

**CALIFORNIA STATE RAILROAD
MUSEUM FOUNDATION**

Audited Financial Statements

December 31, 2023

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

AUDITED FINANCIAL STATEMENTS

December 31, 2023 and 2022

TABLE OF CONTENTS

| | |
|---|----|
| Independent Auditor’s Report..... | 1 |
| Financial Statements | |
| Statements of Financial Position..... | 3 |
| Statement of Activities - 2023 | 4 |
| Statement of Activities - 2022 | 5 |
| Schedule of Functional Expenses – 2023 | 6 |
| Statement of Functional Expenses – 2022 | 8 |
| Statements of Cash Flows..... | 10 |
| Notes to Financial Statements..... | 11 |
| Other Reports | |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 21 |



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California State Railroad Museum Foundation
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the California State Railroad Museum Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2023 and 2022 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of California State Railroad Museum Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Foundation 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 the Foundation's ability to continue as a going concern within 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 generally accepted auditing standards and *Government 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 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 and *Government 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 the Foundation'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 Foundation'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2024, on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Richardson & Company, LLP

May 8, 2024

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

| | <u>2023</u> | <u>2022</u> |
|--|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 2,118,903 | \$ 1,765,970 |
| Inventories | 233,216 | 224,195 |
| Deposits | 4,173 | 2,927 |
| Prepaid expenses and other assets | 32,447 | 28,122 |
| TOTAL CURRENT ASSETS | <u>2,388,739</u> | <u>2,021,214</u> |
| NONCURRENT ASSETS | | |
| Investments | 8,773,270 | 7,499,858 |
| Operating lease right-of-use asset | 541,094 | 685,386 |
| Property and equipment, net | 491,156 | 536,080 |
| TOTAL NONCURRENT ASSETS | <u>9,805,520</u> | <u>8,721,324</u> |
| TOTAL ASSETS | <u>\$ 12,194,259</u> | <u>\$ 10,742,538</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities | \$ 1,316,741 | \$ 911,270 |
| Accrued vacation payable | 113,560 | 101,780 |
| Current portion of long-term debt | 127,179 | 97,012 |
| TOTAL CURRENT LIABILITIES | <u>1,557,480</u> | <u>1,110,062</u> |
| LONG-TERM LIABILITIES | | |
| Operating Lease Liability | 448,782 | 584,856 |
| TOTAL LIABILITIES | <u>2,006,262</u> | <u>1,694,918</u> |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 4,231,143 | 4,179,007 |
| Designated by the Board | 1,214,819 | 1,001,538 |
| | <u>5,445,962</u> | <u>5,180,545</u> |
| With donor restrictions | | |
| Purpose restrictions | 2,885,621 | 2,045,241 |
| Perpetual in nature | 1,856,414 | 1,821,834 |
| TOTAL NET ASSETS | <u>10,187,997</u> | <u>9,047,620</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 12,194,259</u> | <u>\$ 10,742,538</u> |

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

| | <u>Without Donor Restrictions</u> | <u>With Donor Purpose Restrictions</u> | <u>With Donor Perpetual Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|--|--|----------------------|
| Revenues, gains and other support | | | | |
| Polar Express | \$ 2,658,172 | | | \$ 2,658,172 |
| Contributions | 2,069,739 | \$ 133,368 | | 2,203,107 |
| Museum store sales | 988,829 | | | 988,829 |
| Railtown 1897 Polar Express event | 638,170 | | | 638,170 |
| Membership | 799,448 | | | 799,448 |
| Sacramento Southern Railroad operations | 324,419 | | | 324,419 |
| Railtown Depot store sales | 210,743 | | | 210,743 |
| Railtown 1897 Railroad operations | 208,256 | | | 208,256 |
| Railtown 1897 Membership | 76,290 | | | 76,290 |
| Passenger Station Store | 5,695 | | | 5,695 |
| Library reproductions | 8,441 | | | 8,441 |
| Other income | 7,131 | | | 7,131 |
| Net Interest and dividends | 124,208 | 55,838 | \$ 34,580 | 214,626 |
| Net realized and unrealized gains on investments | 326,257 | 674,317 | | 1,000,574 |
| Net assets released from restriction | 23,143 | (23,143) | | - |
| Total revenues, gains and support | <u>8,468,941</u> | <u>840,380</u> | <u>34,580</u> | <u>9,343,901</u> |
| Expenses | | | | |
| Program services: | | | | |
| Sacramento Southern Railroad operations | 2,415,597 | | | 2,415,597 |
| Polar Express event | 1,908,388 | | | 1,908,388 |
| Retail operations | 1,044,998 | | | 1,044,998 |
| Railtown 1897 Railroad operations | 611,563 | | | 611,563 |
| Railtown 1897 Polar Express event | 413,817 | | | 413,817 |
| Railtown Depot Store | 307,753 | | | 307,753 |
| Museum administration | 167,633 | | | 167,633 |
| Exhibits and events | 68,955 | | | 68,955 |
| Educational and interpretive programs | 45,253 | | | 45,253 |
| Library operations and acquisitions | 31,773 | | | 31,773 |
| The Shops Project | 1,458 | | | 1,458 |
| Sefton Toy Train Exhibit | 118 | | | 118 |
| Supporting services: | | | | |
| Membership and development | 597,319 | | | 597,319 |
| Management and general | 525,257 | | | 525,257 |
| Marketing and promotions | 63,642 | | | 63,642 |
| Total expenses | <u>8,203,524</u> | <u>-</u> | <u>-</u> | <u>8,203,524</u> |
| Change in net assets | 265,417 | 840,380 | 34,580 | 1,140,377 |
| Net assets at the beginning of the year | <u>5,180,545</u> | <u>2,045,241</u> | <u>1,821,834</u> | <u>9,047,620</u> |
| Net assets at end of year | <u>\$ 5,445,962</u> | <u>\$ 2,885,621</u> | <u>\$ 1,856,414</u> | <u>\$ 10,187,997</u> |

