, 2011, future minimum lease commitments are as follows: 2012 - \$30,400.

10. 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% of the employee's contribution up to 6% of salary. Vesting is as follows:

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

11. 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, 2011 and September 30, 2011 was 6%. As of December 31, 2011 and September 30, 2011, the investments had a fair value of \$29,076 and \$28,587, respectively, and the liability under annuity obligations was \$23,182 and \$21,057, respectively.

12. Net Assets

Components of unrestricted net assets were as follows:

	December 31, 2011	September 30, 2011
Available for general operations	\$ 767,859	\$ 683,920
Board designated legacy fund	33,500	--
Board designated funds for the Land Acquisition Stewardship Fund	200,000	200,000
Investment in property and equipment	1,113,165	1,043,317
	<u>\$ 2,114,524</u>	<u>\$ 1,927,237</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2011 and September 30, 2011

Components of temporarily restricted net assets were as follows:

	December 31, 2011	September 30, 2011
Temporarily restricted - restricted by donor for programmatic use as follows:		
Bear Mountain Trails	\$ 9,824	\$ 9,824
Catskill Community Trails	22,056	36,302
Shelter Construction in Catskills	2,000	2,000
Darlington School House	49,520	78,382
NJ Program Work	15,000	--
East Hudson Comm Trails Program	173,064	179,260
Trail Building Management	9,788	9,788
Tool Fund	3,536	3,536
Eagle Roost Protection Project	4,994	4,994
Irene Relief Fund	14,390	5,315
Land Acquisition & Stewardship Fund	1,401,337	1,401,337
West Hudson Community Trails Program	3,202	12,086
Lenape Trail Fund	1,004	1,004
Youth Trail Projects	7,726	7,726
Interpretive Exhibit	27,926	34,664
Pochuck Stewardship Fund	5,771	5,771
NJ Trail Crew Development Fund	9,264	10,000
Shawangunks Ridge Fund	4,599	4,673
Strategic Planning	11,050	12,683
Various Trail Projects	1,546	2,646
Total temporarily restricted net assets	<u>\$ 1,777,597</u>	<u>\$ 1,821,991</u>

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

	Three Months Ended December 31, 2011	Year Ended September 30, 2011
Bear Mountain Trails	\$ --	\$ 3,613
Catskill Community Trails	14,246	38,698
Shelter Construction in Catskills	--	--
NJ Program Work	--	--
Trail Building Management	--	46,306
Tool Fund	--	459
Eagle Roost Protection Project	--	--
West Hudson Community Trails Program	8,884	24,387
Lenape Trail Fund	--	557
Youth Trail Projects	--	--
Pochuck Stewardship Fund	--	--
Shawangunks Ridge Fund	74	317
Strategic Planning	17,728	14,426
Various Trail Projects	3,322	62,039
Temporarily restricted net assets released	<u>\$ 94,600</u>	<u>\$ 392,396</u>

New York - New Jersey Trail Conference, Inc.
Notes to Financial Statements
December 31, 2011 and September 30, 2011

13. 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. At times during the years, deposits in financial institutions exceeded the FDIC limit of \$250,000. The 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.

14. Prior period adjustment

On October 1, 2010, \$1,006,818 was reclassified from unrestricted net assets to temporarily restricted net assets representing amounts attributable to The Land Acquisition and Stewardship Fund. These amounts were part of the capital campaign conducted from October 2003 through December 2005 that were comingled with operating resources and included in unrestricted net assets. The Fund is intended to operate as a temporarily restricted revolving loan fund providing funds to identify, secure, and maintain key parcels of land and facilitate their transfer to public or private conservation agencies that will preserve them as trail corridors in perpetuity.

15. Subsequent Events

The Trail Conference has evaluated subsequent events occurring after the statement of financial position date through the date of June 19, 2012, 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.

SUPPLEMENTARY INFORMATION



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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited the financial statements of New York - New Jersey Trail Conference, Inc. as of and for the three months ended December 31 and year ended September 30, 2011, and have issued our report thereon dated June 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of New York-New Jersey Trail Conference, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered New York-New Jersey Trail Conference, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New York-New Jersey Trail Conference, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New York-New Jersey Trail Conference, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying summary of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies contained in 2011-01 described in the accompanying summary of findings and responses to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New York - New Jersey Trail Conference, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

New York-New Jersey Trail Conference, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit New York-New Jersey Trail Conference, Inc.'s response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and Federal and State awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "William Smith + Brown, PC".

June 19, 2012

**New York - New Jersey Trail Conference, Inc.
Summary of Findings and Responses
December 31, 2011 and September 30, 2011**

2011-01 Material Weaknesses

Reporting and recording transactions in accordance with accounting principles generally accepted in the United States of America ("GAAP")

Condition

As a result of our audit, we determined that the Trail Conference recorded several transactions in their books and records not in accordance with the prescribed treatment for not for profit organizations as follows:

1. contributions and grants that were identified as temporarily restricted contributions were comingled with transactions that should be classified as exchange transactions (primarily cost reimbursement contracts from government agencies).

2. the temporarily restricted net assets relating to the Land Acquisition and Stewardship Fund were not segregated in the general ledger.

Cause

The Trail Conference maintained their books and records based on their understanding of the transactions. Certain contributions and grants were not properly identified based on the documentation available and the Land Acquisition and Stewardship Fund was classified as unrestricted when it was held entirely in land purchases instead of treated as a temporarily restricted revolving loan fund.

Effect

A prior period adjustment was recorded for the amounts attributable to the Land Acquisition and Stewardship Fund and during the audit other journal entries were proposed and accepted by management to correct the books and records for the proper treatment of temporarily restricted grants and contributions and contractual arrangements.

Criteria

Financial statements of not for profit entities prepared in accordance with generally accepted accounting principles requires the segregation of transactions into unrestricted, temporarily restricted and permanently restricted net assets.

Recommendation

All documentation relating to contributions, grants and contracts should be carefully reviewed in order to aid in recording transactions in accordance with GAAP. We recommend that the Trail Conference expand their general ledger to include account numbers for each reimbursable grant and contract to better document the trail of expenditures and receipts. Funds contributed and expended out of the temporarily restricted account will continue to be maintained through the schedule of Temporarily Restricted Net Assets. The transactions on this schedule could then be transferred to the general ledger to record the amounts released from restrictions. A separate accounts receivable general ledger account should be maintained for trade, contributions and grants, and contracts receivable. Also, we recommend that the funds relating to the Land Acquisition and Stewardship Fund be segregated to aid in the tracking of transaction flow in that fund.

Managements' Response

Prior to receiving the Summary of Findings and Responses, the Trail Conference set up a segregated Land Acquisition and Stewardship Fund bank account with Charles Schwab, which complies with the recommendation provided.

New York - New Jersey Trail Conference, Inc.
Summary of Findings and Responses
December 31, 2011 and September 30, 2011

Furthermore, we also agree that the creation of a separate accounts receivable general ledger account for trade, contributions and grants and contracts receivable be established.

The Trail Conference based the classification of contributions and grants that were identified as temporarily restricted contributions and were comingled with transactions that should have been labeled as cost reimbursements on the recommendation of the prior auditor. We will reclassify these accounts on the recommendation of WSB.