

WASHINGTON TRAILS ASSOCIATION

Financial Statements
December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Washington Trails Association
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Washington Trails Association (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, 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 Washington Trails Association as of December 31, 2025 and 2024, 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 Washington Trails Association 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 Washington Trails Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 Washington Trails Association'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 Washington Trails Association'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.

Greenwood Ohlund

Seattle, Washington
April 8, 2026

WASHINGTON TRAILS ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2025 and 2024

ASSETS	2025	2024
Current Assets		
Cash and cash equivalents	\$ 2,206,728	\$ 1,671,419
Investments	5,231,204	4,519,000
Accounts receivable	476,460	756,271
Contributions receivable	792,326	497,519
Prepaid expenses	174,466	94,263
Total current assets	8,881,184	7,538,472
Contributions Receivable, net	1,271,670	67,826
Investments Held for Endowments	4,833,138	-
Beneficial Interests in Assets Held by The Seattle Foundation	-	4,611,855
Right-of-Use Asset - Operating Lease	1,630,481	1,842,000
Property and Equipment, net	254,864	349,982
Security Deposits	16,045	16,295
Total assets	\$ 16,887,382	\$ 14,426,430
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 85,488	\$ 143,218
Accrued payroll and related liabilities	424,280	383,571
Operating lease liability	201,095	186,070
Total current liabilities	710,863	712,859
Operating Lease Liability, less current portion	1,464,154	1,665,248
Total liabilities	2,175,017	2,378,107
Net Assets		
Without donor restrictions	9,562,250	6,838,603
With donor restrictions	5,150,115	5,209,720
Total net assets	14,712,365	12,048,323
Total liabilities and net assets	\$ 16,887,382	\$ 14,426,430

See accompanying notes to financial statements.

WASHINGTON TRAILS ASSOCIATION

STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue						
Contributions	\$ 5,980,831	\$ 2,251,170	\$ 8,232,001	\$ 4,812,573	\$ 391,625	\$ 5,204,198
Bequests	310,000	-	310,000	521,891	37,556	559,447
Trail maintenance contracts	2,017,943	-	2,017,943	2,207,937	-	2,207,937
Investment return	465,235	182,867	648,102	438,685	176,644	615,329
Change in value of beneficial interests in assets	205,046	-	205,046	2,429	195,407	197,836
Other income	33,268	-	33,268	69,266	-	69,266
Net assets released from restrictions	<u>2,493,642</u>	<u>(2,493,642)</u>	<u>-</u>	<u>593,897</u>	<u>(593,897)</u>	<u>-</u>
Total support and revenue	11,505,965	(59,605)	11,446,360	8,646,678	207,335	8,854,013
Expenses						
Programs	7,143,490	-	7,143,490	7,109,928	-	7,109,928
General and administrative	929,206	-	929,206	818,445	-	818,445
Fundraising	<u>709,622</u>	<u>-</u>	<u>709,622</u>	<u>657,281</u>	<u>-</u>	<u>657,281</u>
Total expenses	<u>8,782,318</u>	<u>-</u>	<u>8,782,318</u>	<u>8,585,654</u>	<u>-</u>	<u>8,585,654</u>
Change in net assets	2,723,647	(59,605)	2,664,042	61,024	207,335	268,359
Net Assets, beginning of year	<u>6,838,603</u>	<u>5,209,720</u>	<u>12,048,323</u>	<u>6,777,579</u>	<u>5,002,385</u>	<u>11,779,964</u>
Net Assets, end of year	<u><u>\$ 9,562,250</u></u>	<u><u>\$ 5,150,115</u></u>	<u><u>\$ 14,712,365</u></u>	<u><u>\$ 6,838,603</u></u>	<u><u>\$ 5,209,720</u></u>	<u><u>\$ 12,048,323</u></u>

See accompanying notes to financial statements.

