



Finance & Audit Committee Meeting

Meeting 2025-2
September 25, 2025

People. Goods.
Canada moves by rail.



Railway Association
of Canada

Competition Law Compliance Policy

STATEMENT

The RAC is committed to compliance with all **competition laws** applicable in Canada, including Canada's *Competition Act*.

Under the leadership of its Board of Directors, the RAC carries out its activities in strict compliance with all **competition laws**, provides guidance to its committees and its employees on how to comply with these laws, and promotes with them the importance and value to the RAC of complying with them.

The RAC Corporate Secretary ensures that RAC, its committees and its staff are familiar and comply with this policy.

COMPETITION LAW

Competition laws are designed to maintain and encourage competition in the marketplace. Non-compliance with the **competition laws** relating to improper coordination among competitors could constitute a criminal offence to which significant fines and prison terms can be attached, and for which significant damages can be awarded in private lawsuits, including large class actions.

RAC is a forum for railway members to exchange information and views on the railway sector. Particularly because RAC is an association that represents most of the players in the rail sector in Canada, including many that compete with one another, any activity it conducts must be in strict accordance with the **competition laws**, and avoid even the perception of possible improper conduct.

PROHIBITED ACTIVITIES

Due to the presence of multiple competing entities in RAC, any activity, including discussions or agreements that relate, directly or indirectly, to the following "**Prohibited Topics**" are strictly prohibited:

- ☐ Prices (rates) charged to shippers for services provided by members of the RAC
- ☐ Prices (costs) paid to suppliers for services provided to members of the RAC
- ☐ Any other conditions associated with services provided to shippers or received from suppliers of RAC members, including discounts, rebates, etc. and level of service provisions
- ☐ Customer or territory allocation
- ☐ Limitation of supply of services provided by RAC members to their customers

GUIDANCE

Any activity, including discussions or agreements that could even remotely be construed as relating to the above Prohibited Topics, cannot take place at the RAC or any of its committees or any meeting organized or attended by RAC staff, or otherwise among RAC members.

To ensure compliance with these rules, when meeting, members of a RAC committee or of the Board of Directors must:

- ☐ Have a pre-set agenda and take minutes, recording resolutions adopted and summarizing the essentials of conversations that took place.
- ☐ Limit themselves to issues identified on the agenda, except if circumstances call for other issues to be addressed, in which case careful notes of the additional issues discussed must be recorded.
- ☐ If any participant believes that Prohibited Topics have been raised or discussed, they must advise all participants of their concern and any discussion relating to that issue be ceased immediately pending legal advice.
- ☐ Require legal advice if any issue to be discussed might cause the members to believe that **competition laws** could be infringed.
- ☐ Suspend or even postpone to a later date discussions on such issues if legal advice cannot be sought in a timely manner.

Staff of the RAC shall in their duties ensure the confidentiality of information brought to their attention by members, avoid conflict of interest or situations that would discredit the RAC, unless doing so could violate the **competition laws**.

Updated May 3, 2021

Finance and Audit General Committee Meeting 2025-2
Thursday, September 25, 2025 – 10:00 – 12:00 Hours (EDT)
RAC Virtual Meeting – [CLICK HERE TO JOIN](#)

MS Teams Meeting ID: 298 547 855 650 7; Passcode: g79in7z8

Agenda

		TIME
1.	Welcome and Call to Order Competition Law Compliance Policy	(Chair) 10:00
2.	Review of Minutes from April 24, 2025 Meeting (Motion required)	(K. Kuplais) 10:05
3.	Update on RAC Activities and Business Plan	(E. Harvey) 10:10
4.	2025 Audit Plan (Motion required)	(M. Platt, Welch) 10:40
5.	Risk Assessment	(K. Kuplais) 10:50
6.	Review of 2025 August 31st & Q2 Financial Statements	(K. Kuplais) 11:00
7.	Review of 2026 Proposed Budget (Motion required)	(K. Kuplais) 11:15
8.	Other Items: 8.1 Finance Continuity Plan 8.2 Status of Government Remittances	(K. Kuplais) 11:45
9.	Next Meeting – April 23, 2026 (tentative)	(Chair) 11:50
10.	Adjournment	(Chair) 12:00

Item – Minutes April 24, 2025 Meeting

**Finance and Audit General Committee Meeting
Meeting 2025-1 (Virtual)
April 24, 2025 – 10:00 am**

Draft Minutes

ATTENDANCE:

Present:

Mr. I. Robertson (Chair)	CPKC	Teleconference
Ms. P. Mancini	CN	Teleconference
Ms. K. St-Yves	Via Rail Canada	Teleconference
Mr. A. Edwards	Southern Railway of British Columbia Ltd.	Teleconference
Mr. B. Cornick	Cando Rail & Terminals Ltd.	Teleconference

Also Present:

Ms. M. Platt	Welch LLP	Teleconference
Ms. A. Pare	Welch LLP	Teleconference
Mr. E. Harvey	RAC	Teleconference
Ms. S. Kazaka	RAC	Teleconference
Ms. C. Cliche	RAC	Teleconference

1. Introduction

Mr. Robertson, Chair of the meeting, declared the meeting opened at 10h00 with a quorum. Mr. Robertson welcomed Mr. Edwards along with the RAC's new CEO Mr. Harvey. There was a roll call and all persons attending via video/teleconference. The RAC's Competition Law Compliance policy was referenced with committee members confirming to abide by the policy.

Resolution 2025-01: Motion to appoint New Committee Member

It is moved by Mr. Cornick and seconded by Ms. Mancini to accept Mr. Kevin Poulin's resignation and to fill this vacancy by appointing Mr. Edwards, as a member of the RAC Finance and Audit Committee.

2. Review of Minutes from October 3, 2024 Meeting

Mr. Robertson requested a motion to accept the minutes of meeting from October 3, 2024.

Resolution 2025-02: Motion to approve minutes from the October 3, 2024 Meeting

It is moved by Mr. Cornick and seconded by Mr. Robertson that the minutes of the Finance and Audit General Committee Meeting held on October 3, 2024, is taken as read and approved.

3. President's Message

Mr. Harvey expressed his pleasure at being appointed President & CEO of the Association.

Mr. Harvey discussed the following, including ideas and intentions, which he had shared with the Board prior to them confirming him as President:

- the tariff situation with the US and its impact on the rail industry
- the importance of exploring East-West trade corridors
- the opportunity for the rail industry to present to the new government, its position regarding accelerated depreciation/tax credits, improved process for project approval, and labour stability.

Regarding Financial Management & Reorganization:

- his commitment to act as a fiduciary for the members of the Association
- decisions made to eliminate overlap in competencies and fill gaps in the Association's staffing
- focus on maximizing the value of members' contributions by spending money wisely and avoiding waste.

Mr. Robertson thanked Mr. Harvey and had committee members introduce themselves to Mr. Harvey and Mr. Edwards, both being new to the committee.

4. 2024 Audit & Auditors' Report

Ms. Platt and Ms. Pare of Welch LLP, Chartered Accountants, reported on the 2024 audit of the RAC's consolidated financial statements and Operation Lifesaver Canada's financial statements.

Ms. Platt advised that Welch have substantially completed the audit of the 2024 financial statements and are in a position to issue an unmodified opinion. Ms. Platt thanked Ms. Kazaka and her team for their cooperation during the audit process. The audit always goes very smoothly.

Ms. Pare asked the committee if they are aware of any subsequent event or alleged or suspected fraud. The Committee confirmed it is not aware of any alleged or suspected fraud issues. The Committee confirmed that it is not aware of any subsequent events that should be disclosed in the financial statements.

Ms. Pare reported they did not identify any unadjusted or adjusted items during the audit or any significant deficiencies in the internal controls or identify any matters that would bear on their independence.

Resolution 2025-03: Motion to approve the Auditors' Report of the 2024 Audit

It was moved by Ms. St-Yves and seconded by Ms. Mancini that the auditors' report of the 2024 audit is approved.

5. Review of 2024 Audited Financial Statements

Ms. Kazaka presented a high-level overview of the 2024 audited financial statements for the RAC and Operation Lifesaver and highlighted the key financial metrics with the main variance to 2023 attributed to the ETC project and the LVVR legal file.