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2022

| | Without Donor Restrictions | With Donor Purpose Restrictions | With Donor Perpetual Restrictions | Total |
|---|-------------------------------|---------------------------------------|---|---------------------|
| Revenues, gains and other support | | | | |
| Polar Express event | \$ 2,047,166 | | | \$ 2,047,166 |
| Contributions | 279,885 | \$ 172,801 | | 452,686 |
| Museum store sales | 863,586 | | | 863,586 |
| Railtown 1897 Polar Express event | 475,102 | | | 475,102 |
| Membership | 779,816 | | | 779,816 |
| Sacramento Southern Railroad operations | 628,207 | | | 628,207 |
| Grants | 16,077 | | | 16,077 |
| Railtown Depot store sales | 234,497 | | | 234,497 |
| Railtown 1897 Railroad operations | 213,698 | | | 213,698 |
| Railtown 1897 Membership | 56,500 | | | 56,500 |
| Passenger Station store sales | 15,452 | | | 15,452 |
| Library reproductions | 9,620 | | | 9,620 |
| Other income | 174,868 | | | 174,868 |
| Net Interest and dividends | 31,297 | 41,563 | \$ 24,679 | 97,539 |
| Net realized and unrealized losses on investments | (388,376) | (964,502) | | (1,352,878) |
| Net assets released from restriction | 288,442 | (288,442) | | - |
| Total revenues, gains and support | <u>5,725,837</u> | <u>(1,038,580)</u> | <u>24,679</u> | <u>4,711,936</u> |
| Expenses | | | | |
| Program services: | | | | |
| Sacramento Southern Railroad operations | 1,254,262 | | | 1,254,262 |
| Polar Express event | 1,376,763 | | | 1,376,763 |
| Retail operations | 976,392 | | | 976,392 |
| Railtown 1897 Railroad operations | 499,653 | | | 499,653 |
| Railtown 1897 Polar Express event | 381,725 | | | 381,725 |
| Railtown Depot Store | 325,721 | | | 325,721 |
| Museum administration | 116,118 | | | 116,118 |
| Exhibits and events | 50,904 | | | 50,904 |
| Educational and interpretive programs | 209,769 | | | 209,769 |
| Library operations and acquisitions | 22,034 | | | 22,034 |
| The Shops Project | 30,800 | | | 30,800 |
| Sefton Toy Train Exhibit | 772 | | | 772 |
| Supporting services: | | | | |
| Membership and development | 701,142 | | | 701,142 |
| Management and general | 308,938 | | | 308,938 |
| Marketing and promotions | 42,532 | | | 42,532 |
| Total expenses | <u>6,297,525</u> | <u>-</u> | <u>-</u> | <u>6,297,525</u> |
| Change in net assets | (571,688) | (1,038,580) | 24,679 | (1,585,589) |
| Net assets at the beginning of the year | <u>5,752,233</u> | <u>3,083,821</u> | <u>1,797,155</u> | <u>10,633,209</u> |
| Net assets at end of year | <u>\$ 5,180,545</u> | <u>\$ 2,045,241</u> | <u>\$ 1,821,834</u> | <u>\$ 9,047,620</u> |

