



Finance & Audit Committee Meeting

Meeting 2026-1
April 23, 2026

People. Goods.
Canada moves by rail.



Railway Association
of Canada



Finance and Audit General Committee Meeting 2026-1
Thursday, April 23, 2026 – 10:00 – 12:00 Hours (EDT)
RAC Virtual Meeting – [CLICK HERE TO JOIN](#)
MS Teams Meeting ID: 267 708 401 131 99; Passcode: VP9PN96D
Dial in by phone [+1 437-703-1516](#), [397574186#](#)

Agenda

| | | TIME |
|-----|---|-------------|
| 1. | Welcome and Call to Order (Chair) | 10:00 |
| | (a) Competition Law Compliance Policy-Forward Statement | |
| 2. | Approval of Minutes (Chair) | 10:05 |
| | Minutes of September 25, 2025 Meeting (Motion required) | |
| 3. | President’s Message (Eric Harvey) | 10:10 |
| 4. | 2025 Audit & Auditors’ Report (Melanie Platt, Welch) | 10:25 |
| | (Motion to accept) | |
| 5. | Review of 2025 Audited Financial Statements (K. Kuplais) | 10:30 |
| | (a) RAC Consolidated | |
| | (b) Operation Lifesaver | |
| | (Motion to accept) | |
| 6. | In Camera discussion with Auditors (Chair) | 10:40 |
| 7. | In Camera management discussion of audit (Chair) | 10:50 |
| 8. | Review of 2026 February Statements (S. Kuplais) | 11:00 |
| 9. | 2026 Budget (S. Kuplais) | 11:10 |
| 10. | Risk Assessment (S. Kuplais) | 11:15 |
| 11. | Other Items: (S. Kuplais) | 11:35 |
| | (a) Conformance Statement | |
| | (b) Office Relocation | |
| | (c) ERP RFP process | |
| | (d) OL TC Audit | |
| | (e) System Improvements | |
| 12. | Next Meeting – October 1, 2026 (tentative) (Chair) | 11:45 |
| 13. | Adjournment (Chair) | 12:00 |

Item 1

Competition Law Compliance Policy

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

Item 2

Minutes April 23, 2026 Meeting

**Finance and Audit General Committee Meeting
Virtual Meeting
Ottawa, Ontario**

September 25, 2025 – 10:00 am

Minutes

ATTENDANCE:

Present:

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

Also, by Virtual Meeting:

| | | |
|----------------|-----------|----------------|
| Ms. M. Platt | Welch LLP | Teleconference |
| Ms. A. Pare | Welch LLP | Teleconference |
| Mr. E. Harvey | RAC | Teleconference |
| Mr. K. Kuplais | RAC | Teleconference |
| Ms. C. Cliche | RAC | Teleconference |

1. Introduction & Call to Order

The meeting was called to order at **10:00 a.m.** by **Mr. Kuplais**, confirming the presence of quorum. Mr. Robertson invited Mr. Kuplais to provide a brief self-introduction, followed by introductions from committee members. All members reaffirmed their compliance with the **RAC Competition Law Compliance Policy**.

2. Review of Minutes from April 24, 2025, Meeting

Mr. Roberston requested a motion to accept the minutes of meeting from April 24, 2025

Resolution 2025-05: Motion to approve minutes from April 24, 2025, Meeting

It is moved by Mr. Robertson and seconded by Ms. St-Yves that the minutes of the Finance and Audit General Committee Meeting held on April 24, 2025, is taken as read and approved.

3. Update on RAC Activities and Business Plan

Mr. Harvey provided an overview of current activities and priorities:

- Focus on tariff management and reallocation of budget resources through the termination of three employees.

- Emphasis on “hiring right” following an unsuccessful first round for the National Director of Government Relations. A head-hunter has been retained, with new screening and interviews scheduled to begin next week.
- Recruitment of Krista Warnica, former CTA decision writer and Transport Canada policy professional, on a one-year secondment, adding valuable policy expertise.
- Exploration of a move to a smaller office to reduce operating costs and improve budget efficiency. The plan would require Finance & Audit Committee approval to break the existing lease, with a proposal expected in Q4 2025.

4. 2025 Audit Plan

Ms. Platt advised that the audit plan is consistent with prior years. Ms. Platt advised the committee that she and Ms. Pare met with Mr. Kuplais and Ms. Kazaka prior to her retirement, to ensure a smooth transition and consistent audit process.