In response to Mr. Robertson's question, Ms. Kazaka summarized the key variances of actual 2024 results against 2024's forecasted Net Expense. Mr. Harvey confirmed that restructuring and any required resources would fall within 2025's budget.

Resolution 2025-04: Motion to approve the 2024 Audited Financial Statements

It was moved by Ms. St-Yves and seconded by Mr. Edwards that the 2024 Audited RAC financial statements and Operation Lifesaver financial statements be accepted as presented.

6. In Camera discussion with Auditors

An in-camera discussion was held with the auditors and committee members.

7. In Camera management discussion of Audit

Ms. Kazaka commented that Welch's new platform was user friendly, the auditors asked relevant questions throughout the audit, were on time and kept Ms. Kazaka updated.

8. Review of 2025 March Quarterly Statements (Q1)

Ms. Kazaka summarized the financial situation at the end of the first quarter 2025. She addressed the most significant items and indicated we are in good financial shape compared to budget.

9. Risk Assessment

Ms. Kazaka referenced the Risk Assessment chart indicating the following change:

Statement 14 (Financial category) - "Uncertainty of future OL funding by Transport Canada" risk statement has been added since the fall meeting with a "medium" risk ranking.

There is some uncertainty on whether funding by TC will continue in the future. The RAC is not currently aware of any reason why TC would not continue funding; however, the most recent funding renewal was delayed three months. Mr. Harvey commented that he met with the Assistant Deputy Minister responsible for the Operation Lifesaver program. TC is supportive of Operation Lifesaver because, for a relatively small budget, it has significant benefits through its outreach to communities and its rail safety impact. Mr. Harvey advised he will have additional discussions with the ADM after the election.

Highlighting risk statement 3 “Permanent or temporary loss of several key staff”, Mr. Harvey advised that Ms. Kazaka will retire at the end of July 2025. She is assisting Mr. Harvey in finding her successor with the process well underway. Mr. Harvey wanted to take the opportunity, on behalf of the Canadian Rail Industry, to recognize Ms. Kazaka for all the years worked for the RAC, such a solid pillar for the association in terms of making sure everything was sound financially. Mr. Robertson thanked Ms. Kazaka on behalf of the committee and wished her well in her upcoming retirement.

Mr. Robertson asked Mr. Harvey if, since joining the RAC, he had identified any risks not reflected on the risk assessment. Mr. Harvey mentioned that he does not see any for now but he did comment that prior to joining the RAC, he was unaware of the work done in the field by many of the RAC employees respecting the safety of the equipment and intervention. Mr. Harvey is working with Mr. Barfoot, Senior Director Operations and Regulatory Affairs, who manages the field staff at the RAC, to help raise the profile of the field staff in the coming months. He feels their contribution to rail safety throughout the country is unknown and should be advertised. Mr. Robertson noted previous discussions about the value provided through the loading services provided by the RAC, especially to Class I members..

10. 2025 Budget

The committee was presented with an update to the 2025 Budget and the revisions made upon completion of the 2024 financial year and the direction provided by the board last fall. The updated 2025 budget reflects expense carry forwards from 2024 to Q1-2025 pertaining to Government Relations firm’s deliverables, Operations Lifesaver, and succession costs.

At the fall board meeting, additional financial considerations were discussed and approved by the board:

- maintain the Proximity outreach program and reassess at the end of 2025;
- proceed with the update of Proximity Guidelines (additional cost of \$160k)
- commence phased-in recovery of the cost to deliver the Spectrum program.

Also incorporated in the 2025 budget are the costs associated with the RAC leadership change that took place at the beginning of the year. Current projections reflect a shortfall in 2027 of net asset reserves against policy. The budget will be further updated once Mr. Harvey settles in and determines what resources are required for the RAC and what that impact will be.

Mr. Harvey commented that the cost of the lease, expiring September 30, 2028, is a significant expense for the RAC. An analysis completed by the RAC’s commercial

realtor suggests that the end of 2025 could be a good time to meet with the landlord to explore options, whether it be renegotiating another term that would reduce the lease rate, given projected availability of office space in Ottawa, or consideration for smaller space.

Mr. Robertson asked if the Net Asset policy addresses the action required should there be a shortfall in net asset reserves compared to policy. Ms. Kazaka advised a recommendation would be required by the committee and a decision by the board. Ms. Kazaka indicated that the net asset policy defines the required reserve level to be three months of operating expenses plus 15% likelihood of severance obligations. She anticipates projected net asset figures to change once budgets are further updated with the resource changes taking place this year, and the outcome of lease negotiations. Mr. Cornick gave a high-level perspective from the board's position on the Net Asset policy, that currently 2025 to 2027 budgets draw down on surplus net asset reserves, however as projections are updated, the board would address any concerns.

11. Other Items

Ms. Kazaka confirmed that all government remittances are current and were paid on time with no delinquencies.

12. Next Meeting

Next meeting was tentatively scheduled and approved for Thursday, September 25, 2025 at 10am.

13. Motion to Adjourn

Meeting was adjourned the at 11:35 am

**Item – Update on RAC Activities and
Business Plan**

**President and CEO will provide
update during the meeting**

Item 3 – 2025 Audit Plan

September 16, 2025

Finance and Audit Committee Members
The Railway Association of Canada
99 Bank Street, Suite 910
Ottawa, Ontario
K1P 6B9

Dear Finance and Audit Committee Members:

As auditors of The Railway Association of Canada and Operation Lifesaver (together the "Association") for their December 31, 2025 fiscal year-ends, we are required to communicate matters concerning our audit to those charged with governance. In the case of the Association this responsibility rests with the Association's Board of Directors.

Canadian generally accepted auditing standards define "those charged with governance" as the person or persons with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity.

When governance duties related to the audit of the financial statements are delegated to a subcommittee of the board or to a specific individual, it is appropriate for the auditor to communicate directly with the subcommittee or the individual. As a result, we will direct our communications to the the Association's Finance and Audit Committee.

Should any major significant matters arise, we will issue a report to the Finance and Audit Committee at the completion of our audit; otherwise we will discuss verbally with you the results of our audit. We will communicate any other matters directly with the Board should the need arise.

Responsibilities in Relation to the Financial Statement Audit

Our responsibilities as auditors are outlined in the audit engagement letter we have provided to you. Accordingly, we ask that you review the appropriate section of the audit engagement letter to ensure that you understand our responsibilities in relation to the financial statement audit.

We would also ask that you review the section of the engagement letter that outlines the responsibilities of management and note that an audit of the financial statements does not relieve management and those charged with governance of these responsibilities.

Risk Based Approach

We will focus our efforts on account balances and transaction flows that we feel are more likely to result in a material misstatement to the financial statements. Specific areas we intend to focus on and our related approach are outlined below:

Areas of focus / significant risk*	Audit approach
Member assessments and Transport Canada revenue	<ul style="list-style-type: none">• Document and understand process for managing Member assessments and Transport Canada revenue;• Obtain list of member assessments received during the year, agree to approved budget and supporting documentation provided by members• Agree funding received from Transport Canada to agreement and test a sample of expenses to ensure accuracy, classification, and compliance with the agreement (testing of expenses provides evidence that revenue was earned or remains deferred).
Management override of controls*	<ul style="list-style-type: none">• Understand management's assessment of fraud risk and overall control environment• Test a sample of journal entries focusing of unusual account combinations• Perform unpredictable procedures• Test significant estimates, if any.

Internal Controls

Evaluation and documentation of the design and implementation of the Association's internal controls relevant to the audit is a mandatory component of our audit. The strength, relevance and consistent application of the internal controls in place have a direct impact on our audit approach and ultimately on the audit opinion we express.

Entity level controls encompass the Association's overall philosophy and commitment to establishing and implementing appropriate standards, adhering to those standards and monitoring compliance with those standards. We have observed that the Association's management and those charged with governance are committed to creating an organizational environment that is focused on integrity and competence. This sends a strong message to others within the Association which in our opinion creates an effective internal control environment.