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

| | Program Services | | | | | | | | |
|---|--|---------------------------|----------------------|--|--------------------------------------|----------------------------|--------------------------|---------------------------|--|
| | Sacramento Southern Railroad Operations | Polar Express Event | Retail Operations | Railtown 1897 Railroad Operations | Railtown 1897 Polar Express | Railtown Depot Store | Museum Administration | Exhibits and Events | Educational and Interpretive Programs |
| Compensation and related expenses: | | | | | | | | | |
| Salaries | \$ 468,762 | \$ 234,643 | \$ 312,928 | \$ 331,116 | \$ 87,727 | \$ 126,155 | \$ 108,345 | \$ 34,652 | \$ 15,229 |
| Employee benefits | 66,045 | 6,998 | 46,460 | 15,091 | 3,310 | 27,167 | 7,461 | 2,324 | 1,102 |
| Payroll taxes | 34,670 | 17,540 | 23,160 | 24,829 | 6,390 | 9,193 | 8,123 | 2,516 | 1,112 |
| Total compensation and related expenses | <u>569,477</u> | <u>259,181</u> | <u>382,548</u> | <u>371,036</u> | <u>97,427</u> | <u>162,515</u> | <u>123,929</u> | <u>39,492</u> | <u>17,443</u> |
| Other expenses: | | | | | | | | | |
| Outside services | 1,458,663 | 83,027 | | | | | | | |
| Events and programs | 2,151 | 1,194,065 | | 32,675 | 233,816 | | | 2,727 | 18,511 |
| Supplies and office expense | 76,996 | 262,408 | 88,844 | 33,237 | 73,045 | 15,141 | 6,341 | 7,240 | 3,412 |
| Cost of goods sold | | 52,258 | 496,497 | | | 90,443 | | | |
| Depreciation & Amortization | 18,152 | 13,881 | 12,813 | 16,016 | | 3,203 | 4,271 | 3,203 | |
| Repairs and maintenance | 77,077 | 152 | 1,167 | 89,304 | 564 | 292 | 389 | 292 | 97 |
| Mechanical | 120,455 | | | | | | | | |
| Rent expense | | | 48,720 | | | 19,140 | | | |
| Travel | 18,634 | | | 5,735 | 131 | 5,541 | 9,588 | | |
| Marketing and advertising | 3,904 | 17,935 | 2,948 | 6,463 | 4,223 | 1,474 | 2,948 | 2,948 | 1,474 |
| Fuel | 30,285 | | | 16,474 | | | | | |
| Printing | 3,511 | 17,296 | | 629 | | | | | |
| Postage | 5,349 | | 3,560 | 615 | 990 | 8,115 | 149 | 101 | |
| Insurance | 6,155 | 4,707 | 3,621 | 5,431 | 3,621 | 1,086 | 1,448 | 1,086 | 362 |
| Volunteer enhancement | | | | 15,462 | | | | | |
| Accounting | 4,548 | 3,478 | 3,745 | 4,013 | | 803 | 1,070 | 803 | 268 |
| Railroad operational expenses | 15,191 | | | 9,295 | | | | | |
| Contributions | | | | | | | 17,500 | | |
| Legal | | | | 5,178 | | | | | |
| Exhibit design | | | | | | | | 11,063 | 3,686 |
| Training | 475 | | | | | | | | |
| Collection purchases | | | | | | | | | |
| Maintenance of way | 4,574 | | | | | | | | |
| Product development | | | 535 | | | | | | |
| Interest expense | | | | | | | | | |
| Total expenses | <u>\$ 2,415,597</u> | <u>\$ 1,908,388</u> | <u>\$ 1,044,998</u> | <u>\$ 611,563</u> | <u>\$ 413,817</u> | <u>\$ 307,753</u> | <u>\$ 167,633</u> | <u>\$ 68,955</u> | <u>\$ 45,253</u> |

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2023
(With Comparative Totals for 2022)**

| | Program Services | | | | Supporting Services | | | | 2022 Total All Expenses | |
|---|--|-------------------------|--------------------------------|-----------------------|----------------------------------|------------------------------|--------------------------------|-------------------------|-------------------------------|-----------------------|
| | Library Operations and Acquisitions | The Shops Project | Sefton Toy Train Exhibit | Total All Programs | Membership and Development | Management and General | Marketing and Promotions | Total All Supporting | | Total All Expenses |
| Compensation and related expenses: | | | | | | | | | | |
| Salaries | \$ 8,387 | | | \$ 1,727,944 | \$ 315,604 | \$ 50,319 | \$ 44,144 | \$ 410,067 | \$ 2,138,011 | \$ 1,759,064 |
| Employee benefits | 241 | | | 176,199 | 49,743 | 43,933 | 3,924 | 97,600 | 273,799 | 237,133 |
| Payroll taxes | 582 | | | 128,115 | 23,503 | 3,492 | 3,285 | 30,280 | 158,395 | 130,633 |
| Total compensation and related expenses | 9,210 | - | - | 2,032,258 | 388,850 | 97,744 | 51,353 | 537,947 | 2,570,205 | 2,126,830 |
| Other expenses: | | | | | | | | | | |
| Outside services | | | | 1,541,690 | | 41,882 | | 41,882 | 1,583,572 | 423,427 |
| Events and programs | | | | 1,483,945 | 13,636 | 4,506 | | 18,142 | 1,502,087 | 1,207,353 |
| Supplies and office expense | 14,559 | \$ 1,458 | | 582,681 | 98,121 | 96,870 | 5,449 | 200,440 | 783,121 | 796,504 |
| Cost of goods sold | | | | 639,198 | | | | | 639,198 | 588,497 |
| Depreciation & Amortization | | | | 71,539 | 10,678 | 168,853 | | 179,531 | 251,070 | 192,070 |
| Repairs and maintenance | 194 | | \$ 118 | 169,646 | 972 | 18,447 | | 19,419 | 189,065 | 137,575 |
| Mechanical | | | | 120,455 | | | | | 120,455 | 114,224 |
| Rent expense | | | | 67,860 | | 200 | | 200 | 68,060 | 67,860 |
| Travel | 60 | | | 39,689 | 8,472 | 15,645 | | 24,117 | 63,806 | 33,267 |
| Marketing and advertising | | | | 44,317 | 6,063 | | 5,895 | 11,958 | 56,275 | 101,894 |
| Fuel | | | | 46,759 | | | | | 46,759 | 96,483 |
| Printing | | | | 21,436 | 20,758 | 3,038 | | 23,796 | 45,232 | 29,728 |
| Postage | | | | 18,879 | 19,628 | 1,860 | | 21,488 | 40,367 | 33,498 |
| Insurance | 724 | | | 28,241 | 3,621 | 4,345 | | 7,966 | 36,207 | 34,445 |
| Volunteer enhancement | | | | 15,462 | 17,819 | | | 17,819 | 33,281 | 18,738 |
| Accounting | 535 | | | 19,263 | 2,675 | 4,816 | | 7,491 | 26,754 | 22,346 |
| Railroad operational expenses | | | | 24,486 | | | | | 24,486 | 12,868 |
| Contributions | | | | 17,500 | | 4,500 | | 4,500 | 22,000 | 8,000 |
| Legal | | | | 5,178 | | 9,826 | | 9,826 | 15,004 | 24,580 |
| Exhibit design | | | | 14,749 | | | | | 14,749 | 180,815 |
| Training | | | | 475 | 6,026 | 1,320 | 945 | 8,291 | 8,766 | 10,676 |
| Collection purchases | 6,491 | | | 6,491 | | | | | 6,491 | |
| Maintenance of way | | | | 4,574 | | | | | 4,574 | 16,967 |
| Product development | | | | 535 | | | | | 535 | |
| Interest expense | | | | - | | 51,405 | | 51,405 | 51,405 | 18,880 |
| Total expenses | \$ 31,773 | \$ 1,458 | \$ 118 | \$ 7,017,306 | \$ 597,319 | \$ 525,257 | \$ 63,642 | \$ 1,186,218 | \$ 8,203,524 | \$ 6,297,525 |