- The 2025 audit plan remains consistent with prior years, following a risk-based approach.
- Ms. Paré outlined key focus areas:
 - Member Assessments and Transport Canada revenue, due to their material significance.
 - Management override of controls, a standard audit focus area.
- Audit materiality set at 4% of revenues.
- Fieldwork scheduled for March - April 2026.
- Independence of Welch LLP confirmed.

The Committee confirmed no awareness of alleged or actual fraud during the fiscal year.

Mr. Robertson suggested that Ms. Paré connect with Mr. Kuplais regarding improvements to financial controls and automation that may influence future audits.

| |
|--|
| Resolution 2025-06: Motion to approve the 2025 Audit Plan |
|--|

| |
|---|
| It was moved by Mr. Edwards and seconded by Ms. St-Yves that the 2025 Welch LLP audit plan be approved. |
|---|

5. Risk Assessment

Mr. Kuplais referenced the Risk Assessment chart and noted no significant changes since April.

Mr. Harvey provided context on the regulatory environment, including:

- Government support measures related to tariffs.
- Discussion of accelerated depreciation incentives and Bill C-5, which could streamline project approvals.
- Ongoing challenges in labour stability and labour code amendments.

6. Review of 2025 Q2 Financial Statements

Mr. Kuplais summarized the highlights of the financial statements to August 31, 2025, and Q2 financials. Highlights from financial results as of August 31, 2025 (Q2):

- Positive budget variance, attributed to lower expenses and modest revenue gains.
- Continued financial prudence maintaining strong budgetary control.

7. 2025 Budget

Mr. Harvey and Mr. Kuplais explained the budget projections for 2026.

Key budget considerations included:

- Projected 2% increase in membership fees.
- Operational efficiencies expected to yield additional savings.
- Investment in new financial and member management systems.
- A proposed reserve strategy targeting \$2.1 million by 2028.

Committee discussions highlighted the need to:

- Maintain a balanced budget while preparing for potential economic fluctuations.
- Monitor reserve dependency and assess risks of a future negative budget.
- Align reserve strategy with Board policy and long-term financial sustainability.

Mr. Robertson commended the team for disciplined financial management and ongoing cost efficiency.

| |
|--|
| Resolution 2025-07: Motion to recommend the 2026 Budget |
|--|

| |
|---|
| It was moved by Ms. St-Yves and seconded by Mr. Edwards to recommend the 2025 budget, as presented, to the board. |
|---|

8. Other Items

Finance Continuity Plan

Not discussed

Status of Government Remittances

All government remittances are current and paid on time with no delinquencies.

9. Next Meeting

Next Spring meeting scheduled with a provisional date for April 23, 2026 at 10:00am EST.

10. Motion to Adjourn

Mr. Robertson adjourned the meeting at 11:33 am EST.

Item 3 – President’s Message
April 23, 2026 Meeting

Item 4 – 2025 Audit & Auditors' Report
April 23, 2026 Meeting

REPORT TO THE FINANCE AND AUDIT COMMITTEE

OF

THE RAILWAY ASSOCIATION OF CANADA

For the year ended December 31, 2025

Prepared by:
Melanie Platt, CPA, CA
Partner
April 14, 2026

AUDIT STATUS

Our audits of the consolidated financial statements of The The Railway Association of Canada and the financial statements of Operation Lifesaver Canada (together, the Association) for the year ended December 31, 2025 are substantially complete and we expect to release our auditor's reports after the following outstanding matters are completed:

- Renewed Transport Canada funding agreement for Operation Lifesaver Canada;
- Receipt of the signed management representation letter;
- Approval of the financial statements by the Board of Directors; and
- Final subsequent review up to the date of approval of the financial statements.

If any significant matters arise between the date of this report and the signing of our audit report we will raise them with you. Our draft unmodified audit opinion is included with the draft financial statements submitted to the committee for review.

