



**National Railway Historical Society, Inc.**  
**Consolidated Financial Statements and  
Supplementary Information**

December 31, 2021 and 2020



# National Railway Historical Society, Inc.

---

Table of Contents

December 31, 2021 and 2020

	<b>Page</b>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1 to 3
<b>FINANCIAL STATEMENTS</b>	
Consolidated Statement of Financial Position	4 and 5
Consolidated Statement of Activities	6 and 7
Consolidated Statement of Functional Expenses	8 and 9
Consolidated Statement of Cash Flows	10
Notes to the Consolidated Financial Statements	11 to 19
<b>SUPPLEMENTARY INFORMATION</b>	
Consolidating Statement of Financial Position	20
Consolidating Statement of Activities	21

## Independent Auditor's Report

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

### Opinion

We have audited the consolidated financial statements of National Railway Historical Society, Inc., (the Society), which comprise the consolidated statement of financial position as of December 31, 2021 and 2020, 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 (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Society as of December 31, 2021 and 2020, and the results of its operations 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 (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 the Society 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 the Society's ability to continue as a going concern for 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 the Society'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 the Society'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.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Handwritten signature in black ink that reads "RKL LLP". The letters are cursive and somewhat stylized.

May 11, 2023  
Mechanicsburg, Pennsylvania

**National Railway Historical Society, Inc.**

## Consolidated Statement of Financial Position

	December 31,	
	2021	2020
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 563,207	\$ 640,594
Accounts receivable	2,468	-
Inventory	8,107	11,968
<b>Total Current Assets</b>	<b>573,782</b>	<b>652,562</b>
<b>Other Assets</b>		
Investments	819,325	513,951
Historical collections	8,900	14,940
<b>Total Other Assets</b>	<b>828,225</b>	<b>528,891</b>
<b>Fixed Assets, Net of Accumulated Depreciation</b>	<b>2,124</b>	<b>2,124</b>
<b>Total Assets</b>	<b>\$ 1,404,131</b>	<b>\$ 1,183,577</b>

**National Railway Historical Society, Inc.**

Consolidated Statement of Financial Position (continued)

	December 31,	
	2021	2020
<i>Liabilities and Net Assets</i>		
<b>Current Liabilities</b>		
Accounts payable	\$ 11,720	\$ 2,214
Promissory note, current portion	8,000	8,000
Deferred income	117,171	128,283
Accrued expenses	-	42,589
<b>Total Current Liabilities</b>	<b>136,891</b>	181,086
<b>Promissory Note, Long-Term Portion</b>	<b>32,000</b>	40,000
<b>Total Liabilities</b>	<b>168,891</b>	221,086
<b>Net Assets</b>		
Net assets without donor restrictions	783,008	511,589
Net assets with donor restrictions	452,232	450,902
<b>Total Net Assets</b>	<b>1,235,240</b>	962,491
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,404,131</b>	<b>\$ 1,183,577</b>

**National Railway Historical Society, Inc.**Consolidated Statement of Activities  
Year Ended December 31, 2021

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
<b>Support and Revenues</b>			
Member dues	\$ 200,627	\$ -	\$ 200,627
Sales	2,865	-	2,865
Convention	77,924	-	77,924
Interest and dividends	8,522	-	8,522
Contributions	206,053	1,330	207,383
Net assets released from restrictions	-	-	-
<b>Total Support and Revenues</b>	<b>495,991</b>	<b>1,330</b>	<b>497,321</b>
<b>Expenses</b>			
Convention	73,418	-	73,418
Bulletin	70,825	-	70,825
Publications	12,733	-	12,733
Membership records	15,698	-	15,698
Office	2,851	-	2,851
Meeting and travel	894	-	894
Insurance	3,948	-	3,948
Bank and financial fees	19,008	-	19,008
Corporate	3,669	-	3,669
Professional fees	35,141	-	35,141
Fund-raising	1,020	-	1,020
Emblem sales expense	3,790	-	3,790
RailCamp	918	-	918
Grants and donations	75,000	-	75,000
Film and video preservation	-	-	-
Depreciation	-	-	-
Other miscellaneous	19,963	-	19,963
<b>Total Expenses</b>	<b>338,876</b>	<b>-</b>	<b>338,876</b>
<b>Operating Income</b>	<b>157,115</b>	<b>1,330</b>	<b>158,445</b>
<b>Other Nonoperating Gains</b>			
Net unrealized gain on investments	56,815	-	56,815
Net realized gain on investments	57,489	-	57,489
<b>Total Other Nonoperating Gains</b>	<b>114,304</b>	<b>-</b>	<b>114,304</b>
<b>Change in Net Assets</b>	<b>271,419</b>	<b>1,330</b>	<b>272,749</b>
<b>Net Assets at Beginning of Year</b>	<b>511,589</b>	<b>450,902</b>	<b>962,491</b>
<b>Net Assets at End of Year</b>	<b>\$ 783,008</b>	<b>\$ 452,232</b>	<b>\$ 1,235,240</b>

