

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Association of Railroad Passengers
Washington, D.C.

Opinion

We have audited the financial statements of National Association of Railroad Passengers, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Association of Railroad Passengers as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 National Association of Railroad Passengers and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of National Association of Railroad Passengers as of December 31, 2022 were audited by other auditors whose report dated August 29, 2023 expressed an unmodified opinion on those statements.

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 National Association of Railroad Passengers' 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 GAAS 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 GAAS, 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 National Association of Railroad Passengers' 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 National Association of Railroad Passengers' 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.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
September 27, 2024

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

| | 2023 | 2022 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ 80,766 | \$ 295,060 |
| Unconditional promises to give | 34,090 | 28,098 |
| Prepaid expenses and other assets | 25,911 | 26,444 |
| Property and equipment, net | 4,000 | 15,011 |
| Operating lease right-of-use asset | 37,722 | 127,574 |
| Investments | 1,078,787 | 1,190,998 |
| Total assets | \$ 1,261,276 | \$ 1,683,185 |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 81,272 | \$ 39,010 |
| Deferred revenue | 4,784 | - |
| Operating lease liability | 44,323 | 148,619 |
| Total liabilities | 130,379 | 187,629 |
| NET ASSETS | | |
| Without donor restrictions | 1,060,759 | 1,427,518 |
| With donor restrictions | 70,138 | 68,038 |
| Total net assets | 1,130,897 | 1,495,556 |
| Total liabilities and net assets | \$ 1,261,276 | \$ 1,683,185 |

See accompanying notes.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2023 and 2022

| | 2023 | | | 2022 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| SUPPORT AND REVENUE | | | | | | |
| Contributions | \$ 444,203 | \$ 70,270 | \$ 514,473 | \$ 425,870 | \$ 9,819 | \$ 435,689 |
| Bequests | 65,241 | - | 65,241 | 350,000 | - | 350,000 |
| Membership support | 498,709 | - | 498,709 | 504,198 | - | 504,198 |
| Programs | 81,536 | - | 81,536 | 50,050 | - | 50,050 |
| Investment return, net | 116,568 | 3,096 | 119,664 | (189,569) | - | (189,569) |
| Total support and revenue | 1,206,257 | 73,366 | 1,279,623 | 1,140,549 | 9,819 | 1,150,368 |
| EXPENSES | | | | | | |
| Program Services | 971,142 | - | 971,142 | 810,398 | - | 810,398 |
| Management and General | 286,289 | - | 286,289 | 220,697 | - | 220,697 |
| Fundraising | 386,851 | - | 386,851 | 319,827 | - | 319,827 |
| Total expenses | 1,644,282 | - | 1,644,282 | 1,350,922 | - | 1,350,922 |
| NET ASSETS RELEASED FROM RESTRICTIONS | | | | | | |
| Satisfaction of purpose restrictions | 71,266 | (71,266) | - | 96,296 | (96,296) | - |
| Change in net assets | (366,759) | 2,100 | (364,659) | (114,077) | (86,477) | (200,554) |
| Net assets at beginning of year | 1,427,518 | 68,038 | 1,495,556 | 1,541,595 | 154,515 | 1,696,110 |
| Net assets at end of year | <u>\$ 1,060,759</u> | <u>\$ 70,138</u> | <u>\$ 1,130,897</u> | <u>\$ 1,427,518</u> | <u>\$ 68,038</u> | <u>\$ 1,495,556</u> |

See accompanying notes.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2023 and 2022

