

National Railway Historical Society, Inc.
**Consolidated Financial Statements and
Supplementary Information**
December 31, 2020 and 2019



National Railway Historical Society, Inc.

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December 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors
National Railway Historical Society, Inc.
Moorestown, New Jersey

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Railway Historical Society, Inc., which comprise the consolidated statement of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Railway Historical Society, Inc. as of December 31, 2020 and 2019, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RKL LLP

November 15, 2021
Mechanicsburg, Pennsylvania

National Railway Historical Society, Inc.

Consolidated Statement of Financial Position

	December 31,	
	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	\$ 640,594	\$ 559,688
Inventory	11,968	12,601
Prepaid expenses	-	5,869
Total Current Assets	652,562	578,158
Other Assets		
Investments	513,951	476,576
Historical collections	14,940	14,940
Total Other Assets	528,891	491,516
Fixed Assets, Net of Accumulated Depreciation	2,124	2,678
Total Assets	\$ 1,183,577	\$ 1,072,352

National Railway Historical Society, Inc.

Consolidated Statement of Financial Position (continued)

	December 31,	
	2020	2019
<i>Liabilities and Net Assets</i>		
Current Liabilities		
Accounts payable	\$ 2,214	\$ 3,607
Promissory note, current portion	8,000	8,000
Deferred income	128,283	84,393
Accrued expenses	42,589	39,874
Total Current Liabilities	181,086	135,874
Promissory Note, Long-Term Portion	40,000	48,000
Total Liabilities	221,086	183,874
Net Assets		
Net assets without donor restrictions	511,589	457,957
Net assets with donor restrictions	450,902	430,521
Total Net Assets	962,491	888,478
Total Liabilities and Net Assets	\$ 1,183,577	\$ 1,072,352

National Railway Historical Society, Inc.Consolidated Statement of Activities
Year Ended December 31, 2020

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and Revenues			
Member dues	\$ 203,625	\$ -	\$ 203,625
Sales	618	-	618
Interest and dividends	10,734	-	10,734
Contributions	66,968	58,319	125,287
Net assets released from restrictions	37,938	(37,938)	-
	<u>319,883</u>	<u>20,381</u>	<u>340,264</u>
Total Support and Revenues			
Expenses			
Convention	4,028	-	4,028
Bulletin	115,024	-	115,024
Publications	12,226	-	12,226
Membership records	17,407	-	17,407
Office	2,880	-	2,880
Meeting and travel	2,459	-	2,459
Insurance	5,473	-	5,473
Bank and investment fees	7,666	-	7,666
Corporate	7,628	-	7,628
Professional fees	39,635	-	39,635
Advertising	-	-	-
Fund-raising	1,107	-	1,107
Emblem sales expense	400	-	400
RailCamp	183	-	183
Grants and donations	48,887	-	48,887
Film and video preservation	5,025	-	5,025
Depreciation	555	-	555
Other miscellaneous	15,252	-	15,252
	<u>285,835</u>	<u>-</u>	<u>285,835</u>
Total Expenses			
	<u>34,048</u>	<u>20,381</u>	<u>54,429</u>
Operating Income			
Other Nonoperating Gains (Losses)			
Net unrealized gain on investments	105,619	-	105,619
Net realized loss on investments	(86,035)	-	(86,035)
	<u>19,584</u>	<u>-</u>	<u>19,584</u>
Total Other Nonoperating Gains			
	<u>53,632</u>	<u>20,381</u>	<u>74,013</u>
Change in Net Assets			
Net Assets at Beginning of Year	<u>457,957</u>	<u>430,521</u>	<u>888,478</u>
Net Assets at End of Year	<u>\$ 511,589</u>	<u>\$ 450,902</u>	<u>\$ 962,491</u>

See accompanying notes.

National Railway Historical Society, Inc.