See accompanying notes.



**National Railway Historical Society, Inc.**

Consolidated Statement of Activities (continued)

Year Ended December 31, 2020

	<b>Net Assets without Donor Restrictions</b>	<b>Net Assets with Donor Restrictions</b>	<b>Total</b>
<b>Support and Revenues</b>			
Member dues	\$ 203,625	\$ -	\$ 203,625
Sales	618	-	618
Convention	-	-	-
Interest and dividends	10,734	-	10,734
Contributions	66,968	58,319	125,287
Net assets released from restrictions	37,938	(37,938)	-
<b>Total Support and Revenues</b>	<b>319,883</b>	<b>20,381</b>	<b>340,264</b>
<b>Expenses</b>			
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 financial fees	7,666	-	7,666
Corporate	7,628	-	7,628
Professional fees	39,635	-	39,635
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
<b>Total Expenses</b>	<b>285,835</b>	<b>-</b>	<b>285,835</b>
<b>Operating Income</b>	<b>34,048</b>	<b>20,381</b>	<b>54,429</b>
<b>Other Nonoperating Gains (Losses)</b>			
Net unrealized gain on investments	105,619	-	105,619
Net realized loss on investments	(86,035)	-	(86,035)
<b>Total Other Nonoperating Gains</b>	<b>19,584</b>	<b>-</b>	<b>19,584</b>
<b>Change in Net Assets</b>	<b>53,632</b>	<b>20,381</b>	<b>74,013</b>
<b>Net Assets at Beginning of Year</b>	<b>457,957</b>	<b>430,521</b>	<b>888,478</b>
<b>Net Assets at End of Year</b>	<b>\$ 511,589</b>	<b>\$ 450,902</b>	<b>\$ 962,491</b>

See accompanying notes.

**National Railway Historical Society, Inc.**

## Consolidated Statement of Functional Expenses

	Year Ended December 31, 2021			Total
	Program Services	Supporting Services		
		General and Administrative	Fund-Raising	
Publications	\$ 83,558	\$ -	\$ -	\$ 83,558
Contributions	75,000	-	-	75,000
Administrative and other expenses	31,474	19,362	1,020	51,856
Conferences, conventions, and meetings	48,689	784	-	49,473
Legal and professional	-	35,141	-	35,141
Travel	19,611	110	-	19,721
Insurance	6,328	3,445	-	9,773
Information technology	6,149	-	-	6,149
Occupancy	1,272	3,871	-	5,143
Supplies and minor equipment	-	2,851	-	2,851
RailCamp	211	-	-	211
Depreciation and amortization	-	-	-	-
<b>Total Functional Expenses</b>	<b>\$ 272,292</b>	<b>\$ 65,564</b>	<b>\$ 1,020</b>	<b>\$ 338,876</b>

**National Railway Historical Society, Inc.**

Consolidated Statement of Functional Expenses (continued)

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

See accompanying notes.