Given the size and nature of the entity we have adopted an audit approach that will focus mainly on substantive procedures and will limit our evaluation of internal controls to the following key controls:

- Performing procedures to verify that cheques are signed in accordance with the Association's policy;
- Performing procedures to verify that their bank reconciliations are prepared and reviewed by someone other than the preparer; and
- Performing procedures to verify that the Association's internal financial statements are reviewed by those charged with governance.

Materiality

With respect to materiality, we follow the guidance provided by Canadian Auditing Standard 320 – “Materiality in Planning and Performing an Audit” (CAS 320). Accordingly, when we establish our overall audit strategy, we are required to establish an overall materiality figure for the financial statements as a whole and, if specific circumstances dictate, establish a separate materiality for a particular account balance, class of transaction or disclosure.

Based on our understanding of the entity, the users of the financial statements and the guidance outlined in CAS 320 we have established overall materiality at 4% of revenues. This level of materiality will apply to all account balances, classes of transaction and disclosures.

Timing of the Audit

Based on our discussions to date with management we anticipate the following schedule for completion of the 2025 audit:

Stage of the audit/deliverable	Date
Planning	September 2025
Year-end fieldwork	March/April 2026
Closing meeting with the Finance and Audit Committee	April 2026
Board of Directors meeting	May 2026

Audit Team

The key members of the audit team for 2025 are shown in the table below:

Name	Responsibility
Melanie Platt Engagement Partner mplatt@welchllp.com 343-588-2915	Responsible for the overall delivery of the audit including the quality of outputs, signing the auditors’ report, and communicating with the Chief Executive Officer, the Director of Finance and the Finance and Audit Committee.
Bryden McMaster Reviewing Partner bmcmaster@welchllp.com 613-236-9191 ext. 196	Responsible for reviewing the work completed by our engagement team to ensure it meets both our professional and Firm standards.
Allison Paré Audit Manager apare@welchllp.com 343-588-2764	Responsible for coordinating and delivering the different elements of the audit work. Main point of contact for the Association’s finance team.

We welcome all feedback on the work of the team on an ongoing basis and ask that you identify to us any areas in which you would like to see the quality of our service improved.

Fraud Related Matters

Under Canadian Auditing Standards, we are required to communicate directly with the Finance and Audit Committee regarding fraud related matters.

To complete this component of our mandate we need to obtain certain representations from management with respect to error and fraud and establish that you have been alerted accordingly.

Please be aware that management is responsible to report all incidents of fraud, unless the matter is trivial in nature, to the Board along with their recommendation for dealing with the matter. The Board should then review the matter and advise management on how to proceed.

We will obtain written representations concerning fraud related matters from management in their Representation Letter which management will date concurrently with the release date of our audit report.

Changes to Audit and Accounting Standards

There have been no changes to the Canadian accounting standards for not-for-profit organizations or Canadian Auditing Standards that will impact the Association's financial statements for the 2025 fiscal year.

A copy of the audit report we expect to issue is attached to the Engagement Letter as Appendix A.

Independence

We have assessed our independence and are not aware of any relationships between the Association and us that may reasonably be thought to bear on our independence. As a result, as of the date of this audit planning communication, we confirm that in our professional judgment, we are independent accountants with respect to the Association, within the meaning of the rules of professional conduct of our provincial institute.

Reporting matters to those charged with governance

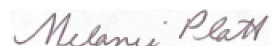
As explained earlier, Canadian Auditing Standard (CAS) 260 requires auditors to report audit matters to those charged with governance. We will provide this information to the Association's Finance and Audit Committee upon substantial completion of our audit and the information communicated will include the following matters if any were identified:

- Details of any unadjusted misstatements in the Association's accounts, along with reasons why the adjustments have not been made;
- Details of any significant deficiencies in the accounting and internal control system; and
- Details with respect to any significant difficulties encountered during the audit.

Should you wish to discuss the contents of this letter please feel free to contact us.

Yours truly,

Welch LLP



Melanie Platt, CPA, CA
Partner

September 16, 2025

The Railway Association of Canada
99 Bank Street
Suite 901
Ottawa, Ontario
K1P 6B9

Attention: Mr. Kristaps Kuplais

Dear Kristaps:

This letter will confirm the terms of engagement covering our audits of the consolidated financial statements of The Railway Association of Canada and the financial statements of Operation Lifesaver (together the "Association") for the fiscal year ending December 31, 2025.

Objective and Scope

Our function as auditors of the Association is to express an opinion on the Association's annual financial statements. We will conduct our audit in accordance with Canadian generally accepted auditing standards.

The objectives of our audit 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 a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Unless unanticipated difficulties are encountered, we will submit to you an audit report that will be substantially in the form presented in Appendix A. The form and content of our report may need to be amended in light of our audit findings.

Our Responsibilities

We will conduct our audit in accordance with Canadian generally accepted auditing standards, which require us to comply with ethical requirements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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;

Our Responsibilities - Cont'd.

- 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 entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Canadian generally accepted auditing standards.

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Accordingly, except for information that is in or enters the public domain, we will not provide any third party with confidential information concerning the affairs of the entity without the Association's prior consent, unless required to do so by legal authority, or the rules of professional conduct / code of ethics of the Chartered Professional Accountants of Ontario (CPA Ontario). You acknowledge that you are aware that Welch LLP (the "Firm") acts as auditors and accountants for clients that operate in the same industry and region as your Association and that these other clients may be your members, suppliers and competitors.

We will handle your confidential information in accordance with our Firm's privacy policy which can be viewed in its entirety on our website at www.welchllp.com. Specifically, personal information will only be collected, used and disclosed for the intended purpose of the completion of our engagement. Welch LLP will retain confidential records in this matter for 7 to 10 years, as required by CPA Ontario, CRA requirements and as per Welch LLP's policies, at which time they will be securely destroyed.

Our Responsibilities - Cont'd.

Welch LLP will provide audit services and the engagement partner referenced in this letter will have the overall responsibility for performing the audit and issuing the related audit report. The engagement partner may assign other partners, managers, accountants or students to work on your file and these individuals will form part of the audit engagement team. Members of the engagement team may be employees of Welch LLP or subcontractors hired by Welch LLP. All members of the engagement team are required to comply with the privacy and confidentiality requirements referenced in this communication.

In accordance with professional regulations, our client files must periodically be reviewed by practice inspectors and by other Firm personnel to ensure that we are adhering to professional and Firm standards. These file reviewers are required to maintain confidentiality of client information.

We will communicate in writing the relationships between us and the Association (including related entities) that, in our professional judgment, may reasonably be thought to bear on our independence.

Canadian Auditing Standards require us to communicate matters identified during the course of our audit. Audits do not usually identify all matters that may be of interest to management in discharging its responsibilities. The type and significance of the matter to be communicated will determine the level of management to which the communication is directed. However, if we identify any of the following matters, they will be communicated to the appropriate level of management:

- (a) Misstatements, resulting from error, other than trivial errors;
- (b) Fraud or any information obtained that indicates that a fraud may exist;
- (c) Any evidence obtained that indicates that an illegal or possibly illegal act, other than one considered inconsequential, has occurred;
- (d) Significant deficiencies in the design or implementation of internal control to prevent and detect fraud or error; and
- (e) Related party transactions identified by us that are not in the normal course of operations and that involve significant judgments made by management concerning measurement or disclosure.

Management's Responsibilities

Management is responsible for:

Financial statements

- (a) The preparation and fair presentation of the Association's financial statements in accordance with Canadian accounting standards for not-for-profit organizations.

Management's Responsibilities - Cont'd.

Completeness of information

- (a) Providing us with and making available complete financial records and related data, and copies of all minutes of meetings of directors and committees of directors and all other information of which management is aware that is relevant to the preparation of financial statements;
- (b) Providing us with information relating to any known or probable instances of non-compliance with legislative or regulatory requirements, including financial reporting requirements;
- (c) Providing us with information relating to any illegal or possibly illegal acts, and all facts related thereto;
- (d) Providing us with information regarding all related parties and related party transactions;
- (e) Providing us with additional information we may request for the purpose of the audit; and
- (f) Providing us with unrestricted access to persons within the Association from whom we determine it necessary to obtain audit evidence.