Consolidated Statement of Activities (continued)

Year Ended December 31, 2019

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Support and Revenues			
Member dues	\$ 221,497	\$ -	\$ 221,497
Sales	5,579	-	5,579
RailCamp	45,550	-	45,550
Convention	60,300	-	60,300
Interest and dividends	17,342	-	17,342
Contributions	243,919	11,275	255,194
Net assets released from restrictions	55,045	(55,045)	-
Total Support and Revenues	649,232	(43,770)	605,462
Expenses			
Convention	61,653	-	61,653
Bulletin	83,428	-	83,428
Publications	16,279	-	16,279
Membership records	13,952	-	13,952
Office	4,470	-	4,470
Meeting and travel	7,765	-	7,765
Insurance	6,177	-	6,177
Bank and investment fees	8,165	-	8,165
Corporate	4,408	-	4,408
Professional fees	52,886	-	52,886
Advertising	30	-	30
Fund-raising	1,213	-	1,213
Emblem sales expense	5,453	-	5,453
RailCamp	52,789	-	52,789
Grants and donations	67,390	-	67,390
Film and video preservation	3,935	-	3,935
Depreciation	555	-	555
Other miscellaneous	13,800	-	13,800
Total Expenses	404,348	-	404,348
Operating Income	244,884	(43,770)	201,114
Other Nonoperating Gains			
Net unrealized gain on investments	80,812	-	80,812
Net realized gain on investments	2,478	-	2,478
Total Other Nonoperating Gains	83,290	-	83,290
Change in Net Assets	328,174	(43,770)	284,404
Net Assets at Beginning of Year	129,783	474,291	604,074
Net Assets at End of Year	\$ 457,957	\$ 430,521	\$ 888,478

See accompanying notes.

National Railway Historical Society, Inc.

Consolidated Statement of Functional Expenses

	Year Ended December 31, 2020			
	Program Services	Supporting Services		Total
		General and Administrative	Fund-raising	
Legal and professional	\$ -	\$ 39,635	\$ -	\$ 39,635
Advertising	-	-	-	-
Supplies and minor equipment	-	2,880	-	2,880
Information technology	2,800	-	-	2,800
Occupancy	1,272	3,336	-	4,608
Travel	4,653	1,569	-	6,222
Conferences, conventions, and meetings	265	-	-	265
Depreciation and amortization	555	-	-	555
Insurance	503	4,970	-	5,473
Contributions	48,887	-	-	48,887
Publications	127,250	-	-	127,250
RailCamp	183	-	-	183
Administrative and other expenses	32,355	13,615	1,107	47,077
Total Functional Expenses	\$ 218,723	\$ 66,005	\$ 1,107	\$ 285,835

National Railway Historical Society, Inc.

Consolidated Statement of Functional Expenses (continued)

	Year Ended December 31, 2019			
	Supporting Services			
	Program Services	General and Administrative	Fund-raising	Total
Legal and professional	\$ -	\$ 52,886	\$ -	\$ 52,886
Advertising	30	-	-	30
Supplies and minor equipment	-	4,470	-	4,470
Information technology	1,470	-	-	1,470
Occupancy	1,272	3,012	-	4,284
Travel	15,627	2,901	-	18,528
Conferences, conventions, and meetings	45,144	3,113	-	48,257
Depreciation and amortization	555	-	-	555
Insurance	13,805	5,676	-	19,481
Contributions	67,390	-	-	67,390
Publications	99,708	-	-	99,708
RailCamp	42,119	-	-	42,119
Administrative and other expenses	35,949	8,008	1,213	45,170
Total Functional Expenses	\$ 323,069	\$ 80,066	\$ 1,213	\$ 404,348

National Railway Historical Society, Inc.

