



2013 Annual Report

Overview

Scope

- Covering National Society Only
- Audited Data Only (2013 finalized in late May)
- Report content changed from previous years

Headlines - 2013

- Operated Within Budget
- Financial & Membership Declines Continued
- Operated with New Governance System
- One-Year Suspension of RailCamp
- Prepared to Launch NRHS Fund in 2014
- NRHS at a Crossroads

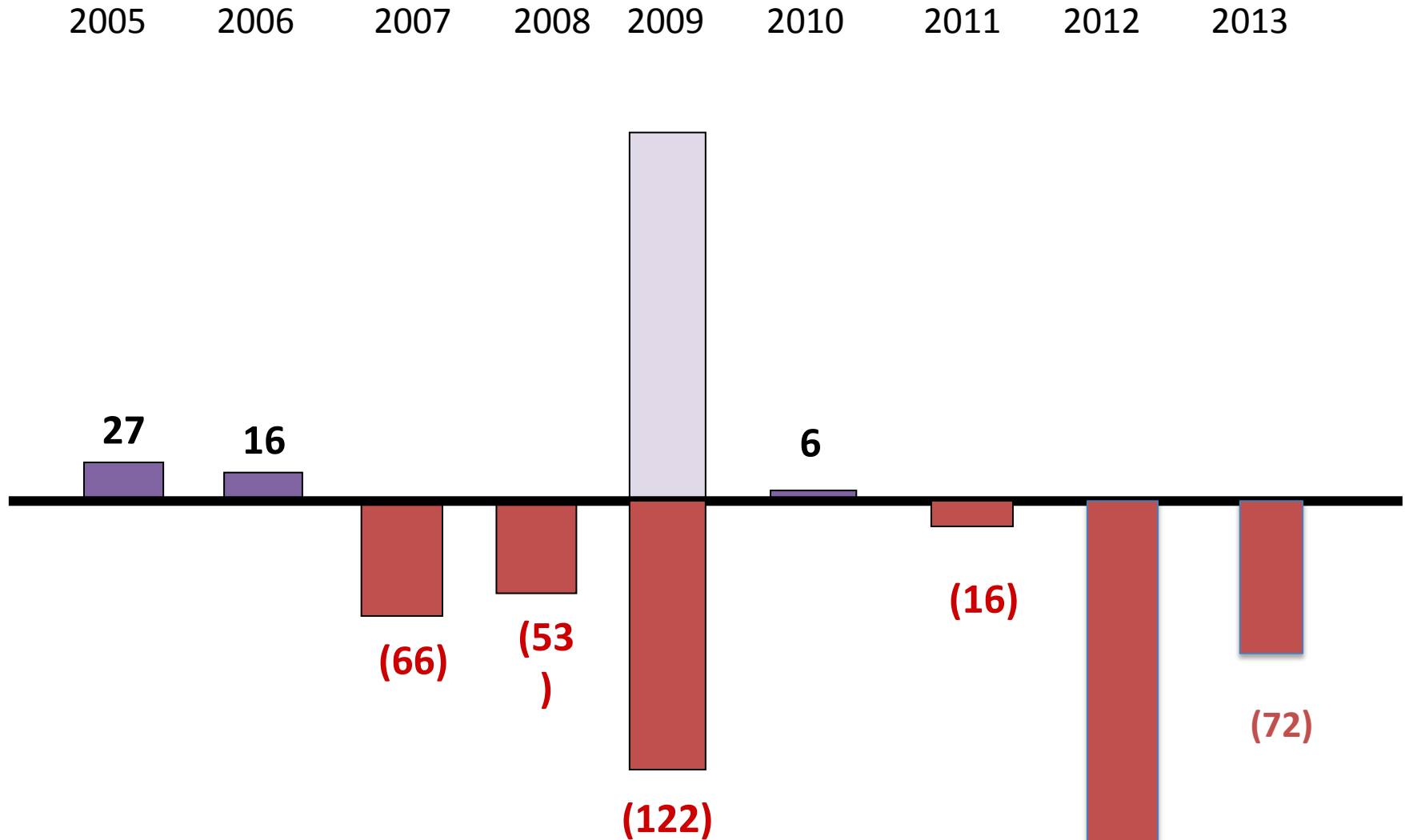
Financial Results

Fiscal Year 2013

2013 Net Income

- Actual **(\$72,000)**
- Budget **(\$74,000)**

Adjusted Net Income History



What Happened in 2013?