AREAS OF AUDIT FOCUS

Our audit focused on the following areas, as indicated in our audit approach letter:

| Areas of audit focus/significant risk* | Results |
|--|--|
| Member assessments and Transport Canada revenues | <p>We executed our audit procedures as planned, including updating our understanding of the process for managing Member assessments and Transport Canada revenue, agreeing member assessments to the approved budget and testing a sample of Operation Lifesaver expenses to ensure compliance with the Transport Canada agreement.</p> <p>The funding component of the Transport Canada funding agreement ceased on March 31, 2026. Operation Lifesaver financial statements will not be finalized until funding has been secured that will meet Operation Lifesaver's cash requirements.</p> |

| Areas of audit focus/significant risk* | Results |
|--|--|
| Unidentified bank accounts | During the audit, it came to our attention that the activity of five (5) previously unidentified bank accounts, related to Provincial Committees of Operation Lifesaver, was not accounted for. Corrective actions were taken during the current year to close certain accounts and record activity in the financial statements. In fiscal 2025, revenue is overstated by \$5,229; however, cash and net assets at year-end are appropriately stated. In fiscal 2024, cash and net assets were understated by \$5,391. |
| Management override of controls* | <p>We executed our audit procedures as planned, including understanding management's assessment of fraud risk and the overall control environment, testing a sample of journal entries, performing unpredictable procedures and testing estimates.</p> <p>There are no issues to bring to the Committee's attention.</p> |

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided in the financial statements.

There are no matters with respect to the qualitative aspects of accounting practices that we wish to draw to your attention in relation to the financial statements for the 2025 fiscal year.

MANAGEMENT REPRESENTATIONS

We are required to obtain written representations from management as an acknowledgement of their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. We have provided a draft of the letter of representation in Appendix A. The Vice-President, Finance & Operations has committed to provide us with a signed copy of the letter on a date to coincide with the date of our auditor's report.

UNADJUSTED OR ADJUSTED ITEMS

The corrected and uncorrected misstatements of Operation Lifesaver identified during our audit are included in Appendix B and Appendix C, respectively. The corrected misstatements of The Railway Association of Canada identified during our audit are included in Appendix D. We did not identify any unadjusted items related The Railway Association of Canada.

Canadian generally accepted auditing standards require that we request that management and the Finance and Audit Committee correct all the misstatements that we present to them. Management has provided us with the following rationale for not making the adjusting journal entries we proposed:

| |
|--------------------------------|
| Errors related to prior years. |
|--------------------------------|

If you disagree with management, and would like management to make the proposed adjustment(s), we request that you inform management and us accordingly.

SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

During our audit we did not identify any significant deficiencies in internal control to report to the Finance and Audit Committee.

INDEPENDENCE

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between the Association and us that, in our professional judgment, may reasonably be thought to bear on our independence.

No matters have been identified that would reasonably be thought to bear on our independence. As a result, we confirm that we are independent.

FINANCIAL STATEMENT PRESENTATION

1. Significant Accounting Policies

The Association's significant accounting policies are disclosed in the notes to the financial statements.

During the year there were no new accounting policies or changes to existing accounting policies.

2. Management's Judgments and Accounting Estimates

With the exception of the recurring management estimates (as are disclosed in note 2 of the financial statements), we did not encounter any situations that required significant judgments on the part of management or involved significant estimates.

OTHER MATTERS ARISING FROM THE AUDIT

During the course of our audit we received the full co-operation of management and did not encounter any difficulties during our audit. There were no limitations on the scope of our audit work and we did not have any disagreements with management.

MATTERS TO BE COMMUNICATED

Canadian Auditing Standards require us to communicate to you the following:

- Significant matters identified during the audit in connection with the Association's related parties;
- Whether we encountered other transactions that were unusual or not in the normal course of business;
- Details of any frauds that we identified or information that indicates that a fraud may exist;
- Conditions identified that may cast significant doubt on the entity's ability to continue as a going concern; and
- Non-compliance with laws or regulations that come to the auditor's attention during the course of the audit.

We did not encounter any such matters during the course of our audit.

ACKNOWLEDGEMENTS

During the course of our audit, we received considerable assistance from the Association's staff and management. We would like to take this opportunity to thank them for their efforts and for their constructive approach to the audit.

99 Bank Street
Suite 901
Ottawa, Ontario
K1P 6B9

Date to be determined

Welch LLP
350 Albert Street
Suite 700
Ottawa, Ontario
K1R 1A4

To whom it may concern:

We are providing this letter in connection with your audits of the consolidated financial statements of The Railway Association of Canada (the Association) for the year ended December 31, 2025, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

We acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 16, 2025, for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations.
2. The significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

Information Provided

1. We have provided you with:
 - (a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - (b) Additional information that you have requested from us for the purpose of the audit; and
 - (c) Unrestricted access to persons within the Association from whom you determined it necessary to obtain audit evidence.
2. All transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed this risk as low.
4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Association and involves:
 - (a) Management;
 - (b) Employees who have significant roles in internal control; or
 - (c) Others where the fraud could have a material effect on the financial statements.
5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Association's financial statements communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
7. We have disclosed to you the identity of the Association's related parties and all the related party relationships and transactions of which we are aware.