Fraud and error

- (a) Determining internal controls necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error;
- (b) Assessing the risk that the financial statements may be materially misstated as a result of fraud;
- (c) Providing us with information relating to any allegations of fraud or suspected fraud affecting the Association's financial statements communicated by employees, former employees, analysts, regulators or others;
- (d) Communicating its belief that the effects of any uncorrected financial statement misstatements aggregated during the audit are immaterial, both individually and in the aggregate, to the financial statements taken as a whole; and
- (e) Providing us with information relating to fraud or suspected fraud affecting the entity involving:
 - i) management;
 - ii) employees who have significant roles in internal control; or
 - iii) others, where the fraud could have a non-trivial effect on the financial statements.

Management's Responsibilities - Cont'd.

Recognition, measurement and disclosure

- (a) Providing us with its assessment of the reasonableness of significant assumptions underlying fair value measurements and disclosures in the financial statements;
- (b) Providing us with any plans or intentions that may affect the carrying value or classification of assets or liabilities;
- (c) Providing us with information relating to the measurement and disclosure of transactions with related parties;
- (d) Providing us with an assessment of all areas of measurement uncertainty known to management that are required to be disclosed in accordance with the financial reporting framework selected;
- (e) Providing us with information relating to claims and possible claims, whether or not they have been discussed with the Association's legal counsel;
- (f) Providing us with information relating to other liabilities and contingent gains or losses, including those associated with guarantees, whether written or oral, under which the Association is contingently liable;
- (g) Providing us with information on whether the Association has satisfactory title to assets, liens or encumbrances on assets exist, or assets are pledged as collateral;
- (h) Providing us with information relating to compliance with aspects of contractual agreements that may affect the financial statements; and
- (i) Providing us with information concerning subsequent events.

Written confirmation of significant representations

- (a) Providing us with written confirmation concerning representations made to us in connection with the audit including matters that are:
 - i) directly related to items that are material, either individually or in the aggregate, to the financial statements;
 - ii) not directly related to items that are material to the financial statements but are significant, either individually or in the aggregate, to the engagement; and
 - iii) relevant to your judgments or estimates that are material, either individually or in the aggregate, to the financial statements.

Also, we will ask that your personnel, to the extent possible, prepare various schedules and analyses, and make various invoices and other documents available to our staff. This assistance will facilitate our work and minimize our costs to you. If for any reason your personnel are unable to provide this assistance we will discuss with you any fee revisions necessary to reflect the additional services we are required to undertake.

Other Matters

All working papers, files, and other materials, created, developed or performed by our Firm during the course of the audit are the property of our Firm and will be retained by us in accordance with our Firm policies and procedures.

In conducting an audit, our objective is to render an opinion as to whether or not the Association's financial statements are free from material misstatement. Accordingly, the audit process may not detect situations where the Association is incorrectly collecting or charging HST and payroll taxes or claiming input tax credits incorrectly. Determining the requirements of the Underused Housing Tax (UHT) filings and the filing obligation related thereto are not considered part of the audit engagement. Only upon your written request will we consider undertaking a separate special engagement to perform detailed work in these areas.

If reproduction or publication of our report, including electronic filings or postings of the report on a website, is planned, a copy of that material should be submitted to us in sufficient time for our review before the printing process or posting process begins.

The examination of the financial statements and the issuance of our audit opinion are solely for the use of the Association and those to whom our report is specifically addressed by us. We make no representation of any kind to any third party in respect of these financial statements and we accept no responsibility for the use by any third party.

Unless we are advised to the contrary, our services may be conducted and obligations performed by the use of electronic transmission of information of documents and data, including confidential and sensitive information by Internet, e-mail, phone or video-conference, and your data may be stored using cloud based third party applications. If the communication relates to a matter of significance and there are concerns about possible effects of electronic transmissions, a hard copy of such transmissions should be sent to us or requested from us. We will not record any calls or videos with you or your staff, without prior consent from you. We will attempt to leverage the security features embedded within any technology used; however, we ultimately cannot guarantee that these features will be adequate relative to the information which may be discussed.

We ask that our name be used only with our consent and that any information to which we have attached a communication be issued with the communication unless otherwise agreed to by us.

The Railway Association of Canada and Operation Lifesaver hereby agree to release and indemnify Welch LLP and its partners and employees, and hold them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a known misrepresentation by a member of the Association's management regardless of whether the person was acting in the Association's interest. This release and indemnification will survive termination of this engagement letter.

Other Matters - Cont'd.

You (and any others for whom our services are provided) may not recover from us, in contract or tort (including negligence), under statute or otherwise, aggregate damages in excess of the greater of (i) the total fees paid to us for the services provided and (ii) \$500,000. This limitation will not apply to losses caused by our fraud or willful misconduct or to the extent prohibited by applicable law or professional regulations. In no event shall we be liable for any damages relating to or arising out of any loss of profit, data or goodwill or any other consequential, incidental, indirect, punitive or special damages in connection with claims arising out of this agreement. Our liability under this agreement shall be several and not joint and several, solidary or in solidum, with such others, and shall be limited to our share based on our relative contribution to the loss. Any claim shall be made no later than one year after you become aware (or ought reasonably to become aware) of the facts giving rise to a claim and no later than two years after the completion of the services contemplated under this agreement.

In addition to our audit services, we will prepare your federal and provincial income tax returns and other special reports when requested. Management will provide the information necessary to complete these returns or reports and will file them with appropriate authorities on a timely basis.

Our charges to the Association for our services will be made at our regular rates plus out-of-pocket expenses. All invoices shall be due when issued. Interest shall be charged at a rate of 1% per month (the equivalent of 12% per annum). Invoices will be issued in accordance with the following schedule:

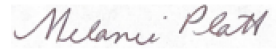
Date	\$
November 2025	5,000
March 2026	10,000
April 2026	9,500

This engagement letter is subject to and governed by the laws of the Province of Ontario and the laws of Canada applicable therein. The province of Ontario will have exclusive jurisdiction in relation to any claim, dispute or difference concerning this engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to any action being brought in those courts, to claim that the action has been brought in an inappropriate form, or to claim that those courts do not have jurisdiction.

The terms of engagement as outlined in this letter will continue in effect from year to year unless changed by us in writing. We believe the foregoing correctly sets forth our understanding, but if you have any questions, please let us know. If you find the terms acceptable to you, please acknowledge your agreement to the understanding by signing in the space provided and returning it to us. We appreciate the opportunity of continuing to be of service to your Association.

Yours very truly,

Welch LLP



Melanie Platt, CPA, CA
Partner

The services and terms set out are as agreed.

THE RAILWAY ASSOCIATION OF CANADA

Per _____
Kristaps Kuplais

INDEPENDENT AUDITOR'S REPORT

To the members of

THE RAILWAY ASSOCIATION OF CANADA*Opinion*

We have audited the consolidated financial statements of The Railway Association of Canada (the Association), which comprise the consolidated statement of financial position as at December 31, 2025, and the consolidated statements of operations and changes in net assets and the consolidated statement cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Association as at December 31, 2025 and the results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.
- 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Association to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