WASHINGTON TRAILS ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2025

	Program Expenses				Total Programs			Total
	Communications & Outreach	Advocacy	Trail Maintenance	Community & Leadership Development		General and Administrative	Fundraising	
Personnel expenses	\$ 1,271,617	\$ 380,090	\$ 3,032,869	\$ 966,345	\$ 5,650,921	\$ 806,381	\$ 408,592	\$ 6,865,894
Office support and occupancy	62,231	26,783	259,515	80,309	428,838	41,773	19,759	490,370
Information technology	71,566	28,309	193,114	52,424	345,413	35,018	22,395	402,826
Trail work supplies	217	76	130,788	38,406	169,487	132	76	169,695
Printing and publications	69,199	-	243	190	69,632	8	78,935	148,575
Professional fees	12,624	48,404	6,322	1,058	68,408	37,370	29,269	135,047
Community engagement	6,020	1,237	82,609	23,836	113,702	272	13,498	127,472
Bank and other fees	251	150	2,263	835	3,499	2,594	111,532	117,625
Depreciation and amortization	1,570	454	102,562	1,191	105,777	796	459	107,032
Travel	2,449	4,661	69,227	14,899	91,236	1,004	627	92,867
Insurance	7,608	2,203	66,115	5,775	81,701	3,858	2,225	87,784
Promotion and advertising	10,287	-	4,014	575	14,876	-	22,255	37,131
	<u>\$ 1,515,639</u>	<u>\$ 492,367</u>	<u>\$ 3,949,641</u>	<u>\$ 1,185,843</u>	<u>\$ 7,143,490</u>	<u>\$ 929,206</u>	<u>\$ 709,622</u>	<u>\$ 8,782,318</u>

See accompanying notes to financial statements.

WASHINGTON TRAILS ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended December 31, 2024

	Program Expenses				Total Programs	General and Administrative	Fundraising	Total
	Communications & Outreach	Advocacy	Trail Maintenance	Community & Leadership Development				
Personnel expenses	\$ 1,212,287	\$ 405,815	\$ 3,057,289	\$ 873,758	\$ 5,549,149	\$ 706,810	\$ 380,932	\$ 6,636,891
Information technology	72,124	28,038	211,077	53,099	364,338	33,374	21,207	418,919
Office support and occupancy	53,070	19,028	232,277	69,957	374,332	33,863	19,452	427,647
Trail work supplies	358	79	153,767	86,018	240,222	136	84	240,442
Travel	2,789	9,236	132,733	12,081	156,839	1,038	984	158,861
Printing and publications	73,062	13	27	601	73,703	-	79,557	153,260
Professional fees	28,348	48,205	4,456	558	81,567	36,265	28,247	146,079
Community engagement	3,203	26	67,610	20,328	91,167	52	27,698	118,917
Bank and other fees	227	151	3,632	366	4,376	2,262	86,806	93,444
Depreciation and amortization	1,644	461	78,297	1,252	81,654	790	491	82,935
Insurance	6,512	1,825	50,912	4,957	64,206	3,129	1,946	69,281
Promotion and advertising	14,763	423	7,989	5,200	28,375	726	9,877	38,978
	<u>\$ 1,468,387</u>	<u>\$ 513,300</u>	<u>\$ 4,000,066</u>	<u>\$ 1,128,175</u>	<u>\$ 7,109,928</u>	<u>\$ 818,445</u>	<u>\$ 657,281</u>	<u>\$ 8,585,654</u>

See accompanying notes to financial statements.

WASHINGTON TRAILS ASSOCIATION

STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Cash received from donors	\$ 7,043,350	\$ 5,795,638
Cash received from customers	2,297,754	2,194,792
Cash received from interest and other	472,696	400,040
Cash paid to employees	(6,825,185)	(6,615,745)
Cash paid to vendors	(1,921,625)	(1,847,109)
Net cash flows from operating activities	1,066,990	(72,384)
Cash Flows from Investing Activities		
Purchases of investments	(705,735)	(214,573)
Sales of investments	185,968	150,000
Contributions invested in endowment	-	(37,556)
Purchases of property and equipment	(11,914)	(171,959)
Net cash flows from investing activities	(531,681)	(274,088)
Cash Flows from Financing Activity		
Contributions received restricted for investment in endowment	-	37,556
Net change in cash and cash equivalents	535,309	(308,916)
Cash and Cash Equivalents, beginning of the year	<u>1,671,419</u>	<u>1,980,335</u>
Cash and Cash Equivalents, end of the year	<u>\$ 2,206,728</u>	<u>\$ 1,671,419</u>

See accompanying notes to financial statements.

