

**NATIONAL RAILWAY HISTORICAL SOCIETY**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**



## Padden, Guerrini & Associates P.C.

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
National Railway Historical Society

We have audited the accompanying consolidated financial statements of National Railway Historical Society, which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

#### ***Management's Responsibility for the Financial Statements***

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 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 from 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 as of December 31, 2016 and 2015, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

***Report on Consolidating Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 11 and 12 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, 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 consolidating 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, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

***Padden, Guerrini & Associates, P.C.***  
Certified Public Accountants

Mechanicsburg, Pennsylvania  
August 18, 2017

NATIONAL RAILWAY HISTORICAL SOCIETY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 453,780	\$ 246,861
Inventory	14,835	5,102
Prepaid expenses	3,250	106
Total Current Assets	471,865	252,069
Historical Collections	14,940	14,940
Fixed Assets, Net of Accumulated Depreciation	1,442	4,627
<b>TOTAL ASSETS</b>	<b>\$ 488,247</b>	<b>\$ 271,636</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	6,155	5,174
Promissory note, current portion	8,000	10,000
Deferred income	140,275	43,502
Accrued expenses	20,623	-
Total Current Liabilities	175,053	58,676
Promissory Note, long-term portion	72,000	80,000
Total Liabilities	247,053	138,676
Net Assets		
Unrestricted	115,863	16,802
Temporarily restricted	107,932	98,759
Permanently restricted	17,399	17,399
Total Net Assets	241,194	132,960
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 488,247</b>	<b>\$ 271,636</b>

See notes to the consolidated financial statements

NATIONAL RAILWAY HISTORICAL SOCIETY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenues</b>				
Member dues	\$ 246,316	\$ -	\$ -	\$ 246,316
Emblem sales	3,272	-	-	3,272
RailCamp	45,450	-	-	45,450
Convention	116,556	-	-	116,556
Interest and dividend	10	-	-	10
Contributions	76,606	23,312	-	99,918
Restrictions satisfied by payments	14,139	(14,139)	-	-
Miscellaneous	10	-	-	10
	<u>502,359</u>	<u>9,173</u>	<u>-</u>	<u>511,532</u>
<b>Expenses</b>				
Convention	105,587	-	-	105,587
Bulletin	45,028	-	-	45,028
Publication	17,053	-	-	17,053
Membership records	14,609	-	-	14,609
Office	3,347	-	-	3,347
Meeting and travel	4,267	-	-	4,267
Insurance	7,136	-	-	7,136
Bank and investment fees	24,885	-	-	24,885
Corporate	4,880	-	-	4,880
Professional fees	58,322	-	-	58,322
Advertising	824	-	-	824
Fundraising	1,295	-	-	1,295
Emblem sales	2,074	-	-	2,074
RailCamp	53,382	-	-	53,382
Grants and donations	35,000	-	-	35,000
Periodical and book purchases	700	-	-	700
Depreciation	2,292	-	-	2,292
Other miscellaneous	22,617	-	-	22,617
	<u>403,298</u>	<u>-</u>	<u>-</u>	<u>403,298</u>
Increase in Net Assets	99,061	9,173	-	108,234
Net Assets, Beginning of Year	<u>16,802</u>	<u>98,759</u>	<u>17,399</u>	<u>132,960</u>
Net Assets, End of Year	<u>\$ 115,863</u>	<u>\$ 107,932</u>	<u>\$ 17,399</u>	<u>\$ 241,194</u>

See notes to the consolidated financial statements

NATIONAL RAILWAY HISTORICAL SOCIETY  
CONSOLIDATED STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Support and Revenues</b>				
Member dues	\$ 311,878	\$ -	\$ -	\$ 311,878
Emblem sales	3,168	-	-	3,168
RailCamp	46,600	-	-	46,600
Convention	273,616	-	-	273,616
Interest and dividend	33	-	-	33
Contributions	67,113	36,835	-	103,948
Restrictions satisfied by payments	20,237	(20,237)	-	-
Miscellaneous	4,981	-	-	4,981
	<u>727,626</u>	<u>16,598</u>	<u>-</u>	<u>744,224</u>
<b>Total Unrestricted Revenues</b>				
<b>Expenses</b>				
Convention	255,771	-	-	255,771
Bulletin	27,546	-	-	27,546
Publication	8,580	-	-	8,580
Membership records	13,292	-	-	13,292
Office	4,480	-	-	4,480
Meeting and travel	1,701	-	-	1,701
Rent	78	-	-	78
Insurance	8,542	-	-	8,542
Bank and investment fees	13,224	-	-	13,224
Corporate	3,139	-	-	3,139
Professional fees	70,082	-	-	70,082
Fundraising	500	-	-	500
Emblem sales	6,383	-	-	6,383
RailCamp	48,689	-	-	48,689
Grants and donations	13,285	-	-	13,285
Management fees	26,965	-	-	26,965
Depreciation	2,292	-	-	2,292
Other miscellaneous	23,177	-	-	23,177
	<u>527,726</u>	<u>-</u>	<u>-</u>	<u>527,726</u>
<b>Total Expenses</b>				
Increase in Net Assets	199,900	16,598	-	216,498
Net Assets, Beginning of Year	<u>(183,098)</u>	<u>82,161</u>	<u>17,399</u>	<u>(83,538)</u>
Net Assets, End of Year	<u>\$ 16,802</u>	<u>\$ 98,759</u>	<u>\$ 17,399</u>	<u>\$ 132,960</u>