# National Railway Historical Society, Inc.

## Consolidated Statement of Cash Flows

	Years Ended December 31,	
	2021	2020
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 272,749	\$ 74,013
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Unrealized gain on investments	(56,815)	(105,619)
Realized (gain) loss on investments	(57,489)	86,035
Depreciation	-	555
Change in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(2,468)	-
Inventory	3,861	633
Prepaid expenses	-	5,869
Increase (decrease) in liabilities		
Accounts payable	9,506	(1,393)
Deferred income	(11,112)	43,890
Accrued expenses	(42,589)	2,715
	<u>115,643</u>	<u>106,698</u>
<b>Net Cash Provided by Operating Activities</b>		
	<u>115,643</u>	<u>106,698</u>
<b>Cash Flows from Investing Activities</b>		
Net purchases of investments	(191,070)	(17,792)
Sale of historical collections	6,040	-
	<u>(185,030)</u>	<u>(17,792)</u>
<b>Net Cash Used in Investing Activities</b>		
	<u>(185,030)</u>	<u>(17,792)</u>
<b>Cash Flows from Financing Activities</b>		
Payments on promissory note	(8,000)	(8,000)
	<u>(8,000)</u>	<u>(8,000)</u>
<b>Net Cash Used in Financing Activities</b>		
	<u>(8,000)</u>	<u>(8,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(77,387)	80,906
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>640,594</u>	<u>559,688</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 563,207</u>	<u>\$ 640,594</u>

## **National Railway Historical Society, Inc.**

---

### Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

#### **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, 2021 or 2020.

**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, 2021 and 2020, 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 12 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, 2018.

**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.

**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 ASUs 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 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.



## National Railway Historical Society, Inc.

### Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

#### Note 2 - Summary of Significant Accounting Policies (continued)

##### Recent Accounting Pronouncements (continued)

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 563,207	\$ 640,594
Investments	819,325	513,951
Inventory	8,107	11,968
<b>Total Financial Assets</b>	<u>1,390,639</u>	<u>1,166,513</u>
<b>Amounts that are internally designated or externally restricted</b>	<u>(302,232)</u>	<u>(450,902)</u>
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<u>\$ 1,088,407</u>	<u>\$ 715,611</u>

The Society and the Fund have 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, 2021 and 2020

#### **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, 2021 and 2020.

#### **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, 2021 and 2020, the net receivable from the Fund totaled \$21.

#### **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:

2022	\$	8,000
2023		8,000
2024		8,000
2025		8,000
2026		8,000

## National Railway Historical Society, Inc.

### Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

#### 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>2021</u>	<u>2020</u>
<b>Subject to Expenditure for a Specified Purpose</b>		
Film and video	\$ 27,377	\$ 27,122
Grants	39,091	38,386
RailCamp	45,018	44,648
Educational programs	54,546	54,546
<b>Perpetual in Nature</b>		
Restricted for investment purposes	<u>286,200</u>	<u>286,200</u>
	<u>\$ 452,232</u>	<u>\$ 450,902</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, 2021 and 2020

#### 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, 2021 and 2020.

#### 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, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Investments</b>				
Common stocks	\$ 591,276	\$ -	\$ -	\$ 591,276
Mutual funds	228,049	-	-	228,049
	<u>\$ 819,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 819,325</u>
	Fair Value Measurement at December 31, 2020			
<b>Investments</b>				
Common stocks	\$ 403,951	\$ -	\$ -	\$ 403,951
Mutual funds	110,000	-	-	110,000
	<u>\$ 513,951</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 513,951</u>

## **National Railway Historical Society, Inc.**

---

### Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

#### **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 May 11, 2023. This date is the date the consolidated financial statements were available to be issued. No material events subsequent to December 31, 2021 were noted.

