

**NATIONAL ASSOCIATION OF
RAILROAD PASSENGERS
WASHINGTON, DC**

**FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2022**



**NATIONAL ASSOCIATION OF
RAILROAD PASSENGERS**

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
National Association of Railroad Passengers
Washington, DC

Opinion

We have audited the accompanying financial statements of NATIONAL ASSOCIATION OF RAILROAD PASSENGERS (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NATIONAL ASSOCIATION OF RAILROAD PASSENGERS as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the ***Auditor's Responsibilities for the Audit of the Financial Statements*** section of our report. We are required to be independent of NATIONAL ASSOCIATION OF RAILROAD PASSENGERS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NATIONAL ASSOCIATION OF RAILROAD PASSENGERS' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors
National Association of Railroad Passengers

REPORT OF INDEPENDENT AUDITORS

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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NATIONAL ASSOCIATION OF RAILROAD PASSENGERS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NATIONAL ASSOCIATION OF RAILROAD PASSENGERS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited NATIONAL ASSOCIATION OF RAILROAD PASSENGERS' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2022. In our opinion, the summarized comparative information presented herein, as of and for the year ended 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Charlottesville, Virginia
August 29, 2023

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2021)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 295,060	\$ 232,165
Accounts receivable	28,098	4,346
Prepaid expenses	19,110	57,292
Total current assets	342,268	293,803
OTHER ASSETS		
Deposits	7,334	7,334
Property and equipment, net	15,011	45,873
Right-of-use asset	127,574	....
Investments	1,190,998	1,430,608
Total other assets	1,340,917	1,483,815
Total assets	\$ 1,683,185	\$ 1,777,618
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 30,851	\$ 39,862
Accrued expenses and credit cards	7,708	43
Payroll liabilities	451	52
Current portion of lease liability	104,296	....
Deferred revenue .....	....	9,375
Total current liabilities	143,306	49,332
NON-CURRENT LIABILITIES		
Lease liability	44,323	32,176
Total liabilities	187,629	81,508
NET ASSETS		
Net assets without restrictions	124,389	377,976
Board-designated funds	1,303,129	1,163,619
Total net assets without donor restrictions	1,427,518	1,541,595
Net assets with donor restrictions	68,038	154,515
Total net assets	1,495,556	1,696,110
Total liabilities and net assets	\$ 1,683,185	\$ 1,777,618

(The accompanying notes are an integral part of this financial statement)

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	2022 TOTAL	2021 TOTAL
OPERATING REVENUE AND SUPPORT				
Contributions	\$ 425,870	\$ 9,819	\$ 435,689	\$ 594,606
Membership support	504,198	....	504,198	591,964
Programs	50,050	....	50,050	32,352
Gifts in-kind .....	....	....	....	19,862
Bequests	350,000	....	350,000	11,671
Net assets released from restrictions	96,296	(96,296)	....	....
	<u>1,426,414</u>	<u>(86,477)</u>	<u>1,339,937</u>	<u>1,250,455</u>
DIRECT EXPENSES				
Membership development	135,955	....	135,955	147,367
	<u>135,955</u>	<u>....</u>	<u>135,955</u>	<u>147,367</u>
Net operating revenue and support	<u>1,290,459</u>	<u>(86,477)</u>	<u>1,203,982</u>	<u>1,103,088</u>
OPERATING EXPENSES				
Program	782,667	....	782,667	562,604
Management and general	240,205	....	240,205	125,470
Fund-raising	192,095	....	192,095	90,334
	<u>1,214,967</u>	<u>....</u>	<u>1,214,967</u>	<u>1,032,088</u>
CHANGE IN NET ASSETS BEFORE INVESTMENT				
INCOME	75,492	(86,477)	(10,985)	71,000
INVESTMENT INCOME (LOSS).....	(189,569)	....	( 189,569)	159,938
CHANGE IN NET ASSETS	(114,077)	(86,477)	(200,554)	230,938
NET ASSETS - BEGINNING OF YEAR	<u>1,541,595</u>	<u>154,515</u>	<u>1,696,110</u>	<u>1,465,172</u>
NET ASSETS - END OF YEAR	<u>\$ 1,427,518</u>	<u>\$ 68,038</u>	<u>\$ 1,495,556</u>	<u>\$ 1,696,110</u>

(The accompanying notes are an integral part of this financial statement)