| <u>2023</u> | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
|-------------------------------|-----------------------------|-----------------------------------|--------------------|---------------------------|
| Personnel | \$ 549,870 | \$ 61,097 | \$ 152,741 | \$ 763,708 |
| Advertising and marketing | 83,085 | - | 192,316 | 275,401 |
| Travel and conferences | 80,236 | 13,215 | 945 | 94,396 |
| Professional fees | 47,419 | 129,163 | - | 176,582 |
| Occupancy | 65,163 | 7,240 | 18,101 | 90,504 |
| Office expenses | 30,580 | 16,706 | 8,548 | 55,834 |
| Information technology | 25,627 | 11,860 | 6,692 | 44,179 |
| Council meetings | 62,300 | - | - | 62,300 |
| Dues and subscriptions | 20,254 | 7,836 | 5,661 | 33,751 |
| Bank and merchant fees | - | 36,616 | - | 36,616 |
| Depreciation and amortization | 6,608 | 2,556 | 1,847 | 11,011 |
| Total expenses | \$ 971,142 | \$ 286,289 | \$ 386,851 | \$ 1,644,282 |
| | | | | |
| <u>2022</u> | <u>Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Expenses</u> |
| Personnel | \$ 414,007 | \$ 53,731 | \$ 108,886 | \$ 576,624 |
| Advertising and marketing | 75,137 | - | 172,879 | 248,016 |
| Travel and conferences | 27,214 | 4,485 | 427 | 32,126 |
| Professional fees | 50,479 | 129,337 | 9,883 | 189,699 |
| Occupancy | 71,571 | 6,487 | 13,174 | 91,232 |
| Office expenses | 39,443 | - | - | 39,443 |
| Information technology | 28,845 | - | - | 28,845 |
| Council meetings | 31,098 | - | - | 31,098 |
| Dues and subscriptions | 10,446 | 19,098 | 296 | 29,840 |
| Bank and merchant fees | 39,321 | 4,782 | 9,034 | 53,137 |
| Depreciation and amortization | 22,837 | 2,777 | 5,248 | 30,862 |
| Total expenses | \$ 810,398 | \$ 220,697 | \$ 319,827 | \$ 1,350,922 |

See accompanying notes.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (364,659) | \$ (200,554) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities | | |
| Depreciation and amortization | 11,011 | 30,862 |
| Amortization of operating lease right-of-use asset | 89,852 | 88,926 |
| Net realized and unrealized (gain) loss on investments | (82,925) | 219,568 |
| (Increase) decrease in assets | | |
| Unconditional promises to give | (5,992) | (23,753) |
| Prepaid expenses and other assets | 533 | 38,182 |
| Increase (decrease) in liabilities | | |
| Accounts payable and accrued expenses | 42,262 | (947) |
| Deferred revenue | 4,784 | (9,375) |
| Operating lease liability | (104,296) | (100,056) |
| Net cash flows from operating activities | (409,430) | 42,853 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from sale of investments | 243,761 | 80,545 |
| Purchases of and interest and dividends retained in investments | (48,625) | (60,503) |
| Net cash flows from investing activities | 195,136 | 20,042 |
| Change in cash | (214,294) | 62,895 |
| Cash at beginning of year | 295,060 | 232,165 |
| Cash at end of year | \$ 80,766 | \$ 295,060 |

See accompanying notes.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

National Association of Railroad Passengers (the Association) was organized in 1967 to perform research and inform the public about passenger railroad operations, facilities, and passenger services, and to encourage and promote the maintenance and improvement of the American passenger railroad system. It is an independent, non-profit, non-partisan organization. The Association is based in Washington, D.C. and has approximately 7,000 members. The Association is supported primarily by contributions and membership support.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized and realized gains and losses are included in the statements of activities in the period in which such changes occur. Interest and dividends are recorded when earned.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

Property and Equipment

The Association capitalizes all expenditures for property and equipment in excess of \$2,500 with expected useful lives greater than one year. Purchases of property and equipment are carried at cost. Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years.

Leases

The Association does not recognize short-term leases in the statements of financial position. For these leases, the Association recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. The Association also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, the Association uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

The Association's revenue streams primarily consist of contributions, bequests, membership support, and program fees. Program fees consist primarily of convention revenue and fee for service contracts. The Association recognizes program fees when a performance obligation is satisfied, either over a period of time or at a point in time. The Association's contracts include no significant financing components nor variable considerations.

The Association receives annual support from members. Management has concluded that the value of any benefits received by the members is de minimis and the support does not represent and exchange for goods and services. Members are notified of the contribution element of their support in annual statements. Due to the non-binding nature of the support and uncertainty of member renewals, revenue is recorded when received as support without donor restrictions..

Convention revenue is recognized in the period the convention is held. Fee for service contract revenue is recognized when performance contracts under the contract, typically specific deliverables, are completed.

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions depending on the existence of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel, occupancy, office expenses, information technology, dues and subscriptions, and depreciation and amortization, which are allocated on the basis of estimates of time and effort.

Advertising

Advertising costs are expensed in the period incurred.