Consolidated Statement of Cash Flows

	Years Ended December 31,	
	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 74,013	\$ 284,404
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gain on investments	(105,619)	(80,812)
Realized (gain) loss on investments	86,035	(2,478)
Depreciation	555	555
Change in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	-	3,780
Inventories	633	2,487
Prepaid expenses	5,869	(4,260)
Increase (decrease) in liabilities		
Accounts payable	(1,393)	(2,564)
Deferred income	43,890	(39,938)
Accrued expenses	2,715	9,075
	<u>106,698</u>	<u>170,249</u>
Net Cash Provided by Operating Activities		
	<u>106,698</u>	<u>170,249</u>
Cash Flows from Investing Activities		
Net sale (purchase) of investments	(17,792)	11,662
	<u>(17,792)</u>	<u>11,662</u>
Net Cash Provided by (Used in) Investing Activities		
	<u>(17,792)</u>	<u>11,662</u>
Cash Flows from Financing Activities		
Payments on promissory note	(8,000)	(8,000)
	<u>(8,000)</u>	<u>(8,000)</u>
Net Cash Used in Investing Activities		
	<u>(8,000)</u>	<u>(8,000)</u>
Net Increase in Cash, Cash Equivalents, and Restricted Cash	80,906	173,911
Cash and Cash Equivalents at Beginning of Year	<u>559,688</u>	<u>385,777</u>
Cash and Cash Equivalents at End of Year	<u>\$ 640,594</u>	<u>\$ 559,688</u>

National Railway Historical Society, Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Note 1 - Nature of Business

The National Railway Historical Society, Inc., (the Society) was founded in 1935 and incorporated in Maryland in 1937. The Society is dedicated to the interpretation and preservation of railway education and history. Members of the Society receive various publications throughout the year in exchange for an annual dues payment. The Society is supported primarily through this dues payment, donor contributions and special event revenues. There are local chapters of the Society located in the United States, Canada, and Japan. All local chapters of the Society are separate entities and their financial information is not included in this report. All officers and directors serve voluntarily and without remuneration.

The National Railway Historical Society Fund (the Fund) was founded in 2014. The Fund was founded for soliciting donations to support the Society, to provide funds to support the Society's train, railway and station preservation projects, and to provide funds to support the educational programs, photographic archives, events, publications, standards definitions and shared resources of the Society. All officers and trustees serve voluntarily, without remuneration and are appointed by the Society.

Note 2 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows.

Principles of Consolidation

The consolidated financial statements include the accounts of National Railway Historical Society, Inc. and National Railway Historical Society Fund, a controlled affiliate of the National Railway Historical Society, Inc. Intercompany balances and transactions between National Railway Historical Society, Inc. and National Railway Historical Society Fund have been eliminated in the presentation of the consolidated financial statements.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The Society and the Fund follow Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities - Presentation of Financial Statements*. Under FASB ASC 958, the Society and the Fund are required to report information regarding its financial position and activities according to two classes of assets: net assets without donor restrictions and net assets with donor restrictions. Net assets are classified as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Net assets with donor restrictions - Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the consolidated statement of cash flows, the Society and the Fund consider all short-term debt securities purchased with a maturity of three months or less to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Doubtful accounts are charged directly to bad debt expense when deemed uncollectible. This method approximates the results of using the allowance method of accounting for doubtful accounts.

Fixed Assets

Furniture, equipment, and leasehold improvements are capitalized at cost. It is the Society's policy to capitalize expenditures for those items in excess of \$1,000. Lesser amounts are expensed. Furniture, equipment, and improvements are being depreciated over estimated useful lives using a straight-line method. Expenditures for maintenance and repair of equipment are charged to expense as incurred.

Long-Lived Assets

Long-lived assets, other than those held for sale, are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. An asset is considered to be impaired when the undiscounted estimated net cash flows to be generated by the asset are less than the carrying amount. The impairment recognized is the amount by which the carrying amount exceeds the fair value amount. Fair value estimates are based on assumptions concerning the amount and timing of the estimated future cash flows and discount rates reflecting varying degrees of perceived risk. Management of the Society concluded that no impairment adjustments were required during the years ended December 31, 2020 or 2019.