## National Railway Historical Society, Inc.

Consolidating Statement of Financial Position  
Year Ended December 31, 2021

	Society	Fund	Eliminations	Consolidating Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 453,131	\$ 110,076	\$ -	\$ 563,207
Accounts receivable	2,489	-	(21)	2,468
Inventory	8,107	-	-	8,107
<b>Total Current Assets</b>	<b>463,727</b>	<b>110,076</b>	<b>(21)</b>	<b>573,782</b>
<b>Fixed Assets, Net of Accumulated Depreciation</b>	<b>2,124</b>	<b>-</b>	<b>-</b>	<b>2,124</b>
<b>Other Assets</b>				
Investments	-	819,325	-	819,325
Historical collections	8,900	-	-	8,900
<b>Total Other Assets</b>	<b>8,900</b>	<b>819,325</b>	<b>-</b>	<b>828,225</b>
<b>Total Assets</b>	<b>\$ 474,751</b>	<b>\$ 929,401</b>	<b>\$ (21)</b>	<b>\$ 1,404,131</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Accounts payable	\$ 11,720	\$ 21	\$ (21)	\$ 11,720
Promissory note, current portion	8,000	-	-	8,000
Deferred income	117,171	-	-	117,171
Accrued expenses	-	-	-	-
<b>Total Current Liabilities</b>	<b>136,891</b>	<b>21</b>	<b>(21)</b>	<b>136,891</b>
<b>Promissory Note, Long-Term Portion</b>	<b>32,000</b>	<b>-</b>	<b>-</b>	<b>32,000</b>
<b>Total Liabilities</b>	<b>168,891</b>	<b>21</b>	<b>(21)</b>	<b>168,891</b>
<b>Net Assets</b>				
Net assets without donor restrictions	288,852	494,156	-	783,008
Net assets with donor restrictions	17,008	435,224	-	452,232
<b>Total Net Assets</b>	<b>305,860</b>	<b>929,380</b>	<b>-</b>	<b>1,235,240</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 474,751</b>	<b>\$ 929,401</b>	<b>\$ (21)</b>	<b>\$ 1,404,131</b>

**National Railway Historical Society, Inc.**

Consolidating Statement of Activities

Year Ended December 31, 2021

	Society	Fund	Eliminations	Consolidating Total
<b>Support and Revenues</b>				
Member dues	\$ 200,627	\$ -	\$ -	\$ 200,627
Sales	2,865	-	-	2,865
Convention	77,924	-	-	77,924
Interest and dividends	17	8,505	-	8,522
Contributions	114,246	241,807	(150,000)	206,053
Net assets released from restrictions	-	-	-	-
<b>Total Support and Revenues</b>	<b>395,679</b>	<b>250,312</b>	<b>(150,000)</b>	<b>495,991</b>
<b>Expenses</b>				
Convention	73,418	-	-	73,418
Bulletin	70,825	-	-	70,825
Publications	12,733	-	-	12,733
Membership records	15,698	-	-	15,698
Office	2,851	-	-	2,851
Meeting and travel	894	-	-	894
Insurance	3,948	-	-	3,948
Bank and financial fees	5,995	13,013	-	19,008
Corporate	3,669	-	-	3,669
Professional fees	30,514	4,627	-	35,141
Fund-raising	1,020	-	-	1,020
Emblem sales expense	3,790	-	-	3,790
RailCamp	918	-	-	918
Grants and donations	225,000	-	(150,000)	75,000
Film and video preservation	-	-	-	-
Depreciation	-	-	-	-
Film presentation	-	-	-	-
Other miscellaneous	19,895	68	-	19,963
<b>Total Expenses</b>	<b>471,168</b>	<b>17,708</b>	<b>(150,000)</b>	<b>338,876</b>
<b>Operating Income (Loss)</b>	<b>(75,489)</b>	<b>232,604</b>	<b>-</b>	<b>157,115</b>
<b>Other Nonoperating Gains</b>				
Net unrealized gain on investments	-	56,815	-	56,815
Net realized gain on investments	-	57,489	-	57,489
<b>Total Other Nonoperating Gains</b>	<b>-</b>	<b>114,304</b>	<b>-</b>	<b>114,304</b>
<b>Increase (Decrease) in Net Assets without Donor Restrictions</b>	<b>(75,489)</b>	<b>346,908</b>	<b>-</b>	<b>271,419</b>
<b>Changes in Net Assets with Donor Restrictions</b>				
Contributions	1,230	100	-	1,330
<b>Increase in Net Assets with Donor Restrictions</b>	<b>1,230</b>	<b>100</b>	<b>-</b>	<b>1,330</b>
<b>Change in Net Assets</b>	<b>(74,259)</b>	<b>347,008</b>	<b>-</b>	<b>272,749</b>
<b>Net Assets at Beginning of Year</b>	<b>380,119</b>	<b>582,372</b>	<b>-</b>	<b>962,491</b>
<b>Net Assets at End of Year</b>	<b>\$ 305,860</b>	<b>\$ 929,380</b>	<b>\$ -</b>	<b>\$ 1,235,240</b>