WASHINGTON TRAILS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization and Summary of Significant Accounting Policies

Washington Trails Association (the Organization) is a Washington State nonprofit corporation. The Organization’s mission is to mobilize hikers and everyone who loves the outdoors to explore, steward, and champion trails and public lands so that there are trails for everyone, forever. The Organization advances its mission and vision through four strategic campaigns: Lost Trails Found, Trails Rebooted, The Trail Next Door, and Trails for Everyone. These campaigns bring together the Organization’s community and programs to solve the biggest challenges facing Washington’s trails and hikers. Significant programs include:

- Advocacy - Building strong coalitions and advocating for innovative policies that advance trail system priorities.
- Communications - Providing trusted hiking information and building a hiking community that actively gives back to the trails they love.
- Community & Leadership Development - Investing in future outdoor leaders, community partners and equitable opportunities for people to discover nature.
- Trail Maintenance - Building and maintaining Washington’s trails through community engagement and strong public land agency partnerships.

Use of 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. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position according to two classes of net assets: without donor restrictions and with donor restrictions.

Support and revenue received are recorded depending on the existence and/or nature of any donor restrictions.

Net Assets without and with Donor Restriction

Net assets without donor restrictions are available for support of the Organization’s operations. The Organization’s Board of Directors has designated certain net assets without donor restrictions held in investments including the Impact Fund and three quasi-endowment funds transferred from Seattle Foundation during the year ended December 31, 2025. These three funds are now held and managed directly by the Organization (see Note 3 and 4), to support priority programs and activities. Board-designated net assets consist of the following at December 31:

	2025	2024
The Impact Fund	\$ 2,673,662	\$ 2,358,264
The Washington Trails Endowment Fund	2,113,519	63,588
Greg Ball Trail Fund	1,837,367	-
Stusser Fund	208,585	-
	<u>\$ 6,833,133</u>	<u>\$ 2,421,852</u>

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NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions are restricted by the donor to be used for certain purposes or future periods. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction is met in the year in which the support is initially recognized. Net assets with donor restrictions also represent gifts given with the intent that the principal will be maintained intact into perpetuity and the income may be used for current operations. Net assets with perpetual restrictions consist entirely of a perpetual trust held by The Seattle Foundation as a beneficial interest at December 31, 2024, which has been converted into a donor-restricted endowment managed directly by the Organization at December 31, 2025 (see Note 3 and 4). Changes in the fair value in a perpetual trust increase or decrease net assets with donor restrictions. Distributions from the perpetual trust are recognized as investment income restricted for youth programs.

Net assets with donor restrictions are available for the following purposes at December 31:

	2025	2024
Net assets with purpose or time restrictions		
Director of Technology	\$ 169,500	\$ 355,000
Trail maintenance	10,000	186,627
Time-restricted	1,219,161	119,826
Community and Leadership Development	1,031,835	-
Beneficial interest in assets held by		
The Seattle Foundation:		
Greg Ball Trail Fund - trail maintenance	-	1,702,574
Stusser Fund - communications program	-	195,629
	2,430,496	2,559,656
Net assets with perpetual restrictions		
Beneficial interest in assets held by		
The Seattle Foundation:		
Youth Endowment Fund	-	2,650,064
Net assets with endowment restrictions		
Unappropriated earnings		
Youth Endowment Fund	673,049	-
Perpetual restrictions		
Youth Endowment Fund	2,046,570	-
	\$ 5,150,115	\$ 5,209,720

WASHINGTON TRAILS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable market inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

An asset's or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents

Cash and cash equivalents include cash held at a bank. The Organization considers all short-term securities with an original maturity of three months or less to be cash equivalents (except for money market funds held as investments). The Organization occasionally maintains cash balances in excess of federally insured limits. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Investments

Investments are reported at their fair value using quoted prices in an active market (Level 1 inputs such as quoted prices on national exchanges) in the statements of financial position and consist of the following at December 31:

	2025	2024
Money market funds	\$ 2,330,808	\$ 1,632,639
Short-term bond mutual fund	226,733	528,097
Balanced equity fund	7,506,801	2,358,264
	<u>\$ 10,064,342</u>	<u>\$ 4,519,000</u>

Investment return consists of the following for the years ending December 31:

	2025	2024
Interest and dividends, net of fees	\$ 234,382	\$ 188,866
Realized and unrealized gains	413,720	246,999
Distributions received from beneficial interest in assets held by The Seattle Foundation	-	179,464
	<u>\$ 648,102</u>	<u>\$ 615,329</u>

WASHINGTON TRAILS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

Receivables

Accounts receivable are related to work performed for federal and state agencies under trail maintenance contracts. The Organization uses the allowance method of accounting for bad debts. Accordingly, accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. The amounts are deemed to be fully collectible by management; thus, there is no allowance for doubtful accounts. Receivables from one customer represented 31% and 44% of total accounts receivable at December 31, 2025 and 2024, respectively.