Note 2 - Summary of Significant Accounting Policies (continued)

Library, Film, and Art Collections

The collections consist of film and photographs, which were acquired through purchases and contributions since the Society's inception, are not recognized as assets on the consolidated statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the consolidated financial statements. As of December 31, 2020 and 2019, collections consisting of historical paintings are reflected on the consolidated financial statements and valued at fair market value.

Investments

The Society and the Fund follow FASC 958-320-05, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, in accounting for its investments. Under FASC 958-320-05, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included in the change in net assets.

Revenue Recognition

Revenue from the sale of memberships is recognized ratably over the length of the membership term, which is twelve months. Collected but unearned membership dues are presented as deferred revenue and are fully recognized in the applicable membership period. The Society offers members exclusive access to opportunities for involvement, specialized information, and a wide range of events and training, development opportunities, and member publications. The membership level selected determines if there are additional performance obligations associated with the membership. If additional performance obligations occur, the revenue for these obligations are recognized when the product or services is provided.

The Society produces a number of meetings, educational programs, and training events each year. Revenues consist primarily of registration fees and are recognized in the period in which the event occurs. Any amounts collected but unearned are classified as deferred revenue and recognized as revenue in the applicable period.

The Society and the Fund recognize contributions in accordance with ASC *Subtopic 958-605, Not-for-Profit Entities - Revenue Recognition*. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Donor-Restricted Gifts

The Society and the Fund report gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 consolidated statement of activities as net assets released from restrictions. However, if restrictions expire for contributions with donor restrictions in the same year that the contribution is received, then the contribution is reported as an increase in net assets without donor restrictions.

Note 2 - Summary of Significant Accounting Policies (continued)

Income Taxes

The Society and the Fund are not-for-profit entities described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from income taxes on related activities pursuant to 509(a) of the IRC. In addition, the Society and the Fund were organized under the Pennsylvania Nonprofit Corporation Law and are exempt from state income taxes.

The Society and the Fund follow the standards for accounting for uncertainty in income taxes according to the principles of FASB ASC 740, *Income Taxes*, which prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It requires management to evaluate tax positions taken by the Society and the Fund, including whether the entity is exempt from income taxes. Management evaluated the tax positions taken and concluded that the Society and the Fund had taken no uncertain tax positions that require recognition or disclosure in the consolidated financial statements. With few exceptions, the Society and the Fund are no longer subject to income tax examinations by the U.S. Federal, state, or local tax authorities for years before December 31, 2017.

Functional Allocation of Expenses

The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statement of functional expenses. The consolidated statement of functional expenses present the natural classification detail of expense by function. Management has specifically identified costs as program or supporting services. Supporting services consist of management, general, and fund-raising expenses.

Adoption of New Accounting Pronouncement

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Society and Fund adopted this new standard during the year ended December 31, 2020. The effect of adopting the ASU resulted in the removal or modification of certain fair value measurement disclosures and did not have a material impact on the financial statements.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, and subsequently amended in ASU 2019-10 and ASU 2020-05. The guidance in these ASU's supersedes the leasing guidance in *Topic 840, Leases*, which sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract (i.e. lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases, based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today. The new standard requires lessors to account for leases using an approach that is

National Railway Historical Society, Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Note 2 - Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements (continued)

substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. The new standard is effective for privately held companies for fiscal years beginning after December 15, 2021, including interim periods within fiscal years beginning after December 15, 2022.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. Also, this ASU will require disclosure of a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets as well as additional information around valuation and usage of the contributed nonfinancial assets. The amendments in this standard should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022.

The Society and the Fund are currently evaluating the impact of the pending adoption of these new standards on the consolidated financial statements.

Note 3 - Liquidity and Availability

The Society and the Fund manages its liquidity by managing its working capital.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 640,594	\$ 559,688
Investments	513,951	476,576
Inventory	11,968	12,601
Total Financial Assets	<u>1,166,513</u>	<u>1,048,865</u>
Amounts that are internally designated or externally restricted	<u>(450,902)</u>	<u>(430,521)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 715,611</u>	<u>\$ 618,334</u>

The Fund has assets limited to use due to being donor restricted for investment and other specific purposes. These assets limited to use, which are more fully described in Note 8 are not available for general expenditure within the next year.