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	<u>PROGRAMS</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND- RAISING</u>	<u>2022 TOTAL EXPENSES</u>	<u>2021 TOTAL EXPENSES</u>
DIRECT EXPENSES					
Membership development	\$ 76,801	\$ 2,624	\$ 56,530	\$ 135,955	\$ 147,367
Total direct expenses	<u>76,801</u>	<u>2,624</u>	<u>56,530</u>	<u>135,955</u>	<u>147,367</u>
OPERATING EXPENSES					
Staff salaries	342,441	42,035	93,193	477,669	459,297
Payroll taxes	26,909	2,961	7,002	36,872	35,930
Employee benefits	44,655	8,735	8,691	62,081	67,377
Advertising and marketing	75,137	....	36,924	112,061	70,735
Travel and conferences	27,214	4,485	427	32,126	6,905
Professional fees	50,479	129,337	9,883	189,699	105,602
Lease and occupancy costs	71,571	6,487	13,174	91,232	90,334
Newsletter .....	....	....	....	....	900
Administrative	23,670	11,832	3,946	39,448	34,625
Information technology	16,891	7,676	4,278	28,845	27,306
Council meeting expense	31,098	....	....	31,098	1,310
Dues and subscriptions	10,444	19,098	296	29,838	33,183
Bank and merchant fees	39,321	4,782	9,033	53,136	57,663
Depreciation and amortization	22,837	2,777	5,248	30,862	40,921
Total operating expenses	<u>782,667</u>	<u>240,205</u>	<u>192,095</u>	<u>1,214,967</u>	<u>1,032,088</u>
Total functional expenses	<u>\$ 859,468</u>	<u>\$ 242,829</u>	<u>\$ 248,625</u>	<u>\$ 1,350,922</u>	<u>\$ 1,179,455</u>

(The accompanying notes are an integral part of this financial statement)

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022 (WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2021)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 200,554)	\$ 230,938
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	30,862	40,921
Decrease in deferred rent payable .....	....	( 12,270)
Realized and unrealized losses (gains).....	219,568	(135,709)
(Increase) decrease in assets:		
Accounts receivable	(23,753)	6,759
Prepaid expenses	38,182	12,996
Increase (decrease) in liabilities:		
Accounts payable	(9,011)	(6,024)
Accrued expenses	7,665	(2,221)
Payroll liabilities	399	(1,593)
Obligation under operating lease	(11,130)	....
Deferred revenue	(9,375)	(301)
Net cash provided by operating activities	<u>42,853</u>	<u>133,496</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sales of investments	80,545	42,600
Purchase of investments	(60,503)	(70,349)
Net cash provided by (used in) investing activities	<u>20,042</u>	<u>(27,749)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,895	105,747
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>232,165</u>	<u>126,418</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>\$ 295,060</u></u>	<u><u>\$ 232,165</u></u>

(The accompanying notes are an integral part of this financial statement)

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

NOTES TO FINANCIAL STATEMENTS

NATURE OF ACTIVITIES

The National Association of Railroad Passengers (the Association) was organized in 1967 to perform research and inform the public about passenger railroad operations, facilities, and passenger services, and to encourage and promote the maintenance and improvement of the American passenger railroad system. It is an independent, non-profit, non-partisan organization. The Association is based in Washington, DC and had approximately 7,600 supporting members in 2022 and 7,000 supporting members in 2021.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recent Accounting Pronouncement

During the year ended December 31, 2022, the Association adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The amendments in this Update modify the disclosure requirements for contributions of nonfinancial assets. There was a trivial amount of nonfinancial assets received during 2022.

In February 2016, the FASB issued Accounting Standards Codification (ASC) 842, *Leases*, to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Association adopted the standard effective January 1, 2022 and recognized and measured material leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) with certain practical expedients available.

The Association elected the available practical expedients to account for the existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Association recognized on January 1, 2022 a lease liability and a right-of-use asset of \$248,675, which represents the present value of the remaining operating lease payments of \$251,547, discounted using the Association's incremental borrowing rate of .91% with the existing lease liability of \$32,176 included in the adjustment. There was no adjustment to net assets as a result of adopting FASB ASC 842.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting

The accompanying financial statements of the Association are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recognized when incurred. This summary of accounting policies is presented to assist in understanding the Association's financial statements.