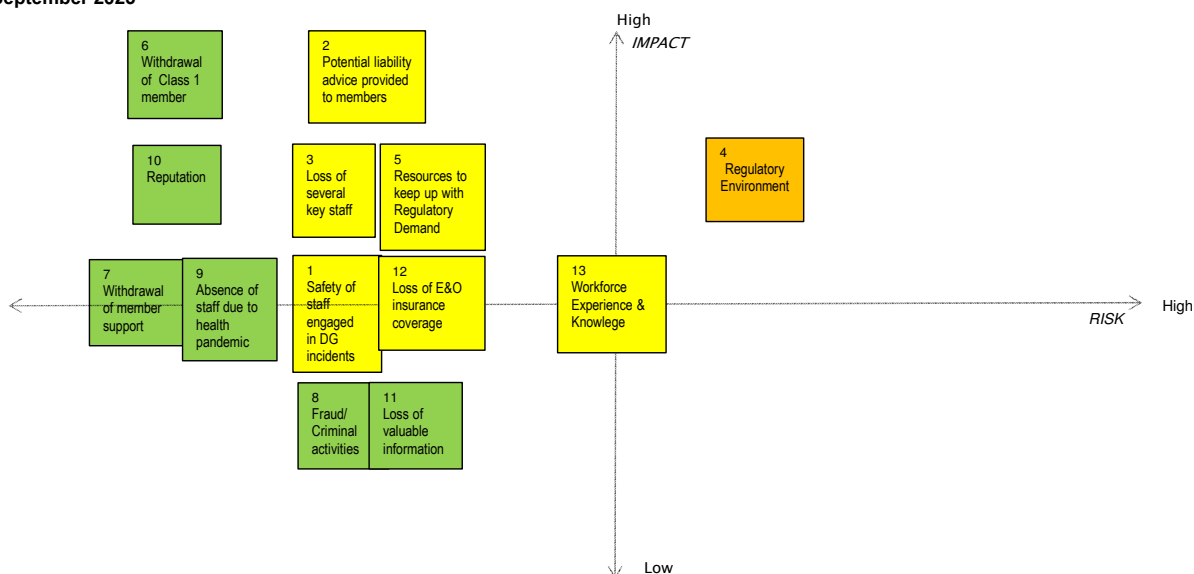
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Welch LLP
Chartered Professional Accountants
Licensed Public Accountants

City _____
Date _____

Item 4 – Risk Assessment

**RAILWAY ASSOCIATION OF CANADA
RISK ASSESSMENT
September 2025**



RISK IDENTIFICATION			RISK ASSESSMENT						
	CATEGORY	RISK STATEMENT	Likelihood	Impact	Weight	RANK	CONTROLS IN PLACE	Effectiveness of Controls	△
1.	Operational	Safety of staff engaged in dangerous goods incidents or other onsite incidents	2	3	6	MEDIUM	Procedures, rules, regulations in place	Strong	=
2.	Operational	Potential liability for advice, standards, procedures provided to members	2	5	10	MEDIUM	Use published regulations	Adequate	=
3.	Operational	Permanent or temporary loss of several key staff	2	4	8	MEDIUM	Cross training; can supplement from members	Adequate	=
4.	Operational	Regulatory Environment	4	4	16	HIGH	Industry is responding in a timely manner; use of consultants	Strong	=
5.	Operational	Resources: ability to keep up with Regulatory demand	2	4	8	MEDIUM	Sweat Equity from members; Other RAC staff with knowledge; Use of consultants	Adequate	=
6.	Financial	Withdrawal of Class 1 member	1	5	5	LOW	RAC Bylaws indicate that a 12 month notice period is required for membership termination.	Adequate	=
7.	Financial	Poor performance of rail sector resulting in withdrawal of member support	1	3	3	LOW	Engage with Board members and Senior Executives as required	Adequate	=
8.	Financial	Fraud or other criminal activities	2	2	4	LOW	Policies, internal control	Strong	=
9.	Health	Recurrence of pandemic resulting in temporary absences of a large portion of staff	1	3	3	LOW	Ability to work from home/Hybrid workplace	Strong	=
10.	General	Reputation	1	4	4	LOW	Broad access to expertise	Strong	=
11.	Technological	Loss of valuable information	2	2	4	LOW	Offsite backup	Strong	=
12.	Operational	Loss of Errors & Omissions Insurance Coverage	2	3	6	MEDIUM	Insurance broker approaches market well in advance of expiry-cost is manageable	Adequate	=
13.	Operational	Workforce Experience & Knowledge	3	3	9	MEDIUM	Succession plan	Adequate	=

RISK ANALYSIS: Scales for Likelihood and Impact

LIKELIHOOD = Probability of the risk event actually occurring.

Score:	Description:	Approximate probabilities:
1	Improbable; Rare	.00 - .04
2	Unlikely	.05 - .24
3	Possible	.25 - .54
4	Likely	.55 - .89
5	Certain	.90 - 1.00

IMPACT = Degree of severity of the consequence.

Score:	Description:
1	Insignificant - negligible effects.
2	Minor - normal administrative difficulties;
3	Significant - delay in accomplishing program or project objectives;
4	Major - fundamental rework before objective can be met
5	Catastrophic - objective will not be met

Risk assessment will be updated two times per year by Senior Management, reviewed at each Finance & Audit Committee Meeting and presented to the Board on an annual basis.

Item 5 – 2025 Financial Report

The Railway Association of Canada

1. Overall Financial Position

As of August 31, 2025, the organization continues to manage within its budget.

- **Negative budget variance:** \$28,831.
 - **Updated forecast:** Net expense of **\$906,000**, compared to the originally budgeted **\$1,133,000**.
-

2. Divisional Highlights

Executive Division

- Underspent by **\$11,000**.
- Savings primarily in **conferences and advocacy**.

Finance and Administration Division

- **Positive variance:** \$134,395.
- Most line items are within budget, with only minor overruns of a few hundred dollars.
- **Revenues exceed budget by \$67,000**, largely due to higher-than-expected **member dues**.
- Consumables and various expenses (IT, insurance, etc.) remain **below budget by more than \$1,000**.

Operations and Regulatory Affairs Division

- Net expense is **below budget by \$227,000**.
- Savings driven by **reduced travel, sponsorship, meetings, and translation costs**.

Public and Corporate Affairs Division

- Net expense is **below budget by \$108,000**.
 - Underspending in **travel, contract services, meetings, and conferences**.
 - Overruns in **publications and materials & supplies**.
-

3. Compensation and Benefits

- **Salaries and benefits** are **on budget** as of August 31, 2025.
-

4. Accounts Receivable

- Accounts receivable are **above 2024 levels** at this point in the year.
- Two core members account for the majority of overdue balances:

- One member: **\$80,000**
 - Another member: **\$50,000**
 - Combined, these two make up **\$130,000** of the **\$211,000** outstanding in the **120+ days past due** category.
 - Ongoing dialogue is in place with these members to resolve the matter.
-

5. Government Remittances

- All government remittances are **current and paid on time**.
- **No delinquencies** reported.

The Railway Association of Canada - L'Association des chemins de fer du Canada
Consolidated Departmental Statement of Operations for the Period Ended
Sunday, August 31, 2025