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2022
(With Comparative Totals for 2021)**

| | Program Services | | | | | | | | |
|---|--|---------------------------|----------------------|--|--------------------------------------|----------------------------|--------------------------|---------------------------|--|
| | Sacramento Southern Railroad Operations | Polar Express Event | Retail Operations | Railtown 1897 Railroad Operations | Railtown 1897 Polar Express | Railtown Depot Store | Museum Administration | Exhibits and Events | Educational and Interpretive Programs |
| Compensation and related expenses: | | | | | | | | | |
| Salaries | \$ 346,881 | \$ 159,881 | \$ 291,446 | \$ 174,690 | \$ 63,550 | \$ 129,799 | \$ 64,589 | \$ 18,323 | \$ 7,528 |
| Employee benefits | 44,254 | 4,685 | 41,947 | 15,313 | 2,387 | 16,950 | 1,195 | 987 | 437 |
| Payroll taxes | 25,771 | 10,464 | 21,830 | 13,303 | 4,847 | 9,640 | 4,935 | 1,397 | 575 |
| Total compensation and related expenses | <u>416,906</u> | <u>175,030</u> | <u>355,223</u> | <u>203,306</u> | <u>70,784</u> | <u>156,389</u> | <u>70,719</u> | <u>20,707</u> | <u>8,540</u> |
| Other expenses: | | | | | | | | | |
| Events and programs | 4,570 | 915,752 | | 31,948 | 221,072 | 2,658 | 6,326 | | 6,079 |
| Supplies and office expense | 155,443 | 130,833 | 93,385 | 75,970 | 80,209 | 22,886 | 16,725 | 11,008 | 3,168 |
| Cost of goods sold | | 53,741 | 437,033 | | | 97,723 | | | |
| Outside services | 345,170 | 47,304 | | | | | | | |
| Depreciation & Amortization | 32,652 | 24,969 | 23,048 | 28,811 | | 5,762 | 7,683 | 5,762 | |
| Exhibit design | | | | | | | | 2,410 | 178,405 |
| Repairs and maintenance | 72,556 | | 719 | 55,340 | 696 | 180 | 240 | 180 | 60 |
| Mechanical | 114,224 | | | | | | | | |
| Marketing and advertising | 14,161 | 4,519 | 9,038 | 15,331 | 4,519 | 4,617 | 9,038 | 9,038 | 4,519 |
| Fuel | 50,835 | | | 45,648 | | | | | |
| Rent expense | | | 48,720 | | | 19,140 | | | |
| Insurance | 5,856 | 4,478 | 3,444 | 5,167 | 3,445 | 1,033 | 1,378 | 1,033 | 344 |
| Postage | 321 | 7,849 | 2,654 | 547 | 1,000 | 9,628 | 128 | 96 | |
| Travel | 16,155 | 255 | | 4,934 | | 5,035 | 2,987 | | |
| Printing | 955 | 9,128 | | | | | | | |
| Legal | | | | 6,256 | | | | | |
| Accounting | 3,799 | 2,905 | 3,128 | 3,352 | | 670 | 894 | 670 | 224 |
| Interest expense | | | | | | | | | |
| Volunteer enhancement | | | | 8,415 | | | | | 8,430 |
| Maintenance of way | 7,364 | | | 9,603 | | | | | |
| Railroad operational expenses | 7,843 | | | 5,025 | | | | | |
| Training | 5,452 | | | | | | | | |
| Contributions | | | | | | | | | |
| Premiums | | | | | | | | | |
| Total expenses | <u>\$ 1,254,262</u> | <u>\$ 1,376,763</u> | <u>\$ 976,392</u> | <u>\$ 499,653</u> | <u>\$ 381,725</u> | <u>\$ 325,721</u> | <u>\$ 116,118</u> | <u>\$ 50,904</u> | <u>\$ 209,769</u> |