Accounts Receivable

Accounts receivable represent valid claims relating to transactions made before the end of the fiscal year. Adequate provision has been made for losses which may be sustained in the collection of receivables.

Temporary and Portfolio Investments

1. All investments that are owned by the Association are recorded in the accounts.
2. The Association has good title to all investments recorded in the accounts and these investments are free from hypothecation.
3. All income earned on the investments for the year has been recorded in the accounts.
4. Where there has been a significant adverse change in the expected timing or amount of future cash flows from an investment, it has been appropriately written down.

Inventories

1. The inventories were correctly and properly taken by competent employees under the supervision of management as at the year-end and the quantities were determined by actual count, weight or measurement.
2. The inventories were priced at the lower of cost and net realizable value.
3. The inventory does not include items not paid for and for which the liability had not been taken into account at the year-end.
4. The inventory does not include any goods on consignment from others or goods invoiced to customers.
5. Adequate provision has been made for slow-moving or obsolete inventory that is unfit for sale.
6. The inventories as recorded in the books were the property of the Association free from all liens and encumbrances.

Capital Assets

1. All charges to capital asset accounts during the year represent actual additions to and no expenditures of a capital nature were charged to the operations of the Association during the year.
2. All capital assets sold or dismantled have been properly accounted for in the books of the Association.
3. Appropriate rates have been used to amortize the assets over their estimated useful lives and the provisions were calculated on a basis consistent with that of the previous period.
4. The Association has good title to the properties represented by the balance carried in the capital asset accounts, and there are no liens, mortgages or other charges against any of the capital assets shown on the books of the Association.
5. Where the value of any capital assets has been impaired, this fact has been disclosed to you.

Liabilities and Commitments

1. At the year end, with the exception of relatively immaterial obligations for which invoices had not been received or which otherwise could not readily be determined or estimated, all known liabilities of the Association are included and fairly stated on the statement of financial position.
2. At the year-end there were no contingent liabilities (e.g., discounted receivables or drafts, guarantees, pending or unsettled suits, matters in dispute).
3. The Association has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
4. At the year-end, the Association had no unusual commitments or contractual obligations of any sort that were not in the ordinary course of business or that might have an adverse effect upon the Association.
5. All claims outstanding against the Association or possible claims have been disclosed to you and, where appropriate, reflected in the financial statements or notes thereto.
6. We understand that any illegal or possibly illegal act could damage the Association or its reputation or give rise to a claim or claims against the Association. We are not aware of any violations or possible violations of law or regulations the effects of which should be considered for disclosure in the financial statements or as the basis for recording a contingent loss.

Statement of Operations

1. All of the revenues of the Association for the year has been recorded in the books of account and disclosed in the financial statements.
2. The statement of operations contains no extraordinary or non-recurring items of material amount except as shown thereon.

Restrictions

1. All restrictions on the use of the Association's funds or assets, as well as all requirements or conditions imposed by third parties, have been brought to your attention and are appropriately disclosed in the financial statements. The Association complied with all restrictions, requirements or conditions which, in the event of non-compliance could have a significant effect on the financial statements.
2. All assets subject to a lien, pledged or assigned as security or guarantee for liabilities were brought to your attention and are appropriately disclosed in the financial statements.

Corporate Minutes

The minute books of the Association contain an accurate record of all of the business transacted at meetings of directors and committees of directors up to the date of this letter.

Controlled and Related Entities

1. All subsidiaries and controlled not-for-profit organizations have been accurately reflected in the financial statements.
2. All enterprises and not for profit organizations where the Association has joint control, exerts significant influence or has an economic interest have been appropriately reflected in the financial statements.

Related Party Transactions

Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian accounting standards for not-for-profit organizations.

Recognition, Measurement and Disclosure

1. Significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.
2. The Association has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
3. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.
4. The Association did not undertake any material non-monetary transactions or transactions for no consideration during the financial reporting period under consideration.