	Actual Year-to-Date \$	Budget Year-to-Date \$	Positive/(Negative) Variance \$ %		Budget Annual \$	Forecast 2025 \$
Executive Group						
Expenses						
Travel, hospitality and miscellaneous	71,189	82,210	11,021	13%	112,775	104,826
Net Expenses	71,189	82,210	11,021	13%	112,775	104,826
Finance and Administration						
Revenue	4,344,607	4,277,198	67,409	2%	6,169,172	6,167,877
Expenses						
General Administrative and Finance	404,673	471,659	66,986	14%	756,223	669,740
Succession Planning	-	-	-	-%	421,824	427,657
Amortization					33,292	34,923
	404,673	471,659	66,986	14%	1,211,339	1,132,320
Net Expenses (Net Revenue)	(3,939,934)	(3,805,539)	134,395	4%	(4,957,833)	(5,035,557)
Operations and Regulatory Affairs						
Revenue	3,941,360	4,480,338	(538,978)	(12%)	5,792,843	6,189,384
Expenses						
Departments						
Regulatory & Policy	18,846	32,730	13,884	42%	76,270	46,768
Radio Spectrum	2,144,066	2,155,007	10,941	1%	2,210,231	2,197,228
LVVR Legal	-	-	-	-%	-	561,723
Operation Lifesaver	249,750	266,919	17,169	6%	1,182,737	1,189,746
Dangerous Goods	112,694	157,508	44,814	28%	253,803	226,041
Mechanical Services	54,305	64,460	10,155	16%	95,725	89,180
ETC Initiative	1,322,017	1,800,032	478,015	27%	2,837,722	2,689,080
	3,901,678	4,476,656	574,978	13%	6,656,488	6,999,766
Projects						
Safety Culture	53,674	58,027	4,353	8%	102,040	78,489
Other Projects	426,474	552,906	126,432	23%	39,537	39,537
	480,148	610,933	130,785	21%	141,577	118,026
	4,381,826	5,087,589	705,763	14%	6,798,065	7,117,792
Net Expenses	440,466	607,251	166,785	27%	1,005,222	928,408
Public and Corporate Affairs						
Revenue	53,182	33,575	19,607	58%	195,175	263,249
Expenses						
General P.A.	83,546	154,980	71,434	46%	214,980	168,361
Media/Communications	232,547	229,952	(2,595)	(1%)	422,894	428,446
Advocacy	202,480	179,460	(23,020)	(13%)	230,190	246,857
Events (Rail Awareness, Rail Day, RGI)	-	-	-	-%	171,650	245,191
Proximity Project	136,350	145,000	8,650	6%	246,460	246,011
Economic Support	29,766	48,685	18,919	39%	130,680	123,435
Human Resources	489	23,015	22,526	98%	64,015	46,015
Other Projects	158,352	171,090	12,738	7%	37,400	36,545
	843,530	952,182	108,652	11%	1,518,269	1,540,861
Net Expenses	790,348	918,607	128,259	14%	1,323,094	1,277,612
Salaries and Benefits						
Salaries and benefits	2,581,566	2,590,290	2,590,290	100%	3,649,742	3,630,711
TOTAL REVENUE	8,339,149	8,791,111	(451,962)		12,157,190	12,620,510
TOTAL EXPENSES	8,282,784	9,183,930	3,482,712		13,290,190	13,526,510
EXCESS REVENUE (DEFICIENCY) OVER EXPENDITURES	56,365	(392,819)	449,184		(1,133,000)	(906,000)
Net Assets - beginning of year					3,934,269	3,934,269
PROJECTED NET ASSETS					2,801,269	3,028,269
Capital Purchases	4,618	7,200	2,582		43,800	50,326

August 2025 Financial Statement

The Railway Association of Canada
Consolidated Statement of Financial Position
August 31, 2025

			Aug 2025 \$	Aug 2024 \$
Assets				
Current assets				
Cash			1,328,656	1,104,395
Guaranteed investment certificates			2,868,202	3,264,703
Accounts receivable (Note 1)			516,528	963,028
Inventory			5,207	
Prepaid expenses			33,637	29,690
			<u>4,752,230</u>	<u>5,361,816</u>
Capital assets				
	Cost	Accumulated Amortization		
	\$	\$		
Computer equipment	269,888	240,229	29,659	21,459
Office furniture	313,095	305,147	7,948	9,935
Leasehold improvements	461,536	403,616	57,920	73,863
	<u>1,044,519</u>	<u>948,992</u>	<u>95,527</u>	<u>105,257</u>
			<u>4,847,757</u>	<u>5,467,073</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued liabilities			421,590	405,555
Deferred revenue			502,228	855,940
			<u>923,818</u>	<u>1,261,495</u>
Lease inducement			37,306	49,405
Net assets			<u>3,886,633</u>	<u>4,156,173</u>
			<u>4,847,757</u>	<u>5,467,073</u>

Note 1 Aged Accounts Receivable

	Total \$	Current \$	31-60 \$	61-90 \$	91+ \$
2025	384,988	71,774	214,672	35,044	231,325
2024	120,014	38,667	22,760	40,928	17,661

The Railway Association of Canada
Consolidated Statement of Operations for the Period Ended
August 31, 2025

	Budget 2025 \$ Eight Months	Actual 2025 \$ Eight Months	Actual 2024 \$ Eight Months
Revenues			
Members' assessment			
Operating costs	4,194,303	4,260,623	4,057,662
Radio Spectrum licence	2,098,387	2,098,001	1,979,496
ETC Assessment	1,800,032	1,332,120	1,093,165
LVVR Legal Assessment	523,369	455,014	
Transport Canada	469,661	462,219	185,530
Interest and other income	175,020	193,504	387,542
	<u>9,260,772</u>	<u>8,801,481</u>	<u>7,703,395</u>
Expenses			
Executive Group			
Travel, hospitality and miscellaneous	82,210	71,189	78,601
	<u>82,210</u>	<u>71,189</u>	<u>78,601</u>
Finance and Administration			
Contracted services	31,325	13,527	37,605
Travel, hospitality and miscellaneous	18,961	12,904	21,580
Office expense	403,873	365,768	373,490
Professional fees	17,500	12,473	116,802
	<u>471,659</u>	<u>404,672</u>	<u>549,477</u>
Operation and Regulatory Affairs			
Contracted services	441,692	410,344	403,782
ETC	1,800,032	1,322,017	1,093,165
LVVR Legal	523,369	396,936	
Travel, hospitality and miscellaneous	581,307	563,150	361,660
Communications	163,540	128,244	103,265
Radio Spectrum licence and maintenance	2,043,510	2,051,760	1,979,835
	<u>5,553,450</u>	<u>4,872,451</u>	<u>3,941,707</u>
Public and Corporate Affairs			
Contracted services	545,490	490,038	429,783
Travel, hospitality and miscellaneous	85,440	26,694	222,624
Advocacy projects and media relations	170,843	190,447	285,774
	<u>801,773</u>	<u>707,179</u>	<u>938,181</u>
Salaries, benefits, succession	<u>2,590,290</u>	<u>2,581,568</u>	<u>1,973,525</u>
	<u>9,499,382</u>	<u>8,637,059</u>	<u>7,481,491</u>
Net revenue for the period	(238,610)	164,422	221,904
Net assets - Beginning of year	<u>3,722,211</u>	<u>3,722,211</u>	<u>3,934,269</u>
Net assets - End of period	<u>3,483,601</u>	<u>3,886,633</u>	<u>4,156,173</u>
<i>Capital expenditures</i>	28,800	21,256	4,618

The Railway Association of Canada
Consolidated Statement of Cash Flows
For the period ended Aug 31, 2025

	2025	2024
	\$	\$
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net revenues	164,422	221,904
Item not affecting cash		
Amortization of lease inducement	(8,066)	(8,067)
	<u>156,356</u>	<u>213,837</u>
Change in non-cash working capital items		
Accounts receivable	828,867	(718,933)
Inventory	63	-
Prepaid expenses	72,719	46,696
Accounts payable and accrued liabilities	(778,576)	(527,497)
Deferred revenue	(38,234)	505,348
	<u>241,195</u>	<u>(480,549)</u>
INVESTING ACTIVITIES		
Proceeds on sale of guaranteed investment certificates	2,083,551	876,887
Purchase of guaranteed investment certificates	(1,740,926)	(982,590)
Purchase of capital assets	(21,256)	(4,618)
	<u>321,369</u>	<u>(110,321)</u>
Change in cash during the period	562,564	(590,870)
Cash – Beginning of year	<u>766,092</u>	<u>1,695,265</u>
Cash – End of period	<u>1,328,656</u>	<u>1,104,395</u>

Q2-June 2025 Financial Statement

The Railway Association of Canada
Consolidated Statement of Financial Position
June 30, 2025

			June 2025	June 2024
			\$	\$
Assets				
Current assets				
Cash			1,141,485	1,144,628
Guaranteed investment certificates			2,855,603	3,237,209
Accounts receivable (Note 1)			1,220,088	707,781
Inventory			5,055	
Prepaid expenses			152,238	38,786
			<u>5,374,469</u>	<u>5,128,404</u>
Capital assets				
	Cost	Accumulated Amortization		
	\$	\$		
Computer equipment	269,888	240,229	29,659	21,459
Office furniture	313,095	305,147	7,948	9,935
Leasehold improvements	461,536	403,616	57,920	73,863
	<u>1,044,519</u>	<u>948,992</u>	<u>95,527</u>	<u>105,257</u>
			<u>5,469,996</u>	<u>5,233,661</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued liabilities			611,852	626,961
Deferred revenue			<u>1,017,199</u>	<u>276,709</u>
			<u>1,629,051</u>	<u>903,670</u>
Lease inducement			39,323	51,422
Net assets			<u>3,801,622</u>	<u>4,278,569</u>
			<u>5,469,996</u>	<u>5,233,661</u>