Unconditional promises to give (contributions) are recognized as revenues in the period the award is received. Contributions receivable expected to be collected in one year are recorded at net realizable value. Contributions receivable due in excess of one year are recognized at fair value at the time of the donation and are measured at the present value of the estimated future cash flows. In arriving at fair value, the promises to give are discounted using an estimated present value discount rate. Management periodically reviews contributions receivable and establishes an allowance for accounts that may not be collectible. Management determined that an allowance was not necessary as of December 31, 2025 or 2024.

Contributions receivable is due in the following years at December 31:

	2025	2024
Due in less than one year	\$ 792,326	\$ 497,519
Due in one to five years	1,408,000	67,826
	2,200,326	565,345
Less: Unamortized discount (3.66%)	(136,330)	-
	\$ 2,063,996	\$ 565,345

Contributions receivable are presented as follows in the statements of financial position at December 31:

Contributions receivable	\$ 792,326	\$ 497,519
Contributions receivable, net (a noncurrent asset)	1,271,670	67,826
	\$ 2,063,996	\$ 565,345

Contributions receivable from one donor represented 73% of total contributions receivable at December 31, 2025. There were no concentrations of contributions receivable at December 31, 2024.

Leases

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and operating lease liabilities in the statements of financial position.

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NOTES TO FINANCIAL STATEMENTS

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease obligations represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as right of use assets or lease obligations on the statements of financial position. Management has determined that any discount rate used for computing the present value of lease liabilities would be immaterial and as such is not included in these financial statements.

Property and Equipment

The Organization capitalizes expenditures for equipment, furniture, and software at cost or, if donated, at the estimated fair value at the time of receipt. The Organization capitalizes property and equipment purchases with a cost greater than \$5,000 and a useful life in excess of one year. Depreciation and amortization of office equipment, software, and vehicles is computed using the straight-line method over five years, representing the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful lives of the assets or the original lease term, resulting in an amortization period of six years (the original lease term).

Property and equipment consist of the following at December 31:

	<u>2025</u>	<u>2024</u>
Office equipment and software	\$ 381,871	\$ 369,957
Vehicles	<u>783,253</u>	<u>783,253</u>
	1,165,124	1,153,210
Less: accumulated depreciation and amortization	<u>(910,260)</u>	<u>(803,228)</u>
	<u>\$ 254,864</u>	<u>\$ 349,982</u>

Revenue Recognition

Contributions are recorded when unconditionally pledged as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises to give, that is, those with a measurable performance or barrier and a right of return, are not recognized until the conditions on which they depend have been met.

During the year ended December 31, 2025, one donor represented 17% of total support and revenue. There were no concentrations of contributions during the year ended December 31, 2024.

The Organization records bequests as revenue when the Organization is notified by the executor as to the amount to be received and the estate has cleared probate.

WASHINGTON TRAILS ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

The Organization recognizes revenue from trail maintenance contracts over time based on contracted prices as the maintenance event or hours served are provided to the customer. Trail maintenance events are generally contracted for periods of one day or less (although the contracts generally allow a maximum number of events to occur over a certain time period). There are no significant judgments affecting the determination of amount and timing of trail maintenance contract revenue. Payment terms are generally 30 days from the date the services are invoiced to the customer.

Accounts receivable at January 1, 2026, for which performance obligations had been met during the year ended December 31, 2025, totaled \$476,460. Accounts receivable at January 1, 2025, for which performance obligations had been met during the year ended December 31, 2024, totaled \$756,271.

Volunteer Support

The Organization receives a significant amount of contributed time that does not meet revenue recognition criteria under general accepted accounting standards in the United States of America. Approximately 119,754 and 132,000 volunteer hours were contributed to the Organization during the years ended December 31, 2025 and 2024, respectively, the value of which has not been determined and is not reflected in the accompanying financial statements.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Office support and occupancy is allocated based on estimates of space supporting those functions. Personnel expenses, information technology, trail work supplies, professional fees, travel, printing and publications, and bank and other fees are allocated based on estimates of time and effort.

Federal Income Taxes

The Organization is exempt from income taxes under 501(c)(3) of the Internal Revenue Code.