- Financial Loss Close to Approved Budget
- A few major issues
 - Included Unbudgeted Costs
 - RailCamp Suspended
 - Convention Made a Profit
 - Non-Election Year
 - CFC Restored, But Reduced
 - Ended Investment Program

What Happened in 2013?

- Unbudgeted Costs
 - Litigation from 2012 Motor Vehicle Accident
 - Defense Cost \$38,000 in 2013
 - Will continue in 2014
 - Additional Mailing to Counter Rumors
 - Cost \$7,000 in 2013
 - Preparations for NRHS Fund in 2014
 - Initial work only \$1,000 in 2013

What Happened in 2013?

- RailCamp Suspended for One Year
 - No RailCamp Income
 - Expenses to Prepare for 2014 Program
 - Insurance Problems Resolved
 - Re-launch in 2014 at Two Locations

What Happened in 2013?

- 2013 Convention Made a Profit
 - Anchorage, Alaska
 - Preconvention in Fairbanks and Denali Park
 - 371 Registrants
 - Over 400 Local Riders @ Fairbanks
 - Earned \$48,000
 - Lots of Positive Publicity

What Happened in 2013?

- Additional Developments
 - Not an Election Year (but 2014 is)
 - \$15,000 to \$20,000 cost for elections
 - Participated in CFC after one-year suspension
 - \$6,200 vs. Over \$10,000 in Past Years
 - Ended Investment Program
 - \$36,000 capital gain
 - Cash to Run the Business