Going Concern

We confirm that we have assessed the Association's ability to continue as a going concern, taking into account all information which is at least twelve months from the year-end date, and we conclude that the Association is able to continue as a going concern for the foreseeable future.

Other Information

Other information consists of financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report. An annual report is a document, or combination of documents, prepared typically on an annual basis by management or those charged with governance in accordance with law, regulation or custom, the purpose of which is to provide owners or stakeholders with information on the Association's operations and the Association's financial results and financial position as set out in the financial statements.

1. We do not expect to issue any documents that may comprise "other information".

General

1. We are unaware of any frauds or possible frauds having been committed by the Association, its employees or any of its directors and officers and we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
2. We have no knowledge of any allegations of fraud or suspected fraud affecting the Association's financial statements.
3. We acknowledge that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error.
4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.
5. No corrected or uncorrected misstatements were identified.

Events Subsequent to the Year-end

All events subsequent to the date of these financial statements and for which Canadian accounting standards for not-for-profit organizations require adjustment or disclosures have been adjusted or disclosed.

Yours very truly,

THE RAILWAY ASSOCIATION OF CANADA

Per _____
Kristaps Kuplais

The Railway Association of Canada: OPL

Year End: December 31, 2025

Adjustments

Rev. 10/10/01

Date: 1/1/2025 To 12/31/2025

| Number | Date | Name | Account No | Reference | Debit | Credit | Recurrence | Misstatement |
|---|------------|---------------------------|-----------------|-----------|-------------------|-------------------|------------|--------------|
| 1 | 12/31/2025 | Provincial Committee Bank | 01-000-1060 OPL | | 2,520.35 | | | |
| 1 | 12/31/2025 | Other Income | 04-430-4150 OPL | | | 2,520.35 | | |
| To record the cash accounts for the Alberta, BC, and Saskatchewan provincial committees. | | | | | | | | |
| 2 | 12/31/2025 | Due to RAC (Intercompany) | 01-000-2190 OPL | | | 172,910.85 | | |
| 2 | 12/31/2025 | Contribution RAC | 04-430-4185 OPL | | 172,910.85 | | | |
| To record borrowed funds in Operation Lifesaver as receivable to Railway Association rather than revenue. | | | | | | | | |
| | | | | | 175,431.20 | 175,431.20 | | |
| Net Income (Loss) | | | 0.00 | | | | | |

| Prepared by | Reviewed by | Reviewed by | Reviewed by |
|-------------|------------------|-------------|-------------|
| | AEP 4/10/2026 | | |

Operation Lifesaver

Period ending: December 31, 2025
 Summary of Identified Misstatements
 Rev. 2022-03

Materiality (Sch. 504):

Preliminary overall materiality is \$50,000; Final overall materiality is \$50,000.

All misstatements over \$2,750 are to be recorded on this summary. Misstatements below this threshold are considered trivial. The tax rate used in this schedule is nil%.

| Description of Possible Misstatement | WP Ref. | INCOME STATEMENT Overstated or (Understated) | | | BALANCE SHEET Overstated or (Understated) | | | F/S Disclosures | Corrected? |
|--|---------|---|--------------------------------|--|--|-------------|----------------|-----------------|------------|
| | | Identified Mis-statement | Likely Aggregate Mis-statement | Likely Aggregate Mis-statement After Tax | Assets | Liabilities | Closing Equity | | |
| During the audit, it came to our attention that the activity of five (5) previously unidentified bank accounts, related to Provincial Committees of Operation Lifesaver, was not accounted for. Corrective actions were taken during the year to close certain accounts and record activity in the financial statements. In fiscal 2025, revenue is overstated by \$5,229; however, cash and net assets at year-end are appropriately stated. In fiscal 2024, cash and net assets were understated by \$5,391. | | 5,229 | 5,229 | 5,229 | | | | | No |
| Total | | | 5,229 | 5,229 | | | | | |
| Effect of uncorrected misstatements from prior periods | | | | | | | | | |
| Aggregate Likely Misstatements | | | 5,229 | 5,229 | | | | | |
| Further Possible Misstatements | | | | | | | | | |
| Maximum Possible Misstatements | | | 5,229 | 5,229 | | | | | |
| Corrected Misstatements | | | | | | | | | |
| Uncorrected Misstatements | | | 5,229 | 5,229 | | | | | |
| Materiality | | | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | 50,000 | |
| Margin Remaining For Further Possible Misstatements | | | 44,771 | 44,771 | 50,000 | 50,000 | 50,000 | 50,000 | |

| Prepared by | Reviewed by | Reviewed by | Reviewed by |
|-----------------|-------------|-------------|-------------|
| AEP 4/8/2026 | | | |