See notes to the consolidated financial statements

NATIONAL RAILWAY HISTORICAL SOCIETY  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2016	2015
Cash Flows From Operating Activities		
Change in net assets	\$ 108,234	\$ 216,498
Adjustments to reconcile changed in net assets to net cash provided by operating activities:		
Depreciation	2,292	2,292
Amortization	893	1,894
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	-	1,554
Inventories	(9,733)	8,278
Prepaid expenses	(3,144)	43,131
Increase (decrease) in:		
Accounts payable	981	(69,019)
Deferred income	96,773	(227,134)
Accrued expenses	20,623	-
	216,919	(22,506)
Net Cash Provided by (Used in) Operating Activities		
Cash Flows From Financing Activities		
Promissary note, net	(10,000)	(10,000)
Net Cash Used in Financing Activities	(10,000)	(10,000)
Net Increase (Decrease) in Cash	206,919	(32,506)
Cash and Cash Equivalents, Beginning of Year	246,861	279,367
Cash and Cash Equivalents, End of Year	\$ 453,780	\$ 246,861

See notes to the consolidated financial statements

NATIONAL RAILWAY HISTORICAL SOCIETY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Activities

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 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.

Summary of Significant Accounting Policies

This summary is presented to assist in understanding the Society's financial statements. The consolidated financial statements and notes are representations of the Society's management who is responsible for the integrity and objectivity of the consolidated financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the consolidated financial statements.

*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. Intercompany balances and transactions between National Railway Historical Society, Inc. and National Railway Historical Society Fund have been eliminated in the presentation of the combined financial statements.

*Use of Estimates* - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Financial Statement Presentation* - The Society adopted the provisions of FASC 958-205, "Presentation of Financial Statements for Not-for-Profit Entities." Under FASC 958-205, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the standard, the Society does not use fund accounting.

*Contributions* - The Society also adopted the provisions of FASC 958-605, "Revenue Recognition for Not-for-Profit Entities." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.



NATIONAL RAILWAY HISTORICAL SOCIETY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015

1. Nature of Business and Summary of Significant Accounting Policies (Continued)

Summary of Significant Accounting Policies (Continued)

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

*Income Taxes* - The Society is exempt from all federal and state income taxes, in accordance with Section 501(c)(3) of the Internal Revenue Code.

The Society reviewed the impact of FASC 740-10-05 on the consolidated financial statements and has determined there is no material uncertain tax positions or unrecognized tax benefits and there is no material impact on the statements of financial position, statements of operations and changes in net assets or cash flows.

The IRS Form 990 for the years ended December 31, 2015, 2014 and 2013 remain open for an examination by the IRS.

*Inventories* - Inventories consist primarily of member length of service award pins. Inventories are stated at cost determined at the time of purchase.

*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 of three to ten years using a straight-line method. Expenditures for maintenance and repair of equipment are charged to expense as incurred.

*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 statements of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as temporarily or permanently restricted net assets 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, 2016 and 2015, collections consisting of historical paintings are reflected on the consolidated financial statements and valued at fair market value.

*Subsequent Events* - The date to which events occurring after December 31, 2016, the date of the most recent consolidated statement of financial position, have been evaluated for possible adjustments to the consolidated financial statements or disclosure is August 18, 2017, which is the date on which the consolidated financial statements were available to be issued.

2. Disclosure of Cash Balances in Excess of Federally Insured Amounts

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

NATIONAL RAILWAY HISTORICAL SOCIETY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2016 AND 2015

3. Advertising Costs

The Society expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2016 and 2015 was \$824 and zero dollars, respectively.