Income Tax Status

The Association is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management’s Review

Management has evaluated subsequent events through September 27, 2024, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments are comprised of the following:

| | 2023 | 2022 |
|-----------------------|--------------|--------------|
| Money market funds | \$ 13,127 | \$ 89,103 |
| Exchange traded funds | 767,049 | 845,987 |
| Mutual funds | 298,611 | 255,908 |
| Investments | \$ 1,078,787 | \$ 1,190,998 |

Fair values of exchange traded funds and mutual funds are valued at the closing price reported on the active market on which the funds are traded and are considered Level 1 fair value measurements.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

| | 2023 | 2022 |
|---|-----------|-----------|
| Office furniture and equipment | \$ 87,216 | \$ 87,216 |
| Website development | 118,450 | 118,450 |
| Leadhold improvements | 9,963 | 9,963 |
| Accumulated depreciation and amortization | (211,629) | (200,618) |
| Property and equipment, net | \$ 4,000 | \$ 15,011 |

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 4 – NET ASSETS

Net assets without donor restrictions are comprised of the following funds designated for specific purposes or initiatives:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Undesignated | \$ 8,102 | \$ 124,389 |
| Designated for Boardman Fund | 43,853 | 179,019 |
| Designated for Strategic Investment Fund | <u>1,008,804</u> | <u>1,124,110</u> |
| Net assets without donor restrictions | <u>\$ 1,060,759</u> | <u>\$ 1,427,518</u> |

Net assets with donor restrictions are comprised of the following:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------------|------------------|------------------|
| Jim Hamre Memorial Scholarship Fund | \$ 70,138 | \$ 66,887 |
| Staff support | <u>-</u> | <u>1,151</u> |
| Net assets with donor restrictions | <u>\$ 70,138</u> | <u>\$ 68,038</u> |

NOTE 5 – LIQUIDITY AND AVAILABILITY

The following reflects the Association's financial assets as of the date of the statements of financial position, reduced by amounts not available for general expenditures within one year of the date of the statements of financial position because of donor-imposed restrictions.

| | <u>2023</u> | <u>2022</u> |
|--|--------------------|--------------------|
| Financial assets at end of year | | |
| Cash | \$ 80,766 | \$ 295,060 |
| Investments | 1,078,787 | 1,190,998 |
| Unconditional promises to give, net | <u>34,090</u> | <u>28,098</u> |
| Total financial assets | 1,193,643 | 1,514,156 |
| Less amounts unavailable for general expenditures within one year: | | |
| Restricted by donors with purpose restrictions | (70,138) | (66,887) |
| Board-designated net assets | <u>(1,052,657)</u> | <u>(1,303,129)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 70,848</u> | <u>\$ 144,140</u> |

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. At December 31, 2023 and 2022, the Association has \$1,057,947 and \$1,303,129, respectively, of board-designated net assets that could be made available, if necessary.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 6 – RETIREMENT PLAN

The Association offers a 401(k) plan in which all employees are eligible to participate. At the end of 2019, due to financial constraints, the Board directed the CEO to suspend all employer matching contributions until such time that the Board believes it is financially prudent to resume making those contributions.

NOTE 7 – CONCENTRATIONS OF CREDIT RISK

The Association maintains its cash balances in at two financial institutions located in Washington, D.C. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2023, the Association's cash balances were fully insured by the FDIC. At December 31, 2022, the Association's uninsured cash balances totaled approximately \$27,000.

NOTE 8 – LEASE

The Association has an operating lease for office space, which expires in April 2024. There are no variable lease components associated with the Association's operating lease. For the years ended December 31, 2023 and 2022, total lease cost was \$90,504 and \$91,232, respectively.

Other information related to leases are as follows:

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from operating leases | \$ 105,218 | \$ 101,906 |
| Right-of-use assets obtained in exchange for new operating lease liability | - | 216,499 |
| Weighted average remaining lease term | 0.4 years | 1.4 years |
| Weighted average discount rate | 0.91% | 0.91% |

The total payments due under this lease obligation as of December 31, 2023 total \$44,423, of which \$100 represents interest.

In April 2023, the Association entered into an operating lease for office space with a lease term of 8 years to begin after the construction phase completes. Future minimum payments on this operating lease total approximately \$755,000. The Association moved into this office space when the space became available for use in February 2024.