Document is up to date

The Railway Association of Canada: RAC

Year End: December 31, 2025

Adjustments

Rev. 10/10/01

Date: 1/1/2025 To 12/31/2025

| Number | Date | Name | Account No | Reference | Debit | Credit | Recurrence | Misstatement |
|--|------------|-----------------------|---------------------|-----------|-------------------|-------------------|------------|--------------|
| 3 | 12/31/2025 | Intercompany OL | 01-000-1290 RAC | | 172,910.85 | | | |
| 3 | 12/31/2025 | Grants & Sponsorships | 04-430-5125 RAC | | | 172,910.85 | | |
| To eliminate the intercompany payable in OL and contribution in RAC. | | | | | | | | |
| | | | | | 172,910.85 | 172,910.85 | | |
| Net Income (Loss) | | | (451,458.26) | | | | | |

| Prepared by | Reviewed by | Reviewed by | Reviewed by |
|-------------|------------------|-------------|-------------|
| | AEP 4/10/2026 | | |

**Item 5 – Review of 2025 Audited Financial
Statements**

April 23, 2026 Meeting

The Railway Association of Canada
Variance Summary Report
Financial Statements Year Ended December 31, 2025

Balance Sheet

- Cash increased by \$605,987 (79%) from the previous year.
- Guaranteed Investment Certificates decreased by \$309,170 (10%), reflecting lower reinvestment levels and maturities shifting into cash. All current investments are in GICs maturing within a 13-month period. Interest rates range from 3.00% to 3.50%.
- Accounts receivable decreased by \$592,275 (44%) from 2024. The majority of the decrease, due to subsequent year's membership invoices being sent out and recorded in current fiscal year.
- Inventory decreased slightly by \$311 (6%). Minimal sale of the printed Railway Atlas.
- Prepaid expenses decreased by \$23,263 (22%), reflecting normalization of prior-year prepaid payroll and event-related costs.
- Capital Assets increased by \$7,220 (10%), reflecting new purchases of laptops.
- Accounts payable and accrued liabilities increased by \$147,848 (12%), indicating higher year-end obligations compared to 2024. This is mostly due to an increase in payables at year end relating to costs for industry matters (ETC, Public and Government Affairs matters and Secondment).
- Deferred revenue increased by \$3,897 (1%), reflecting increased deferrals of project-related revenues into 2026.
- Net assets decreased to \$3,270,753 – a decline of \$451,458 (12%) from the previous year.

Statement of Operations

- **Revenues** increased by \$585,853 (5.1%) over the previous year. Key drivers include:
 - \$213k increase in Enhanced Train Control (ETC) assessments.
 - \$199k increase in members' operating cost assessments.
 - \$297k increase in Transport Canada contributions.
 - \$118k increase in Radio Spectrum license revenue
 - Offset by a \$238k decrease in other income and slight decrease in LVVR assessment revenue.
- **Expenses** increased by \$825,253 (7.1%) over the previous year. Key drivers include:
 - Salaries and benefits increased by \$576,787 (17%), representing the largest cost driver, due to staffing changes, terminations and recruitment costs alone accounting for \$482,426 (84%). In 2026, salaries and benefits are projected to decrease by \$705,323 (18%), primarily reflecting a reduction in staffing levels. In addition, no further material termination-related payouts are anticipated.

- Operations and regulatory affairs costs increased by \$422,165 (7%), driven by:
 - Higher costs related to ETC (+\$213K)
 - Higher costs related to OL (+\$214k) – due to more expenses applied within 2025 fiscal year which also include TC allowance from 2024/2025 year.
- Public and corporate affairs costs decreased by \$28K (2%), primarily due to decrease in travel related costs.
- Finance and administration costs decreased by \$143,672 (16%), mainly due to:
 - Reduction in professional fees (-\$109k)
 - Lower contracted services (-\$32k)
- Executive group costs remained relatively stable, decreasing slightly by \$2k.

Net expense of \$451,458, an increase in cost of \$239,400 over the previous year and \$681,542 underspent from 2025 forecasted expense of \$1,133,000.