Membership

2013 Trends

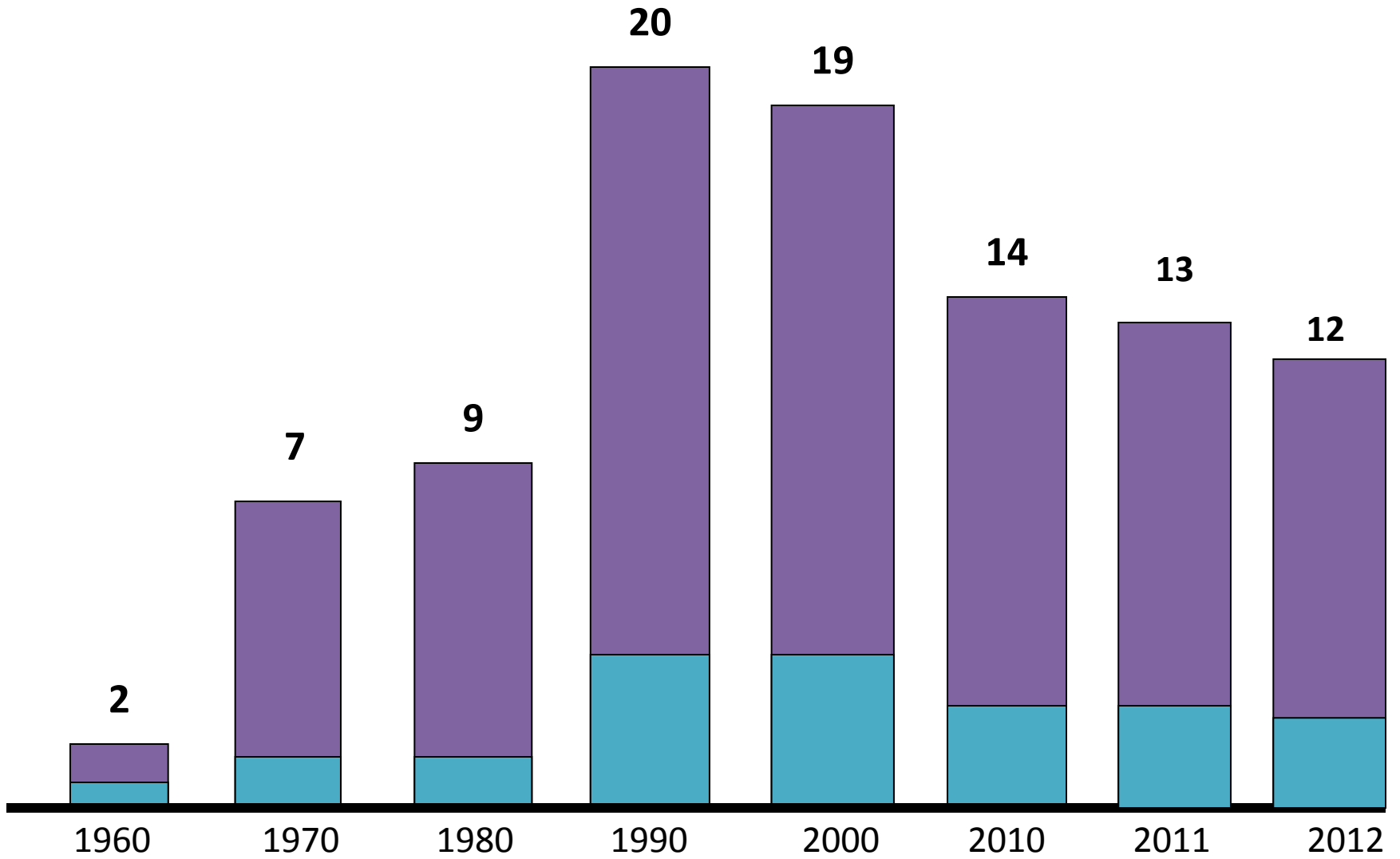
Membership October 1, 2013

Primary Chapter	7,107	(7.4%)
Primary At-Large	2,174	(5.9)%
Family	2,256	(7.8%)
Total	11,537	(7.2%)