Basis of Presentation

Financial statement presentation follows the reporting requirements of U. S. generally accepted accounting principles (GAAP) for non-profit organizations. The Association is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Association. These net assets may be used at the discretion of the Association's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Accounting Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The principal estimates include the allocation of expenses by function and the valuation of in-kind contributions. Actual results could differ from these estimates, and the differences could be material.

Fair Values of Financial Instruments

Pursuant to professional standards, the Association follows guidelines for measuring fair value that define fair value, establish a framework for measuring fair value, and expand disclosures regarding fair value measurement. Under these guidelines, the fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management or fund manager judgment. The three levels are defined as follows:

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

NOTES TO FINANCIAL STATEMENTS

- Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3 Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

Exempt Tax Status

The Association is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. This code section establishes the Association as a public charity rather than a private foundation and enables the Association to accept donations, which qualify as charitable deductions to the donor.

Accounting for Uncertainty in Income Taxes

The Association believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

Cash and Cash Equivalents

The Association classifies all investments with a maturity date of 90 days or less as cash equivalents. The Association invests in business savings and money market accounts with FDIC-insured financial institutions.

Concentration of Credit Risk

The Association maintains its cash in bank accounts in amounts that may exceed federally-insured limits at times. The Association has not experienced any losses in these accounts in the past, and management believes the Association is not exposed to significant credit risks, as management periodically evaluates the strength of the financial institutions in which the Association deposits funds.

Accounts Receivable

The Association recognizes membership support and contributions in the year of actual receipt. Other receivables are recognized when invoiced if they are due within one year and are considered fully collectible. Management evaluates collectability of receivables and establishes an allowance for amounts considered uncollectible. Management has concluded no allowance was required as of December 31, 2022 or 2021.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

NOTES TO FINANCIAL STATEMENTS

Property and Equipment

Property and equipment are recorded at cost or estimated fair market value, if donated. Depreciation and amortization is provided on a straight-line method over the estimated useful lives of the assets, generally 3 to 10 years. The Association typically capitalizes asset expenditures in excess of \$500. Depreciation and amortization expense for the year ended December 31, 2022 was \$30,862.

Investments

Investments are recorded at cost or estimated fair market value, if donated. Investments are subsequently adjusted to fair market value and unrealized gains and losses are recorded in the statement of activities. Investment income and unrealized gains and losses are reflected as changes in net assets without donor restrictions, absent donor-imposed restrictions on the earnings of the underlying investments.

Revenue Recognition

The Association follows FASB ASU 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, ASC 606), which (1) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (2) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. A significant portion of the Association's revenue comes from sources such as contributions, grants, member support, and investment income, that are outside the scope of ASC 606. The Association's revenues that fall within the scope of ASC 606 consist of program and event revenue. The income from these sources is recognized as the Association satisfies its performance obligations to its customers. Deferred revenue as of December 31, 2022 and 2021 was \$0 and \$9,375, respectively.

The Association generally has payment terms with its customers of one year or less and has elected the practical expedient applicable to such contracts of not taking into consideration the time value of money.

Contributions

Contributions including unconditional promises to give are required to be recognized as revenue in the period in which the contribution is made. Contributions received are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions.

Member Support

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

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

NOTES TO FINANCIAL STATEMENTS

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Costs are directly applied to the related program or supporting service category when identifiable and possible. Certain other costs are allocated across programs and supporting functions on the basis of time and effort by individual staff members.

Advertising

The Association's policy is to expense advertising costs as incurred.

Leases

The Association leases property and equipment. The Association determines if an arrangement is a lease at inception. Operating leases are included in the statement of financial position under other assets as a right-of-use (ROU) asset, and under both current and non-current liabilities as a lease liability.

ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. If a lease is entered into that does not provide an implicit rate, the Association uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain the Association will exercise those options. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Association considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if the Association can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In determining the discount rate used to measure the right-of-use asset and lease liability, the Association uses rates implicit in the lease, or if not readily available, the Association uses its incremental borrowing rate. The Association's incremental borrowing rate is based on an estimated secured rate composed of a risk-free rate plus a credit spread as secured by the Association's assets. Determining a credit spread as secured by the Association's assets may require significant judgment.

Subsequent Events

Management has evaluated subsequent events through August 29, 2023, which is the date the financial statements were available to be issued.