Notes to Financial Statements

Addition to the notes:

Note 10 – Comparative Figures

Comparative figures have been reclassified where necessary to conform to the presentation adopted in the current year.

CONSOLIDATED FINANCIAL STATEMENTS

For

THE RAILWAY ASSOCIATION OF CANADA

For year ended

DECEMBER 31, 2025

DRAFT
For Discussion Purposes Only

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 and its subsidiary (together, 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 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 consolidated 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.

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
Date to be determined.

THE RAILWAY ASSOCIATION OF CANADA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | \$ 1,372,079 | \$ 766,092 |
| Guaranteed investment certificates (note 3) | 2,901,657 | 3,210,827 |
| Accounts receivable (note 4) | 753,120 | 1,345,395 |
| Inventory | 4,959 | 5,270 |
| Prepaid expenses | <u>83,093</u> | <u>106,356</u> |
| | 5,114,908 | 5,433,940 |
| CAPITAL ASSETS (note 5) | <u>81,491</u> | <u>74,271</u> |
| | <u>\$ 5,196,399</u> | <u>\$ 5,508,211</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (note 8) | \$ 1,348,014 | \$ 1,200,166 |
| Deferred revenue | <u>544,359</u> | <u>540,462</u> |
| | 1,892,373 | 1,740,628 |
| LEASE INDUCEMENT (note 6) | <u>33,273</u> | <u>45,372</u> |
| | 1,925,646 | 1,786,000 |
| NET ASSETS | | |
| Unrestricted | <u>3,270,753</u> | <u>3,722,211</u> |
| | <u>\$ 5,196,399</u> | <u>\$ 5,508,211</u> |

Commitments (note 7)

Approved by the Board:

..... Director

..... Director

(See accompanying notes)

THE RAILWAY ASSOCIATION OF CANADA
CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2025

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Revenue (note 4) | | |
| Members' assessments | | |
| Operating costs | \$ 6,050,507 | \$ 5,851,884 |
| Radio Spectrum licence | 2,098,001 | 1,979,496 |
| Enhanced train control | 2,126,408 | 1,913,607 |
| Locomotive voice and video recorder (LVVR) legal assessment | 478,807 | 482,306 |
| Transport Canada | 831,610 | 534,210 |
| Other income | <u>391,703</u> | <u>629,680</u> |
| | <u>11,977,036</u> | <u>11,391,183</u> |
| Expenses | | |
| <i>Executive group</i> | | |
| Travel, hospitality and miscellaneous | <u>92,619</u> | <u>94,648</u> |
| <i>Finance and administration</i> | | |
| Office | 620,398 | 607,224 |
| Travel, hospitality and miscellaneous | 21,482 | 38,453 |
| Professional fees | 40,213 | 149,697 |
| Amortization | 32,196 | 30,986 |
| Contracted services | <u>16,482</u> | <u>48,083</u> |
| | <u>730,771</u> | <u>874,443</u> |
| <i>Operations and regulatory affairs</i> | | |
| Radio Spectrum licence | 2,051,760 | 1,979,835 |
| Contracted services | 3,266,640 | 3,009,737 |
| Travel, hospitality and miscellaneous | 819,237 | 643,780 |
| Communications | <u>210,447</u> | <u>292,567</u> |
| | <u>6,348,084</u> | <u>5,925,919</u> |
| <i>Public and corporate affairs</i> | | |
| Contracted services | 817,401 | 661,887 |
| Advocacy projects and media relations | 441,827 | 566,672 |
| Travel, hospitality and miscellaneous | <u>48,183</u> | <u>106,850</u> |
| | <u>1,307,411</u> | <u>1,335,409</u> |
| <i>Salaries and benefits</i> | <u>3,949,609</u> | <u>3,372,822</u> |
| | <u>12,428,494</u> | <u>11,603,241</u> |
| Net expenses | (451,458) | (212,058) |
| Net assets, beginning of year | <u>3,722,211</u> | <u>3,934,269</u> |
| Net assets, end of year | <u>\$ 3,270,753</u> | <u>\$ 3,722,211</u> |

(See accompanying notes)