Note 1 Aged Accounts Receivable

	Total	Current	31-60	61-90	91+	
	\$	\$	\$	\$	\$	
2025	1,220,088	657,966	146,561	51,948	363,613	**
2024	707,781	163,085	471,100	3,518	70,078	

The Railway Association of Canada
Consolidated Statement of Operations for the Period Ended
June 30, 2025

	Budget 2025 \$ Six Months	Actual 2025 \$ Six Months	Actual 2024 \$ Six Months
Revenues			
Members' assessment			
Operating costs	3,265,456	3,261,717	3,158,249
Radio Spectrum licence	2,098,387	2,098,001	1,979,496
ETC Assessment	1,301,114	986,352	813,034
LVVR Legal Assessment	386,658	306,805	-
Transport Canada	354,332	416,618	185,530
Interest and other income	157,191	165,871	352,792
	<u>7,563,138</u>	<u>7,235,364</u>	<u>6,489,101</u>
Expenses			
Executive Group			
Travel, hospitality and miscellaneous	68,390	59,074	63,680
	<u>68,390</u>	<u>59,074</u>	<u>63,680</u>
Finance and Administration			
Contracted services	23,325	10,711	33,429
Travel, hospitality and miscellaneous	16,975	9,883	15,889
Office expense	297,077	275,100	278,536
Professional fees	13,500	12,473	113,471
	<u>350,877</u>	<u>308,167</u>	<u>441,325</u>
Operation and Regulatory Affairs			
Contracted services	321,460	309,429	322,479
ETC	1,301,114	986,352	813,034
LVVR Legal	386,658	306,805	-
Travel, hospitality and miscellaneous	454,657	465,460	303,287
Communications	124,625	124,347	103,069
Radio Spectrum licence and maintenance	2,043,510	2,051,760	1,979,835
	<u>4,632,024</u>	<u>4,244,153</u>	<u>3,521,704</u>
Public and Corporate Affairs			
Contracted services	392,790	378,448	340,568
Travel, hospitality and miscellaneous	71,660	17,699	57,938
Advocacy projects and media relations	160,334	171,523	318,708
	<u>624,784</u>	<u>567,670</u>	<u>717,214</u>
Salaries, benefits, succession	<u>1,982,306</u>	<u>1,976,889</u>	<u>1,400,878</u>
	<u>7,658,381</u>	<u>7,155,953</u>	<u>6,144,801</u>
Net revenue for the period	(95,243)	79,411	344,300
Net assets - Beginning of year	<u>3,722,211</u>	<u>3,722,211</u>	<u>3,934,269</u>
Net assets - End of period	<u>3,626,968</u>	<u>3,801,622</u>	<u>4,278,569</u>
<i>Capital expenditures</i>	28,800	21,256	4,618

The Railway Association of Canada
Consolidated Statement of Cash Flows
For the period ended June 30, 2025

	2025	2024
	\$	\$
CASH FLOWS FROM (USED IN)		
OPERATING ACTIVITIES		
Net revenues	79,411	344,300
Item not affecting cash		
Amortization of lease inducement	(6,049)	(6,050)
	<u>73,362</u>	<u>338,250</u>
Change in non-cash working capital items		
Accounts receivable	125,307	(463,686)
Inventory	215	-
Prepaid expenses	(45,882)	37,600
Accounts payable and accrued liabilities	(588,314)	(306,091)
Deferred revenue	476,737	(73,883)
	<u>41,425</u>	<u>(467,810)</u>
INVESTING ACTIVITIES		
Proceeds on sale of guaranteed investment certificates	2,096,150	904,381
Purchase of guaranteed investment certificates	(1,740,926)	(982,590)
Purchase of capital assets	(21,256)	(4,618)
	<u>333,968</u>	<u>(82,827)</u>
Change in cash during the period	375,393	(550,637)
Cash – Beginning of year	<u>766,092</u>	<u>1,695,265</u>
Cash – End of period	<u>1,141,485</u>	<u>1,144,628</u>

Item 6 – 2026 Budget



Railway Association
of Canada

PEOPLE. GOODS. CANADA MOVES BY RAIL.

RAC 2026-2028 Plan



2026-2028 BUDGET ASSUMPTIONS

Strategic business plan will continue to focus on core mission and activities of RAC in the areas of:

- Advocacy and regulatory affairs
- Communications and outreach events
- Critical member services



2026-2028 Advocacy and Regulatory Affairs

Focussed advocacy and regulatory campaigns:

- Mitigate and push back on regulations and policies detrimental to the industry;
- Ongoing research studies to support advocacy positions with facts and evidence;
- Push back against shipper lobbyist tactics;
- Educate politicians and elected officials on the facts of railway operations;
- Continuation of provincial and municipal advocacy;
- Awareness of rail industry's integral role in Canada's climate change transition by positioning industry as modern, green and innovative;
- Indigenous Engagement best practices toolkit for Shortline members.



2026-2028 Communications and Outreach

Focussed communications and media campaigns:

- Owned channel optimization with added policy pages, interswitching content, blogs, podcasts, resource pages and traditional media outreach;
- Targeted ad buys and media spend based on geo-targeted social channels;
- Regular direct communications with elected officials and their staff as well as non-elected officials and regulators.

Focussed outreach events:

- Women in Rail via virtual event to maximize participation across the country;
- RAC Annual Conference (RailCAN26) that brings government and industry together to share ideas on new and emerging technologies and industry innovation and best practices;
- Safety Summit Conference engaging members, stakeholders, academics and others to share ideas regarding safety;
- Regional events, tradeshow/conferences that are highly focussed on key stakeholders;
- Learn-at-lunch sessions with government stakeholders to better educate them on the day-to-day functions of running a safe and efficient railroad.



2026-2028 Member Services

Focussed delivery of core member services and programs:

- Continuation of Proximity Initiative with a prioritized/targeted approach to greater engagement with municipalities and land developers.
- Ongoing support of Operation Lifesaver program;
- Maintain progress on ETC initiative;
- Oversee the railway telecommunications network with added emphasis on cybersecurity;
- Dangerous Goods training and outreach, Mechanical/Railcar Loading rules and training, Safety Culture improvement initiative, GIS atlas.



2026-2028 – Other Core Requirements

- Ongoing HR resource to enhance internal HR capabilities and reinforce/improve the organizational culture;
- Continuous evaluation of Finance and Communication systems to improve operational efficiency;
- Reviewing lease commitments with potential to optimize office footprint in line with current operational needs.



2026-2028 Financial Considerations

Member funding at following levels:

- 2.00% increase in 2026; 2.75% increase in 2027; 3.00% increase in 2028.

Provision for wage increase pending industry direction and annual benchmark surveys:

- 2.8% increase in 2026; 2.6% increase in 2027; 2.5% increase in 2028.

Stakeholder Outreach

Women in Rail, Shortline Conference, Safety Summit, RailCAN Conference, Holiday Reception & Safety/Environment Awards, RailOps Course, Learn @ Lunch, Minister Meetings, Proximity, GIS Atlas

- Outreach event net costs are projected at an average increase of 5%.
- Transitioning engagement tracking functions into the general member management system.



2026-2028 Financial Considerations (cont'd)

Programs

Radio Spectrum, ETC, Operation Lifesaver, Medical Guidelines, Safety Culture, Environment LEM, Dangerous Goods, Mechanical Car Loading Services, Regulatory

- Operation Lifesaver support reduced to \$300,000 per year next potential contribution agreement with Transport Canada, commencing April 1, 2026.
- Medical guidelines capped at \$25,000 each year.
- 3-5% increase in other program costs.

Advocacy Communications

- Digital buys (advocacy campaign) capped at \$160,000 each year.
- Research to support policy positions capped at \$100,000 each year.
- The member's-only website retrofit in 2026 will be included in the general member management system overhaul.



2026-2028 Financial Considerations (cont'd)

Advocacy Communications (cont'd)

- Review and adjust reliance on external consultants for advocacy support for 2026-2028.
- Conferences; sponsorship average increase of 3% each year.