Subsequent Events

The Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was April 8, 2026.

Note 2 – Liquidity and Availability of Resources

The Organization strives to maintain liquid financial assets sufficient to cover at least 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds, short-term bond mutual funds, and balanced equity mutual funds. Financial assets not available include board-designated funds (the Impact Fund) and the three quasi-endowments (the Washington Trails Endowment Fund, the Greg Ball Trail Fund, and the Stusser Fund) that are intended to fund special board initiatives or reserves. In the event the need arises to utilize the board designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

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NOTES TO FINANCIAL STATEMENTS

Amounts available to meet general expenditures within one year have not been reduced by net assets with donor restrictions at December 31, 2025 and 2024, as those restrictions are held for programs that are considered general expenditures.

	2025	2024
Financial Assets		
Cash and cash equivalents	\$ 2,206,728	\$ 1,671,419
Investments	10,064,342	4,519,000
Accounts receivable	476,460	756,271
Contributions receivable	2,063,996	565,345
Distributions from beneficial interests expected to be received in the next year	-	179,000
	14,811,526	7,691,035
Less: Amounts Not Available to be Used Within One Year		
Noncurrent contributions receivable	(1,271,670)	(67,826)
Investments held for endowments	(4,833,138)	-
Board-designated net assets - The Impact Fund	(2,673,662)	(2,358,264)
	\$ 6,033,056	\$ 5,264,945

Note 3 – Beneficial Interests in Assets Held by The Seattle Foundation

As of December 31, 2024, the Organization had four beneficial interests in assets (the Beneficial Interests) held by The Seattle Foundation (the Foundation). These funds were transferred to the Organization in 2025 to be self-managed (see Note 4). Prior to this change, the Beneficial Interests were stated at the fair value of the underlying investments (cash and marketable securities) as provided by the Foundation, which constitute Level 3 inputs using the market approach. Three of the Beneficial Interests are lead trusts, and the remaining (the Youth Endowment Fund) is a perpetual trust. The Foundation has variance power over the assets, which gave the Foundation the right to modify any restriction or condition regarding distributions from the fund for any charitable purpose or to any organization if, in the sole judgment of the Foundation’s Board of Trustees, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable purposes of the Foundation.

The Beneficial Interests are as follows:

1. The Washington Trails Endowment Fund – created by the Organization in 1998 to support general operations or board designated projects. This beneficial interest (a lead trust) and its contributions, change in value, and distributions are classified as without donor restrictions. The timing and amount of the distributions are determined at the sole discretion of the Organization. This fund was established in such a way to permit spending of principal.

2. The Greg Ball Trail Fund – created in 2004 through restricted contributions to honor the memory of the trail maintenance program founder. This beneficial interest (a lead trust) and its contributions, change in value, and distributions are restricted to support trail maintenance. The timing and amount of the distributions are determined at the sole discretion of the Organization. This fund was established in such a way to permit spending of principal.

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3. The Stusser Fund – created in 2006 through restricted contributions. This beneficial interest (a lead trust) and its contributions, change in value, and distributions are restricted to support the communications program. The timing and amount of the distributions are determined at the sole discretion of the Organization. This fund was established in such a way to permit spending of principal.
4. The Youth Endowment Fund – created in 2008 through restricted contributions. This beneficial interest (a perpetual trust) and its contributions and change in value are perpetually restricted. Distributions are temporarily restricted to support youth programs. The timing and amount of the distributions are determined based on the Foundation’s spending policy.

A reconciliation of the beginning and ending balances of the Beneficial Interests for the year ending December 31, 2024 is as follows:

	Washington Trails Endowment Fund	Greg Ball Trail Fund	Stusser Fund	Youth Endowment Fund	Total
Beginning balance	\$ 61,158	\$ 1,583,004	\$ 187,986	\$ 2,544,315	\$ 4,376,463
Contributions	-	37,556	-	-	37,556
Change in value	5,250	137,650	16,130	218,270	377,300
Distributions	(2,820)	(55,636)	(8,487)	(112,521)	(179,464)
	\$ 63,588	\$ 1,702,574	\$ 195,629	\$ 2,650,064	\$ 4,611,855

The change in value of the Beneficial Interests is reported net of distributions on the statements of activities, as distributions are classified as investment return.