4. Functional Expenses

Functional expenses for the years ended December 31 are as follows:

	2016	2015
Program Services	\$ 328,101	\$ 422,316
Management and General	59,146	97,047
Fundraising	16,051	8,363
	\$ 403,298	\$ 527,726

5. Related Party Transactions

National Railway Historical Society Fund is under common ownership with National Railway Historical Society, Inc. Working capital loans are made between the two entities when needed. At December 31, 2016 and 2015, the net receivable from National Railway Historical Society Fund totaled \$86,834 and \$72,407, respectively.

6. Promissory Note

During 2014, the Society signed a non-interest bearing 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.

Principal maturities for the next 5 years and in the aggregate are as follows:

2017	\$ 8,000
2018	8,000
2019	8,000
2020	8,000
2021	8,000
Thereafter	40,000
	\$ 80,000

**CONSOLIDATING INFORMATION**

NATIONAL RAILWAY HISTORICAL SOCIETY  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016  
(See Independent Auditor's Report)

ASSETS

	Society	Fund	Eliminations	Consolidated Total
<b>Current Assets</b>				
Cash and cash equivalents	\$ 394,928	\$ 58,852	\$ -	\$ 453,780
Accounts receivable	36,834	-	(36,834)	-
Inventory	14,835	-	-	14,835
Prepaid expenses	3,250	-	-	3,250
Loan to the Fund	50,000	-	(50,000)	-
Total Current Assets	499,847	58,852	(86,834)	471,865
Historical Collections	14,940	-	-	14,940
<b>Fixed Assets, Net of Accumulated Depreciation</b>				
	-	1,442	-	\$ 1,442
<b>TOTAL ASSETS</b>	<b>\$ 514,787</b>	<b>\$ 60,294</b>	<b>\$ (86,834)</b>	<b>\$ 488,247</b>

LIABILITIES AND NET ASSETS

	Society	Fund	Eliminations	Consolidated Total
<b>Current Liabilities</b>				
Accounts payable	6,155	36,834	(36,834)	6,155
Promissory note, current portion	8,000	-	-	8,000
Deferred income	140,275	-	-	140,275
Accrued expenses	20,623	-	-	20,623
Loan payable to the Society	-	50,000	(50,000)	-
Total Current Liabilities	175,053	86,834	(86,834)	175,053
Promissory Note, Long-Term Portion	72,000	-	-	72,000
Total Liabilities	247,053	-	-	247,053
<b>Net Assets</b>				
Unrestricted	161,277	(45,414)	-	115,863
Temporarily restricted	89,058	18,874	-	107,932
Permanently restricted	17,399	-	-	17,399
Total Net Assets	267,734	(26,540)	-	241,194
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 514,787</b>	<b>\$ 60,294</b>	<b>\$ (86,834)</b>	<b>\$ 488,247</b>

NATIONAL RAILWAY HISTORICAL SOCIETY  
CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016  
(See Independent Auditor's Report)

	<u>Society</u>	<u>Fund</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Support and Revenues				
Member dues	\$ 246,316	\$ -	\$ -	\$ 246,316
Emblem sales	3,272	-	-	3,272
RailCamp	45,450	-	-	45,450
Convention	116,556	-	-	116,556
Interest and dividend	7	3	-	10
Contributions	85,521	14,397	-	99,918
Miscellaneous	10	-	-	10
	<u>497,132</u>	<u>14,400</u>	<u>-</u>	<u>511,532</u>
Total Unrestricted Revenues				
Expenses				
Convention	105,587	-	-	105,587
Bulletin	45,028	-	-	45,028
Publication	17,053	-	-	17,053
Membership records	14,609	-	-	14,609
Office	3,347	-	-	3,347
Meeting and travel	4,267	-	-	4,267
Insurance	7,136	-	-	7,136
Bank and investment fees	24,141	744	-	24,885
Corporate	4,880	-	-	4,880
Professional fees	43,566	14,756	-	58,322
Advertising	824	-	-	824
Fundraising	-	1,295	-	1,295
Emblem sales	2,074	-	-	2,074
RailCamp	51,072	2,310	-	53,382
Grants and donations	35,000	-	-	35,000
Periodical and book purchases	700	-	-	700
Depreciation	-	2,292	-	2,292
Other miscellaneous	22,617	-	-	22,617
	<u>381,901</u>	<u>21,397</u>	<u>-</u>	<u>403,298</u>
Total Expenses				
Increase (Decrease) in Net Assets	115,231	(6,997)	-	108,234
Net Assets, Beginning of Year	<u>152,503</u>	<u>(19,543)</u>	<u>-</u>	<u>132,960</u>
Net Assets, End of Year	<u>\$ 267,734</u>	<u>\$ (26,540)</u>	<u>\$ -</u>	<u>\$ 241,194</u>