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

**For the Year Ended December 31, 2022
(With Comparative Totals for 2021)**

| | Program Services | | | | Supporting Services | | | | 2021 Total All Expenses | |
|---|--|-------------------------|--------------------------------|-----------------------|----------------------------------|------------------------------|--------------------------------|-------------------------|-------------------------------|-----------------------|
| | Library Operations and Acquisitions | The Shops Project | Sefton Toy Train Exhibit | Total All Programs | Membership and Development | Management and General | Marketing and Promotions | Total All Supporting | | Total All Expenses |
| Compensation and related expenses: | | | | | | | | | | |
| Salaries | \$ 6,533 | | | \$ 1,263,220 | \$ 439,600 | \$ 39,196 | \$ 17,048 | \$ 495,844 | \$ 1,759,064 | \$ 1,449,494 |
| Employee benefits | 224 | | | 128,379 | 63,507 | 43,947 | 1,300 | 108,754 | 237,133 | 181,755 |
| Payroll taxes | 497 | | | 93,259 | 33,089 | 2,981 | 1,304 | 37,374 | 130,633 | 102,730 |
| Total compensation and related expenses | 7,254 | - | - | 1,484,858 | 536,196 | 86,124 | 19,652 | 641,972 | 2,126,830 | 1,733,979 |
| Other expenses: | | | | | | | | | | |
| Events and programs | | | | 1,188,405 | 18,909 | 39 | | 18,948 | 1,207,353 | 968,561 |
| Supplies and office expense | 13,524 | \$ 800 | | 603,951 | 79,686 | 108,063 | 4,804 | 192,553 | 796,504 | 627,706 |
| Cost of goods sold | | | | 588,497 | | | | | 588,497 | 493,033 |
| Outside services | | 30,000 | | 422,474 | | 953 | | 953 | 423,427 | 132,083 |
| Depreciation & Amortization | | | | 128,687 | 19,207 | 44,176 | | 63,383 | 192,070 | 169,781 |
| Exhibit design | | | | 180,815 | | | | | 180,815 | 26,517 |
| Repairs and maintenance | 120 | | \$ 772 | 130,863 | 599 | 6,113 | | 6,712 | 137,575 | 101,984 |
| Mechanical | | | | 114,224 | | | | | 114,224 | 27,621 |
| Marketing and advertising | | | | 74,780 | 9,038 | | 18,076 | 27,114 | 101,894 | 140,074 |
| Fuel | | | | 96,483 | | | | | 96,483 | 76,131 |
| Rent expense | | | | 67,860 | | | | | 67,860 | 49,500 |
| Insurance | 689 | | | 26,867 | 3,445 | 4,133 | | 7,578 | 34,445 | 32,238 |
| Postage | | | | 22,223 | 9,509 | 1,766 | | 11,275 | 33,498 | 35,346 |
| Travel | | | | 29,366 | 600 | 3,301 | | 3,901 | 33,267 | 18,180 |
| Printing | | | | 10,083 | 18,058 | 1,587 | | 19,645 | 29,728 | 18,488 |
| Legal | | | | 6,256 | 862 | 17,462 | | 18,324 | 24,580 | 33,798 |
| Accounting | 447 | | | 16,089 | 2,235 | 4,022 | | 6,257 | 22,346 | 28,462 |
| Interest expense | | | | | | 18,880 | | 18,880 | 18,880 | 14,148 |
| Volunteer enhancement | | | | 16,845 | 1,893 | | | 1,893 | 18,738 | 1,893 |
| Maintenance of way | | | | 16,967 | | | | | 16,967 | 26,167 |
| Railroad operational expenses | | | | 12,868 | | | | | 12,868 | 10,995 |
| Training | | | | 5,452 | 905 | 4,319 | | 5,224 | 10,676 | 5,171 |
| Contributions | | | | | | 8,000 | | 8,000 | 8,000 | 7,500 |
| Premiums | | | | | | | | | | 1,748 |
| Total expenses | \$ 22,034 | \$ 30,800 | \$ 772 | \$ 5,244,913 | \$ 701,142 | \$ 308,938 | \$ 42,532 | \$ 1,052,612 | \$ 6,297,525 | \$ 4,781,104 |

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2023 and 2022

| | 2023 | 2022 |
|---|--------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,140,377 | \$ (1,585,589) |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Depreciation & Amortization | 251,070 | 192,070 |
| Gain on remeasurement of lease | | (14,574) |
| Donated property | | (9,500) |
| Unrealized and realized gain on investments | (1,000,574) | 1,352,878 |
| Net interest and dividends | (55,952) | (98,390) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | | 78,376 |
| Inventories | (9,021) | (82,643) |
| Prepaid expenses and other assets | (5,571) | 7,285 |
| Accounts payable, deferred revenue, and accrued and other liabilities | 405,471 | 164,327 |
| Accrued vacation payable | 11,780 | 17,512 |
| Operating Lease Liability | (105,907) | (91,795) |
| Net cash provided (used) by operating activities | 631,673 | (70,043) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of property and equipment | (61,854) | (83,401) |
| Investment interest and dividends received | 55,952 | 98,390 |
| Purchase of investments | (900,000) | (2,046,000) |
| Proceeds from sale of investments | 627,162 | 1,718,702 |
| Net cash used by investing activities | (278,740) | (312,309) |
| Increase (decrease) in cash and cash equivalents | 352,933 | (382,352) |
| Cash and cash equivalents, beginning of the year | 1,765,970 | 2,148,322 |
| Cash and cash equivalents, end of year | \$ 2,118,903 | \$ 1,765,970 |
| SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES: | | |
| Right-of-use assets obtained in exchange for lease liabilities | | \$ 721,459 |
| Donated capital assets | | \$ 9,500 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash outflows from operating leases | \$ 157,300 | \$ 110,676 |

The accompanying notes are an integral part of these financial statements.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operation

California State Railroad Museum Foundation (the Foundation) is a not-for-profit organization incorporated under the laws of the State of California whose purpose is to promote and further the educational and interpretive activities of the California State Railroad Museum. In addition, the Foundation supports the preservation of railroad historical artifacts through its various acquisition and maintenance programs. The Foundation is a cooperating association of the California State Railroad Museum and therefore solicits contributions and grants and incurs expenditures for and on behalf of the Museum. Included in these financial statements are the activities of the Boiler Shop, LLC, as described in Note 11.