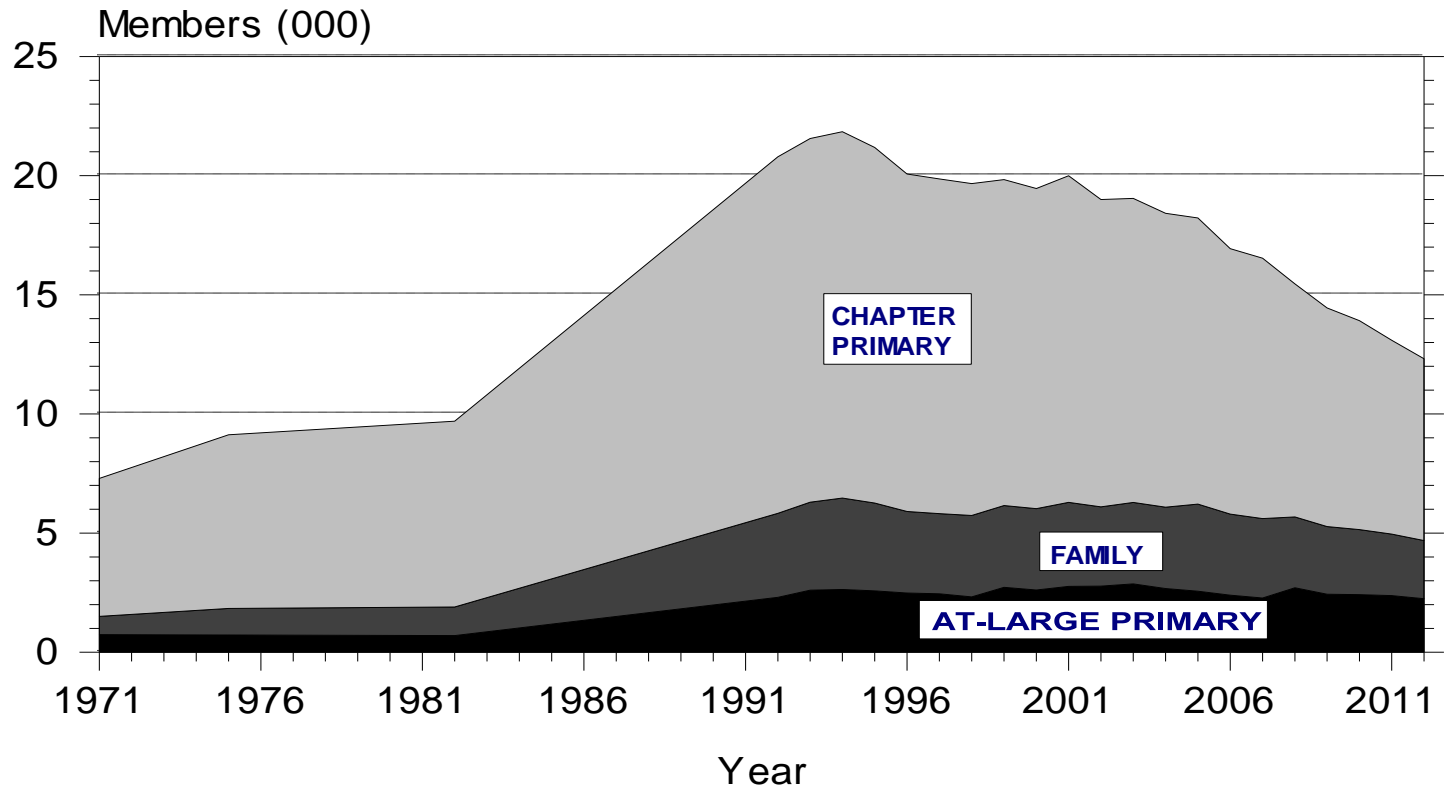
2013 Membership

- **(7.2%)** vs. **(5.8%)** in 2012
- Was Budgeted for 5% Decrease
- Still Primary Source of Operating Income
- 10th Consecutive Annual Decrease