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

NOTES TO FINANCIAL STATEMENTS

PROPERTY AND EQUIPMENT, NET

The book value of property and equipment as of December 31, 2022 was as follows:

ASSET	ORIGINAL COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE DECEMBER 31, 2022
Office furniture and equipment....	\$ 87,216	\$ 85,050	\$ 2,166
Website development.....	118,450	105,605	12,845
Leasehold improvements.....	<u>9,963</u>	<u>9,963</u>	<u>....</u>
Total.....	<u>\$215,629</u>	<u>\$200,618</u>	<u>\$ 15,011</u>

INVESTMENTS

Investments are presented in the financial statements in the aggregate at fair market value. Fair value of investments is determined by the published fair value per unit at the end of the last trading day of the year.

The fair value of the Association's investments was categorized as follows at December 31, 2022:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Bond-based EFT	\$ 264,409	\$	\$	\$ 264,409
Stock-based EFT	581,578	....	....	581,578
Fixed income mutual funds	255,908	....	....	255,908
Other	<u>89,103</u>	<u>....</u>	<u>....</u>	<u>89,103</u>
	<u>\$1,190,998</u>	<u>\$</u>	<u>\$</u>	<u>\$1,190,998</u>

Investment returns on average invested assets were approximately 5.9% for the year ended December 31, 2022, and are reported as follows in the statement of activities:

Net investment income	\$ 29,999
Net realized and unrealized loss on investments	<u>(219,568)</u>
	<u>(\$189,569)</u>

NET ASSETS WITHOUT DONOR RESTRICTIONS

At December 31, 2022, the Association's net assets without donor restrictions comprised the following:

Undesignated	\$ 109,378
Invested in property and equipment	15,011
Designated for Boardman	179,019
Designated for Strategic Investment Fund	<u>1,124,110</u>
Total	<u>\$1,427,518</u>

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

NOTES TO FINANCIAL STATEMENTS

NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2022, the Association's net assets with donor restrictions consisted of funds restricted for expenditure for specific purposes as follows:

Jim Hamre Memorial Scholarship Fund....	\$ 66,887
Staff support	<u>1,151</u>
Total	<u>\$ 68,038</u>

OPERATING LEASES

On May 7, 2017, the Association moved to new offices located at 1200 G Street NW, Suite 240, Washington, DC, and signed a seven-year lease. Rent is paid monthly. The lease provides for annual scheduled rent increases. The Association recognizes rent expense on a straight-line basis over the life of the lease. Deferred rent represents rent expense recognized in excess of cash payments and will be amortized over the remaining life of the lease.

The components of lease expense were as follows for the year ended December 31, 2022:

Operating lease cost.....	<u>\$ 91,232</u>
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The weighted-average remaining lease term and incremental borrowing rate are as follows:

Operating lease:	
Weighted-average remaining lease term.....	1.4 years
Weighted-average incremental borrowing rate .....	.91%

The following is a schedule by year of future minimum payments required under the lease, together with its total present value as of December 31, 2022:

YEAR ENDING DECEMBER 31,	OPERATING LEASES
2023.....	\$105,218
2024.....	<u>44,423</u>
Total minimum payments	149,641
Less: Amount representing interest.....	<u>1,022</u>
Present value of minimum lease payments	<u>\$148,619</u>

RETIREMENT PLAN

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

NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

NOTES TO FINANCIAL STATEMENTS

LIQUIDITY AND AVAILABILITY

The following financial assets are available for general expenditure within one year of the date of the statement of financial position:

	2022
Financial assets at year end:	
Cash and cash equivalents.....	\$ 295,060
Accounts Receivable.....	28,098
Investments.....	<u>1,190,998</u>
	<u>1,514,156</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions.....	68,038
Board-designated net assets.....	<u>1,303,129</u>
	<u>1,371,167</u>
Financial assets available to meet general expenditures.....	<u>\$ 142,989</u>

The Association continually monitors its liquidity and reserves. The Board's Finance Committee reviews all transfers involving investment funds, and makes recommendations to the full Board. The full Board then votes to approve or disapprove any transfers involving investment funds. The professional staff creates an annual operating budget that projects, to the best of the staff's ability, financial performance on a quarterly basis.

Anticipated deficit spending, if any, is approved as part of the annual budget process. Individual transfers associated with any deficit spending are reviewed by the Finance Committee, which makes a recommendation to the full Board. The full Board then votes to approve or disapprove any transfers.

The Association has an Investment Committee of elected volunteer members in good standing. The Investment Committee reviews the status of investment funds from time to time and makes recommendations to the Board. The Board then has final authority over all decisions involving investment funds.

COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended December 31, 2021, from which the summarized information was derived.