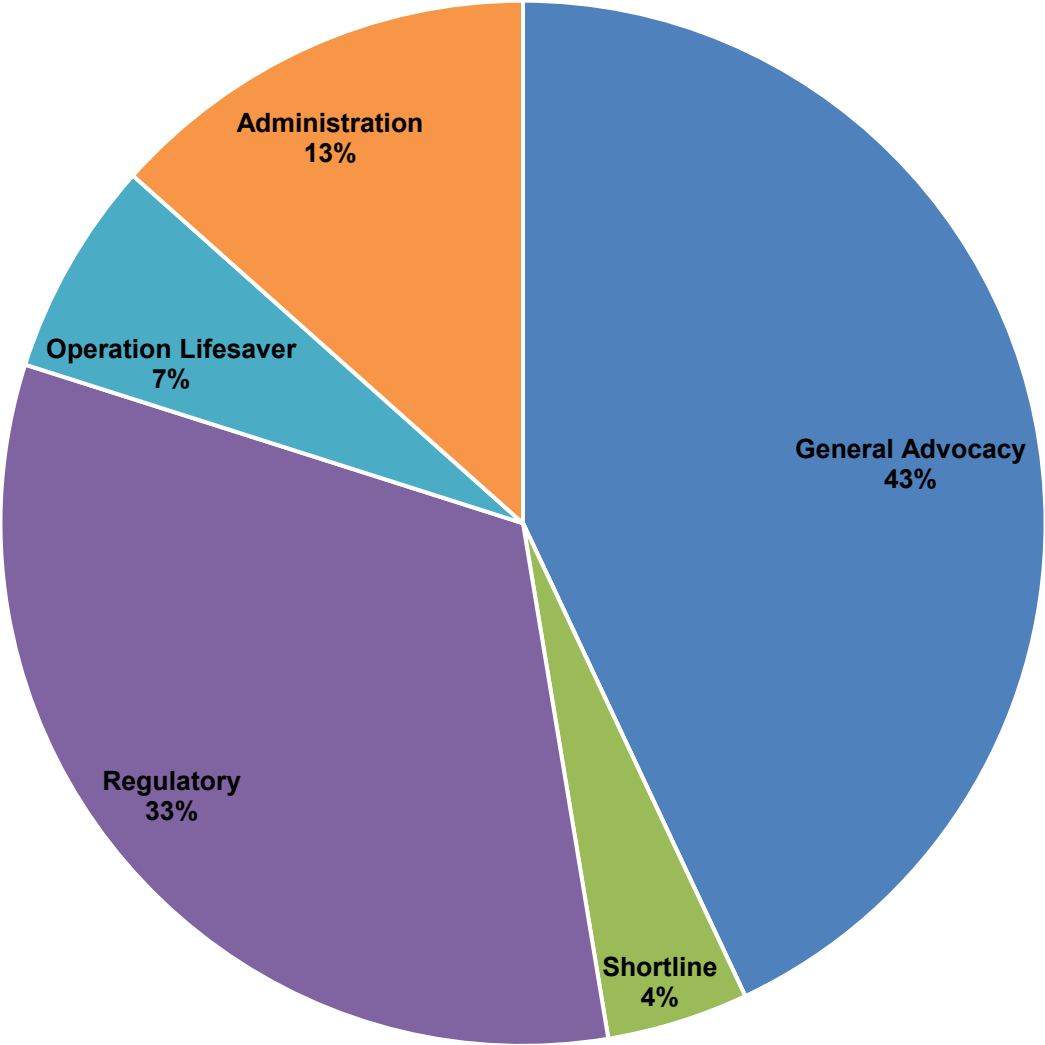
Administration

- Travel costs budgeted at an average increase of 4% each year.
- Meetings/Conferences/Sponsorship/Memberships/Hospitality budgeted at an average increase of 3-4% each year.
- Consumables are budgeted at an average increase of 3-5%.
- Strategic investment in upgrading the financial and member management systems to a more robust, scalable solution, with an upfront cost of approximately \$75,000, unlocking long-term efficiencies, stronger controls, and improved member engagement.

The chart on slide 10 allocates 2026 expenses by RAC's top priorities.



2026 Top Priorities and Allocated Resources



Other Financial Considerations

Outlook Beyond 2028

The 3-year outlook reflects a yearly Net Expense that draws down on reserves, which will reach the minimum required level (per net asset policy) of \$2 m at the end of 2028. Based on recommendation by the Finance & Audit Committee, RAC administration has identified the 3-year plan to would lead towards full cost recovery to reach a balanced budget prior to 2029.

The table on slide 12 summarizes the 3-year financial outlook, based on financial considerations outlined in slides 7-9.

It is proposed that the budget for the year 2026 be set at \$6,498,335, with projected revenues of \$6,165,628. The resulting deficit of \$332,707 will be covered by excess Net Reserves.

Operation Lifesaver (OL) operations are dependent upon funding from Transport Canada (TC) and RAC. TC has committed to funding OL until March 31, 2026 (\$600k each year ending March 31, 2025 & March 31, 2026, respectively). RAC's cash contribution is \$400k for each respective year, however effective April 1, 2026, the budget reflects \$300k/year. Given the uncertainty and delay OL faced with funding renewal past March 31, 2024, there is risk that OL will not receive TC funding past March 31, 2026. If OL operations are to continue without TC funding, RAC's net asset reserve policy needs to allow for sufficient reserves to absorb this cost. Level of support to be determined.



RAC SUMMARY

3 YEAR FINANCIAL OUTLOOK 2026-2028

Assessments

Member Assessment (funding level)

Member Assessment adjustments

Associate Member

Expenses net of program revenues

Net Expense

Opening Net Assets

Closing Net Assets

Net Asset Reserve Requirement per Policy

3 month average operating costs (net of ETC, Spectrum & TC-OL)

Contingency (15%)

Net Asset Surplus compared to policy

	Forecast 2028	Forecast 2027	Budget 2026	Estimated 2025	Actual 2024
	3.00%	2.75%	2.00%	3.25%	
\$ 6,384,645	\$ 6,198,684	\$ 6,032,783	\$ 5,914,493	\$ 5,728,320	
				\$ (10,622)	
138,214	135,494	132,845	133,760	134,186	
\$ 6,522,859	\$ 6,334,178	\$ 6,165,628	\$ 6,048,253	\$ 5,851,884	
6,648,622	6,533,370	6,498,335	6,954,253	6,063,943	
\$ (125,763)	\$ (199,191)	\$ (332,707)	\$ (906,000)	\$ 212,059	
\$ 2,284,312	\$ 2,483,504	\$ 2,816,211	\$ 3,722,211	\$ 3,934,269	
\$ 2,158,549	\$ 2,284,312	\$ 2,483,504	\$ 2,816,211	\$ 3,722,211	
1,662,156	1,633,342	1,624,584			
249,323	245,001	243,688			
\$ 1,911,479	\$ 1,878,344	\$ 1,868,271			
\$247,070	\$405,969	\$615,232			



**The Railway Association of Canada
Other Items
September 2025**

**Statement of Variance and Conformance
September 25, 2025**

The Audit and Finance Committee of the Railway Association of Canada expects the Association to be well managed with the prudent stewardship of revenues provided by member-companies, the safeguarding of Association assets, and the effective, efficient, and economical use of its resources. It further expects reliable reporting that provides transparency and accountability for how the Association spends its funds to achieve results for the membership. In addition, it expects to be made aware of any real or potential instances of fraud or misrepresentation, misuse of Association property, violation of stated policies and procedures and/or changes in the risk profile of the Association.

On behalf of the Railway Association of Canada Leadership Team, we attest that, since the meeting of the Audit and Finance Committee in April 24, 2025 there have been no observed or reported deviances from the Railway Association of Canada Policies. In addition, there have been no observed or reported instances of:

- fraud; or
- financial mismanagement or misuse of the Railway Association of Canada resources.

All regular Railway Association of Canada tax and payroll payments have been made.

Signed: September 25, 2025



Eric Harvey, President and CEO



Kristaps Kuplais, VP, Finance and Operations