Membership History



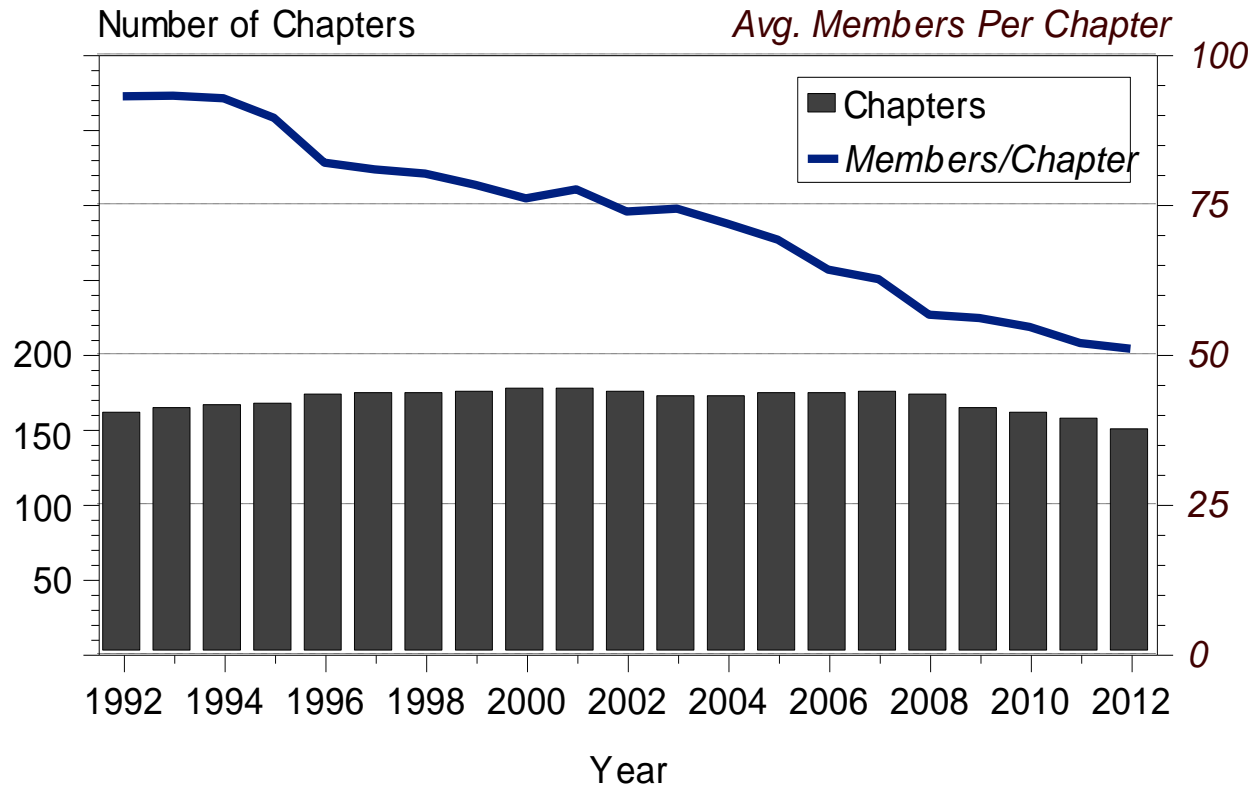
NRHS Membership



Chapters - 2013

- Added
 - Southern Kentucky
 - Monterrey
 - Bradford, Ohio (reinstated)
- Dropped
 - Central Florida
 - Bluebonnet
 - Chiloquin
 - North Alabama
- 150 Chartered Chapters at end of 2013

Chapter Primary Members per NRHS Chapter



Excludes Family Members

What's Next?

Financial Situation

- Losses Continue – Money and Membership
- Running Out of Cash
- Temporary Cutbacks Must Be Part of a Larger Change
- Cannot Save Our Way Into Prosperity

Reinventing NRHS

- Bequests in 2009 bought time, but money running out again
- Reinvention not moving fast enough
- Current business model can't be fixed
- Most urgent issue before Board

Current Realities

- Cash Shortage Critical, Especially in Summer
- Can't Do Everything We Do Now
- Simpler Dues System is Critical if membership model continues
- Resistance to Change Is Growing
- NRHS Must Adhere to IRS Regulations
- Some Parts of the Business Make Money

The Future NRHS

- Separate NRHS Fund
- Smaller Organization Initially
- Only Those Who Want to Belong
- The Rest to Be Defined
- (3) Important Board Actions on June 13, 2014

Appointment of New Committee

Presidential Appointment of New Business Model Committee:

Committee Members:

Jeff Smith

Steve Barry

Wes Weis

Bob Ernst

Greg Molloy (ex-officio)

Counsel to the Committee:

John Fiorilla

Consultant(s) to the Committee:

Gary Reinbolt

One additional candidate still to be appointed

1. A New Business Model

Approved Motion:

The NRHS Board of Directors charges the New Business Model Committee to create a new top-level business model that can enable the NRHS to be successful in the rail preservation field. The plan is to develop a:

- VISION
- BUSINESS MODEL
- FINANCIAL MODEL
- GOVERNANCE STRUCTURE MODEL
- FRAMEWORK FOR IMPLEMENTATION

The New Business Model Committee shall complete the creation of the deliverable above by September 15, 2014.

The NRHS Board of Directors, on a date to be determined upon completion of the committee's charge, will either approve or reject the plan without amendment.

What Does It Mean?

- The New Business Model may be very different from the current one.
- Timing is driven by renewal cycle and grant funding opportunities
- Up or down vote; no amendments or alternative plans
- The time for input is now, not in September

2. Keep Going in the Interim

Approved Motion:

The NRHS Board of Directors delegates to the Officers of the NRHS to take whatever steps are necessary to keep the Society functioning through January 11, 2015.

What Does It Mean?

- Temporary cutbacks may be required to maintain liquidity
- Officers may act without additional Board approval
- Temporary actions consistent with legal and audit standards
- Short-term cash flow is more important than budget

Rescind 2015 Dues Renewal Changes

Approved Motion:

To rescind the 2015 Dues Renewal Processing motion passed in January 2014, in St. Louis, MO.

What Does It Mean?

- Technical, timing and cultural barriers too much to deal with now.
- New 2015 dues renewal system will NOT start up for 2015
- Not necessarily returning to the previous system, either
- New Business Model may increase importance of revenue sources other than dues.

Points to Remember

- Things will change.
- Most decisions on specifics are not yet made.
- Speculation is only speculation, not fact.
- Nobody is getting thrown out of the NRHS.
- Economics must assume that some of those threatening to leave will actually leave.



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