Method of Accounting

The financial statements of the Foundation are presented on the accrual basis of accounting and maintained in accordance with accounting principles generally accepted in the United States of America (GAAP). This is the procedure by which resources are classified for accounting and reporting purposes into funds established according to their nature and objectives.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. 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 statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits, money market accounts and short-term investments with original maturities of three months or less.

Donated and Purchased Collection Items

The Collections, which were acquired through purchases and contributions since the Foundation's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in net assets without donor restriction in the year in which the items are acquired, or as 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 financial statements.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services

Donated materials and services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Inventories

Inventories are stated at the lower of cost or market determined by the first-in, first-out method. Shipping and handling costs are capitalized with respect to ending inventories.

Property and Equipment

The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over an estimated useful life.

When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is charged to expense as incurred. The Foundation evaluates property and equipment for financial impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable.

Accrued Vacation

It is the Foundation's policy to accumulate a limited amount of earned but unused vacation, which will be paid to employees upon separation. Accumulated unpaid vacation is accrued when earned.

Income Taxes

The Foundation is a tax exempt organization under the Internal Revenue Service Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and therefore, is subject to federal and state taxes only on unrelated business income earned. There was no income from such activities during the years ended December 31, 2023 and 2022. The Foundation is not a private foundation.

The Foundation's federal returns for the years ended December 31, 2022, 2021 and 2020 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Foundation's state returns for the years ended December 31, 2022, 2021, 2020 and 2019 could be subject to examination by state taxing authorities, generally accepted for four years after they are filed.

Advertising

The Foundation expenses advertising costs when incurred. Total advertising costs charged to various activities during the year ended December 31, 2023 and 2022 were \$56,275 and \$101,894, respectively, and are included in marketing and advertising on the schedule of functional expenses.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions — Includes contributions without donor restrictions, income earned on net assets without donor restrictions, and amounts for which donor restrictions have expired. Net assets without donor restrictions may be designated for use by the Board of Directors for a specific purpose. Such designations limit the area of the Foundation's operations for which expenditures of these net assets may be made. Designated net assets as of December 31 consist of the following:

| | <u>2023</u> | <u>2022</u> |
|---------------------------|---------------------|---------------------|
| Track Remediation Project | \$ 565,252 | \$ 410,879 |
| The Shops Project | 419,739 | 419,739 |
| SSRR Signal Repair | 165,213 | 157,400 |
| Library Improvements | 51,095 | |
| Railtown Interpretive | <u>13,520</u> | <u>13,520</u> |
| | <u>\$ 1,214,819</u> | <u>\$ 1,001,538</u> |

Net Assets With Donor 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.

Endowment Funds

The Foundation accounts for endowment gifts under the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). UPMIFA allows an institution to spend or accumulate as the board determines is prudent for the uses, benefits, purposes and duration of the endowment fund unless the gift instrument states a particular spending rate or formula. UPMIFA considers spending 7% or less of the average fair market value (calculated at least quarterly over a minimal period of three years) to be prudent.

The Foundation's endowment consists of two donor-restricted endowment funds established for the purposes of expanding and preserving specific museum collections. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation classifies as Net Assets with Donor Restrictions, perpetual in nature, the original value of gifts donated to the endowment and accumulations required by the donor to remain in the endowment, net of distributions made according to the spending policy of the Foundation, not to exceed 7% of the value of the endowment. The remaining portion of the donor-restricted endowment fund that is not classified in Net Assets with Donor Restrictions, perpetual in nature, is classified as Net Assets with Donor Restrictions for specific purposes until those amounts are expended for purposes outlined by the donor or are appropriated for expenditure by the Foundation in a manner consistent with the standard prudence prescribed by UPMIFA.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (continued)

The Foundation follows the adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. The Foundation's policy for the Sefton endowment provides for annual expenditures allocated to the extent that the fund had investment earnings during the year, up to the sum of the investment earnings and 7% of the endowment balance. During years that the endowment incurs losses, expenditures are not permitted and expenditures in following years are permitted only after amounts available exceed the cumulative balance of losses, as long as the balance does not drop below the annual 7% reduction in the endowment balance permitted by UPMIFA. The Shrader endowment agreement requires investment returns equal to the three-year average of the CPI index plus 1% be retained in the endowment. The Board has adopted a spending plan for the Shrader endowment in accordance with the donor-imposed restrictions.

The investment objective is growth and income with a goal of long-term growth, while maintaining the preservation of principal. The Foundation targets a diversified investment allocation that places emphasis on prudent risk constraints that would otherwise be created through concentrations to any one investment, fund manager or industry sector.