National Railway Historical Society, Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Note 3 - Liquidity and Availability (continued)

The Society and the Fund maintain a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Society and the Fund manages its cash available to meet general expenditures following these guiding principles:

- Operating with a prudent range of financial soundness and stability; and
- Sustaining adequate liquid assets.

Note 4 - Concentrations of Credit Risk Arising from Cash Deposits

The Society and the Fund maintain separate cash in bank deposit accounts that, at times, may exceed federally insured limits. The Society and the Fund also each maintain a PayPal account which is uninsured. The Society and the Fund have not experienced any losses in such accounts. The Society and the Fund believe they are not exposed to any significant credit risk on cash and cash equivalents.

Note 5 - Advertising Costs

The Society and the Fund expense advertising costs as they are incurred. No advertising was reported as assets at December 31, 2020 and 2019.

Note 6 - Related Party Transactions

National Railway Historical Society Fund is under common ownership with National Railway Historical Society, Inc. The Fund often borrows working capital from the Society when needed. At December 31, 2020 and 2019, the net receivable from the Fund totaled \$21 and \$6,099, respectively.

Note 7 - Promissory Note

During 2014, the Society signed a promissory note as a result of a settlement of a lawsuit in the amount of \$100,000. Under the note, twelve annual payments are due through 2026 in the following amounts: \$10,000 for each of the first two years and \$8,000 thereafter. This is a non-interest bearing note.

Principal maturities for the next five years are as follows:

2021	\$	8,000
2022		8,000
2023		8,000
2024		8,000
2025		8,000

National Railway Historical Society, Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for a Specified Purpose		
Film and video	\$ 27,122	\$ 21,540
Grants	38,386	60,061
RailCamp	44,648	38,176
Educational programs	54,546	24,544
Perpetual in Nature		
Restricted for investment purposes	<u>286,200</u>	<u>286,200</u>
	<u>\$ 450,902</u>	<u>\$ 430,521</u>

Net assets restricted for investment purposes are to be held in perpetuity and the income is available for general purposes.

Note 9 - Fair Value Measurements

Financial Accounting Standards Board Accounting Standards Codification 820-10-05, *Fair Value Measurements* (FASC 820-10-05), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on the transparency of the inputs to the valuation of an asset or liability as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society and the Fund have the ability to access.

Level 2 - Inputs to the valuation methodology include other significant observable inputs such as:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

National Railway Historical Society, Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Note 9 - Fair Value Measurements (continued)

The asset's or liability's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended December 31, 2020 and 2019.

Common Stock

Fair value is determined by reference to quoted market prices and other relevant information generated by market transactions.

Mutual Funds

Valued at the daily closing price as reported by the fund. Mutual funds are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds are deemed to be actively traded.

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying consolidated statement of financial position measured at fair value on a recurring basis and the level within fair value hierarchy in which the fair value measurements fall at December 31:

	Fair Value Measurement at December 31, 2020			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Common stocks	\$ 403,951	\$ -	\$ -	\$ 403,951
Mutual funds	110,000	-	-	110,000
	<u>\$ 513,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,951</u>
	Fair Value Measurement at December 31, 2019			
Investments				
Common stocks	\$ 296,484	\$ -	\$ -	\$ 296,484
Mutual funds	180,092	-	-	180,092
	<u>\$ 476,576</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,576</u>

National Railway Historical Society, Inc.

Notes to the Consolidated Financial Statements

December 31, 2020 and 2019

Note 10 - Risks and Uncertainties

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. The actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economy, financial markets, public support, and the geographical area in which the Society and the Fund operate. It is unknown how long these conditions will last and what the complete financial effect will be to the Society and the Fund.

Additionally, it is reasonably possible that estimates made in the consolidated financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

Note 11 - Subsequent Events

The Society and the Fund have evaluated subsequent events through November 15, 2021. This date is the date the consolidated financial statements were available to be issued. No material events subsequent to December 31, 2020 were noted.