The Organization’s beneficial interests were invested in the Foundation’s balanced pool portfolio. The balanced pool reflects a total return approach to investing and is focused on maximizing income while maintaining an efficient and well diversified portfolio for donors with at least a 10-year giving horizon. As the best performing asset class varies from year to year, this diversified portfolio benefits philanthropists by maintaining consistent exposures to all asset categories. Assets are subject to an optimized amount of capital market volatility in order to achieve targeted long-term return objectives.

As also described in Note 1, during the year ended December 31, 2025, the Foundation distributed all assets held as a beneficial interest to the Organization. The Organization now manages these funds within its investment pool (certain of which are held for endowments – see Note 4).

Note 4 – Endowment

The Organization’s endowment (established during the year ended December 31, 2025, following the distribution of funds from the Foundation to the Organization) consists of four funds – a donor restricted endowment (the Youth Endowment Fund), and three quasi-endowments (the Washington Trails Endowment Fund, the Greg Ball Trail Fund, and the Stusser Fund). These funds are intended to support the Organization’s youth programs, general operations, trail maintenance programs, and communication programs, respectively. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Washington Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies net assets with perpetual endowment restrictions as (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetually restricted net assets is classified as unappropriated endowment earnings until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the various funds
- The purposes of the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The Organization's investment policies

Endowment net assets consist of the following:

	Without Donor Restriction	With Donor Restrictions		Total
		Unappropriated Earnings	Perpetual	
Endowment net assets, December 31, 2024	\$ -	\$ -	\$ -	\$ -
Transfer in from the Foundation	1,961,791	603,494	2,046,570	4,611,855
Contributions	10,000	-	-	10,000
Investment return	214,383	182,867	-	397,250
Appropriations for expenditure	(72,655)	(113,312)	-	(185,967)
Endowment net assets, December 31, 2025	<u>\$ 2,113,519</u>	<u>\$ 673,049</u>	<u>\$ 2,046,570</u>	<u>\$ 4,833,138</u>

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate-of-return, including investment income, as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

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Endowment assets are invested in a diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate-of-return that has sufficient liquidity to make appropriations, while growing the funds, if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a policy of appropriating for distribution each year up to 5% of the total endowment assets held based average fund balance of 12 quarters ending with the most recently completed fiscal year. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts and investment return.

Note 5 – Operating Lease

The Organization leases its office facilities under an operating lease through August 2032. Under the terms of the lease, the Organization has the option to extend the term for one additional five-year period at a mutually agreed-upon rate determined at the time the option to extend is exercised. There is uncertainty whether this option will be exercised and as such, this amount has not been included in the ROU asset or operating lease liability.

The Organization has recognized an operating lease right-of-use asset and corresponding operating lease liability, representing the payments required under the lease through maturity. Operating lease expense under this lease was \$278,579 and \$229,363 for the years ended December 31, 2025 and 2024, respectively, and is included within occupancy in the statement of functional expenses.

Operating cash flows for this lease was \$253,130 and \$271,910 for the years ended December 31, 2025 and 2024, respectively.

ROU assets recognized in exchange for operating lease liabilities totaled \$1,910,952 during the year ended December 31, 2024.

A maturity analysis of undiscounted cash flows for the lease liability as of December 31, 2025, are as follows for the years ending December 31:

2026	\$	260,724
2027		268,546
2028		276,602
2029		284,900
2030		293,447
Thereafter		<u>507,742</u>
Total undiscounted cash flows		1,891,961
Less: present value discount (at 3.84%)		<u>(226,712)</u>
Operating lease liability	\$	<u><u>1,665,249</u></u>

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The operating lease liability is presented in the statement of financial position as follows at December 31:

	<u>2025</u>	<u>2024</u>
Operating lease liability (a current liability)	\$ 201,095	186,070
Operating lease liability, less current portion	<u>1,464,154</u>	<u>1,665,248</u>
	<u>\$ 1,665,249</u>	<u>\$ 1,851,318</u>

Note 6 – Retirement Plan

The Organization has a SIMPLE IRA plan (the Plan) covering employees who meet prescribed service requirements. Contributions are made in accordance with the provisions of the plan, which require employer contributions of up to 3% of total compensation. During the years ended December 31, 2025 and 2024, contributions of \$143,773 and \$132,363, respectively, were made to the Plan. Effective January 1, 2026, the SIMPLE IRA plan has been closed, and the Organization has shifted to a 401k retirement plan.