Functional Allocation of Expenses

The Foundation allocates its expenses on a functional basis among its various program and supporting services and reports these allocations on the schedule of functional expenses. Expenses that can be identified with a specific program are allocated directly to their natural expenditure classification. Other expenses and supporting services that are common to several functions are allocated based on the proportional share of direct expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of 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 these estimates. Estimates are used in the following: the valuation of inventory, the depreciable lives and methods used for property and equipment, the value of donated rent and the allocation of costs to programs.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022

2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | <u>2023</u> | <u>2022</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,118,903 | \$ 1,765,970 |
| Investments | <u>8,773,270</u> | <u>7,499,858</u> |
| Total financial assets | 10,892,173 | 9,265,828 |
| Less amounts not expected to be used within one year: | | |
| Net assets with donor restrictions | 4,742,035 | 3,867,075 |
| Board designations | <u>1,214,819</u> | <u>1,001,538</u> |
| | <u>5,956,854</u> | <u>4,868,613</u> |
| Financial assets available to meet general expenditures | <u>\$ 4,935,319</u> | <u>\$ 4,397,215</u> |

The Foundation's endowment funds consist of donor-restricted endowments and funds designated by the board for specific purposes. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general use. Donor-restricted endowment funds are considered not available for general expenditure. Although the Foundation does not intend to spend from the board-designated endowment, these amounts could be made available for general use if necessary. These assets limited to use, which are more fully described in Note 6, are not available for general expenditure within the next year and are not included in the amounts above. As part of the Foundation's liquidity management plan, cash in excess of daily requirements are invested in short-term investments and money market funds.

3. INVESTMENT SECURITIES

Investments at December 31, 2023 and 2022 consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|------------------------------|---------------------|---------------------|
| Money market funds | \$ 3,041,154 | \$ 1,923,672 |
| Corporate stocks/Equities | 3,570,682 | 3,580,227 |
| Mutual funds | 1,775,412 | 1,613,657 |
| Corporate bonds/Fixed income | 146,521 | 145,781 |
| Certificate of deposit | <u>239,501</u> | <u>236,521</u> |
| | <u>\$ 8,773,270</u> | <u>\$ 7,499,858</u> |

Investment securities are carried at fair value; therefore, realized and unrealized gains and losses are reflected in the statement of activities and changes in net assets in the year incurred. The Foundation's investment policy balances current income and longer-term capital appreciation with a moderate risk tolerance.

The Foundation is seeking annual returns for the total portfolio that equals or exceeds selected benchmarks such as the S&P 500 Index. The Foundation's strategy is to invest in an asset mix which targets 60% for equities, 40% for fixed income.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022

3 INVESTMENT SECURITIES (Continued)

The components of investments return for the years ended December 31 on the investments described above is as follows:

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|---------------------|-----------------------|
| Net Interest and dividends | \$ 214,626 | \$ 97,539 |
| Net unrealized (losses) gains | 1,000,574 | (1,358,636) |
| Net realized gains | | <u>5,758</u> |
| | <u>\$ 1,215,200</u> | <u>\$ (1,255,339)</u> |

As of December 31, 2023 and 2022, the total of investment advisory fees were \$36,276 and \$39,841 respectively, and are included in the net, interest and dividends amount.

4. FAIR VALUE MEASUREMENTS

The Foundation groups its assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value: using quoted market prices for identical instruments traded in active exchange markets (Level 1), using significant other observable inputs (Level 2) and using significant unobservable inputs (Level 3). The Foundation's investment securities described in Note 2 are measured at fair value on a recurring basis. These investments are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices for identical assets. Net unrealized gains were \$1,000,574 in 2023 and net unrealized losses were \$1,358,636 in 2022.

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023 and 2022 consisted of the following:

| | <u>2023</u> | <u>2022</u> |
|--|-------------------|-------------------|
| Furniture and fixtures | \$ 85,308 | \$ 85,308 |
| Equipment | 765,474 | 703,621 |
| Building improvements | <u>406,854</u> | <u>406,854</u> |
| | 1,257,636 | 1,195,783 |
| Less accumulated depreciation and amortization | <u>(766,480)</u> | <u>(659,703)</u> |
| Property and equipment, net | <u>\$ 491,156</u> | <u>\$ 536,080</u> |

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for specific purposes

Net assets with balances of unexpended funds restricted by donors exist for the following programs:

| | <u>2023</u> | <u>2022</u> |
|---|----------------------------|----------------------------|
| Sefton Toy Train Exhibit Fund — To support the long-term maintenance and preservation of toy train exhibits and related acquisitions. (Endowment) | \$ 1,483,212 | \$ 1,002,110 |
| Shrader Fund — To support the acquisition and care of collections. (Endowment) | 454,568 | 317,560 |
| Sefton Catalog Fund — To support the acquisition of unique and historical toy train memorabilia and to publish a catalog. | 464,562 | 384,635 |
| Museum Improvements -- To support improvements to and the redesign of the Museum. | 30,338 | 34,024 |
| Opportunity Acquisition Fund — To support the acquisition and care of collections. | 179,502 | 153,990 |
| Restoration Projects Fund - To support the restoration of tracks and equipment. | 228,015 | 105,000 |
| Other — Miscellaneous contributions and fund restrictions to be used for Foundation programs. | <u>45,424</u> | <u>47,922</u> |
| Total | <u><u>\$ 2,885,621</u></u> | <u><u>\$ 2,045,241</u></u> |

Net Assets with donor restrictions perpetual in nature

Net assets with unexpended funds restricted by donors of a perpetual nature exist for the following programs:

| | <u>2023</u> | <u>2022</u> |
|--|----------------------------|----------------------------|
| Sefton Endowment — To support the long-term maintenance and preservation of toy train exhibits and related acquisitions. | \$ 1,313,665 | \$ 1,313,665 |
| Shrader Endowment — To support the acquisition and care of collections. Donor specified annual investment returns to be added to the restricted balance with excess earnings to be used as designated by the Board of Directors to further the purposes of the Foundation. | <u>542,749</u> | <u>508,169</u> |
| Totals | <u><u>\$ 1,856,414</u></u> | <u><u>\$ 1,821,834</u></u> |