National Railway Historical Society, Inc.

Consolidating Statement of Financial Position

Year Ended December 31, 2020

	Society	Fund	Eliminations	Consolidating Total
Assets				
Current Assets				
Cash and cash equivalents	\$ 572,152	\$ 68,442	\$ -	\$ 640,594
Accounts receivable	21	-	(21)	-
Inventory	11,968	-	-	11,968
Total Current Assets	584,141	68,442	(21)	652,562
Fixed Assets, Net of Accumulated Depreciation				
	2,124	-	-	2,124
Other Assets				
Investments	-	513,951	-	513,951
Historical collections	14,940	-	-	14,940
Total Other Assets	14,940	513,951	-	528,891
Total Assets	\$ 601,205	\$ 582,393	\$ (21)	\$ 1,183,577
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 2,214	\$ 21	\$ (21)	\$ 2,214
Promissory note, current portion	8,000	-	-	8,000
Deferred income	128,283	-	-	128,283
Accrued expenses	42,589	-	-	42,589
Total Current Liabilities	181,086	21	(21)	181,086
Promissory Note, Long-Term Portion	40,000	-	-	40,000
Total Liabilities	221,086	21	(21)	221,086
Net Assets				
Net assets without donor restrictions	364,341	147,248	-	511,589
Net assets with donor restrictions	15,778	435,124	-	450,902
Total Net Assets	380,119	582,372	-	962,491
Total Liabilities and Net Assets	\$ 601,205	\$ 582,393	\$ (21)	\$ 1,183,577

National Railway Historical Society, Inc.

Consolidating Statement of Activities

Year Ended December 31, 2020

	Society	Fund	Eliminations	Consolidating Total
Support and Revenues				
Member dues	\$ 203,625	\$ -	\$ -	\$ 203,625
Sales	618	-	-	618
Interest and dividends	625	10,109	-	10,734
Contributions	101,575	13,949	(48,556)	66,968
Net assets released from restrictions	5,317	32,621	-	37,938
Total Support and Revenues	311,760	56,679	(48,556)	319,883
Expenses				
Convention	4,028	-	-	4,028
Bulletin	115,024	-	-	115,024
Publications	12,226	-	-	12,226
Membership records	17,407	-	-	17,407
Office	2,880	-	-	2,880
Meeting and travel	2,459	-	-	2,459
Insurance	5,473	-	-	5,473
Bank and investment fees	4,380	3,286	-	7,666
Corporate	7,628	-	-	7,628
Professional fees	29,865	9,770	-	39,635
Fund-raising	1,107	-	-	1,107
Emblem Sales Expense	400	-	-	400
RailCamp	183	-	-	183
Grants and donations	48,887	44,000	(44,000)	48,887
Film and video preservation	5,025	-	-	5,025
Depreciation	555	-	-	555
Other miscellaneous	15,230	4,578	(4,556)	15,252
Total Expenses	272,757	61,634	(48,556)	285,835
Operating Income (Loss)	39,003	(4,955)	-	34,048
Other Nonoperating Gains (Losses)				
Net unrealized gain on investments	-	105,619	-	105,619
Net realized loss on investments	(465)	(85,570)	-	(86,035)
Total Other Nonoperating Gains (Losses)	(465)	20,049	-	19,584
Increase in Net Assets without Donor Restrictions	38,538	15,094	-	53,632
Changes in Net Assets with Donor Restrictions				
Contributions	12,268	46,051	-	58,319
Net assets released from restrictions	(5,317)	(32,621)	-	(37,938)
Increase in Net Assets with Donor Restrictions	6,951	13,430	-	20,381
Increase in Net Assets	45,489	28,524	-	74,013
Net Assets at Beginning of Year	334,630	553,848	-	888,478
Net Assets at End of Year	\$ 380,119	\$ 582,372	\$ -	\$ 962,491