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022

6. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Changes in endowment net assets consisted of the following:

| | Sefton Toy Train and Shrader | | |
|--|---------------------------------------|---|---------------------|
| | With Donor Purpose Restrictions | With Donor Perpetual Restrictions | Total |
| | <u> </u> | <u> </u> | <u> </u> |
| Endowment net assets, January 1, 2022 | \$ 2,112,291 | \$ 1,797,155 | \$ 3,909,446 |
| Investment return: | | | |
| Investment income, net | 31,895 | 24,679 | 56,574 |
| Net appreciation (realized and unrealized) | (823,744) | | (823,744) |
| Total investment return | <u>(791,849)</u> | <u>24,679</u> | <u>(767,170)</u> |
| Expenditures | <u>(772)</u> | | <u>(772)</u> |
| Endowment net assets, December 31, 2022 | 1,319,670 | 1,821,834 | 3,141,504 |
| Investment return: | | | |
| Investment income, net | 42,605 | 34,580 | 77,185 |
| Net appreciation (realized and unrealized) | 575,623 | | 575,623 |
| Total investment return | <u>618,228</u> | <u>34,580</u> | <u>652,808</u> |
| Expenditures | <u>(118)</u> | | <u>(118)</u> |
| Endowment net assets, December 31, 2023 | <u>\$ 1,937,780</u> | <u>\$ 1,856,414</u> | <u>\$ 3,794,194</u> |

Endowment net assets were restored to original gift value in 2014, and net investment returns are now being recorded as purpose restricted assets in accordance with the specifications of donor-imposed restrictions.

7. CONCENTRATIONS

At December 31, 2023 and 2022 the carrying amounts of the Foundation's deposits were \$2,351,265 and \$1,994,698 and the balances in financial institutions were \$2,333,631 and \$1,994,698 respectively. The balances maintained in financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2023 and 2022 the Foundation's uninsured cash balances totaled \$1,640,308 and \$1,387,141, respectively.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022

8. LEASES

The Foundation evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent the Foundation’s right to use underlying assets for the lease term, and the lease liability represents the Foundation’s obligation to make lease payments arising from leases. The ROU asset and lease liability, both of which arise from an operating lease, was calculated based on the present value of future lease payments over the lease term and discounted using the Foundation’s estimated incremental borrowing rate. The weighted-average discount rate applied to calculate the lease liability as of December 31, 2023 and 2022, was 8.00%. As of December 31, 2023 and 2022, the weighted-average remaining lease term for the Foundation’s operating lease was approximately 3.75 and 4.75 years, respectively.

The Foundation leases office space under an operating lease that has been renewed through May 2027. Monthly rent is adjusted annually at approximately 6%. The right-of-use asset is recorded net of accumulated amortization of \$144,292 and \$36,073 at December 31, 2023 and 2022, respectively.

Future minimum lease payments are as follows:

| Fiscal Year Ending December 31: | Principal | Interest | Total |
|------------------------------------|-------------------|------------------|-------------------|
| 2024 | \$ 127,179 | \$ 41,674 | \$ 168,853 |
| 2025 | 148,934 | 30,583 | 179,517 |
| 2026 | 172,362 | 17,820 | 190,182 |
| 2027 | 127,486 | 3,821 | \$ 131,307 |
| Total minimum lease payments | <u>\$ 575,961</u> | <u>\$ 97,563</u> | <u>\$ 683,855</u> |

Right-of-use asset and lease liability, and the associated balance sheet classifications, are as follows for the years ended December 31:

| Asset Classification | 2023 | 2022 |
|------------------------------------|------------|------------|
| Operating lease right of use asset | \$ 541,094 | \$ 685,386 |
| Operating lease liability | \$ 575,961 | \$ 681,868 |

9. RETIREMENT BENEFITS

The Foundation provides retirement benefits to employees meeting specified service requirements. At the discretion of the Executive Board, the benefits typically equal between five and seven percent of the employee’s base pay and are deposited annually to a 401(k) retirement plan. Contributions are fully vested when made and totaled \$107,296 and \$81,102 for the years ended December 31, 2023 and 2022, respectively.

CALIFORNIA STATE RAILROAD MUSEUM FOUNDATION

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2023 and 2022

10. DONATED FACILITIES AND EQUIPMENT

The Foundation occupies a small amount of retail space within the California Department of Parks and Recreation buildings. The Foundation has quantified and recorded the value of these donated facilities, which is reflected as contribution revenue and as rent expense allocated to Retail Operations and Railtown Depot. The Foundation used price per square foot it is currently paying on its office space to value the contributed retail space. For the years ending December 31, 2023 and 2022, the in-kind contribution recorded for use of property amounted to \$67,860 for both years.

11. RELATED PARTY TRANSACTION

Boiler Shop, LLC, a California limited liability company, was formed in August 2009. Boiler Shop, LLC is a separate entity formed for the sole purpose of serving as an intermediary to hold title to potential certain real property until California State Parks could obtain the necessary authorizations and approvals to take title to such real property. As the potential transfer of the real property to the Boiler Shop, LLC has not yet occurred; the entity has only had minimal expenses in 2023 and 2022. Presently, several members of the Foundation Board of Directors or Advisory Board also serve as the Directors of Boiler Shop, LLC.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
California State Railroad Museum Foundation
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the California State Railroad Museum Foundation (the Foundation, a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 8, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

May 8, 2024