THE RAILWAY ASSOCIATION OF CANADA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|-------------------|
| CASH FLOWS FROM (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net expenses | \$ (451,458) | \$ (212,058) |
| Items not affecting cash: | | |
| Amortization | 32,196 | 30,986 |
| Amortization of lease inducement | <u>(12,099)</u> | <u>(12,099)</u> |
| | (431,361) | (193,171) |
| Changes in non-cash working capital items: | | |
| Accounts receivable | 592,275 | (1,101,300) |
| Inventory | 311 | (5,270) |
| Prepaid expenses | 23,263 | (29,970) |
| Accounts payable and accrued liabilities | 147,848 | 267,114 |
| Deferred revenue | <u>3,897</u> | <u>189,870</u> |
| | <u>336,233</u> | <u>(872,727)</u> |
| INVESTING ACTIVITIES | | |
| Proceeds on sale of guaranteed investment certificates | 3,095,838 | 3,040,124 |
| Purchase of guaranteed investment certificates | (2,786,668) | (3,091,951) |
| Purchase of capital assets | <u>(39,416)</u> | <u>(4,619)</u> |
| | <u>269,754</u> | <u>(56,446)</u> |
| INCREASE (DECREASE) IN CASH | 605,987 | (929,173) |
| CASH AT BEGINNING OF YEAR | <u>766,092</u> | <u>1,695,265</u> |
| CASH AT END OF YEAR | <u>\$ 1,372,079</u> | <u>\$ 766,092</u> |

(See accompanying notes)

THE RAILWAY ASSOCIATION OF CANADA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

1. NATURE OF OPERATIONS

The Railway Association of Canada (RAC) is incorporated under the Canada Not-for-profit Corporations Act.

RAC's responsibilities include the promotion of the interests, safety and efficiency of Canadian railways, and representation of members to governments, other groups or individuals on matters of common interest.

RAC is a not-for-profit organization as defined in subsection 149(1)(l) of the Income Tax Act (Canada) and as such is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO). RAC accounting policies are as follows.

Basis of presentation and principles of consolidation

RAC controls Operation Lifesaver Canada (the Corporation) as RAC is the Corporation's sole member. The Corporation is incorporated under the Canada Not-for-profit Corporations Act.

The Corporation's responsibilities include raising public awareness of the potential hazards of road/railway crossings and the dangers associated with trespassing on railway property with a view to reducing accidents, fatalities and injuries along Canada's railways in communities across the country.

The Corporation is a not-for-profit organization as defined in subsection 149(1)(l) of the Income Tax Act (Canada) and as such is exempt from income taxes.

These consolidated financial statements include the accounts of RAC and the Corporation (collectively, the Association). All intra-company and inter-company transactions are eliminated on consolidation.

Use of estimates

The preparation of consolidated financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates. Management makes accounting estimates when determining the collectability of accounts receivable, the net realizable value of inventory, the estimated useful life of the Association's capital assets and in determining its accrued liabilities. Actual results could differ from these estimates.

Guaranteed investment certificates

Guaranteed investment certificates are recorded at fair value. Changes in fair value are included in net expenses for the year.

Inventory

Inventories are carried at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Capital assets

Capital assets are initially recorded at cost and are then amortized over their estimated useful service lives as follows:

| | |
|--------------------------------|-------------------------|
| Computer hardware and software | - 25% straight line |
| Office furniture and equipment | - 20% declining balance |

Leasehold improvements are amortized on a straight-line basis over the remaining term of the lease.

THE RAILWAY ASSOCIATION OF CANADA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2025

2. SIGNIFICANT ACCOUNTING POLICIES - Cont'd.

Lease inducement

Inducements received to enter into office leases for office space are deferred and amortized on a straight-line basis over the term of the lease as a reduction of office expenses.

Foreign currency translation

Revenue and expenses denominated in US dollars are converted at the exchange rate in effect the day the transaction occurred. Monetary assets and liabilities denominated in US dollars are translated into Canadian dollars at the year-end exchange rate. Gains and losses from the translation of these amounts are reflected in net expenses for the year.

Revenue recognition

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

By agreement, members' operating costs are assessed at a flat rate determined by the Board of Directors or a rate based on total Canadian rail revenue.

Annual fees for access to the Radio Spectrum are assessed for participating RAC member lines based on a flat fee or a rate based on total Canadian rail revenue.

Assessments relating to specific projects extending beyond the end of the year are deferred to the extent that matching expenditures have not been incurred.

Other income includes conference registrations and sponsorships, dangerous goods training, interest, advertising and various unrestricted grants recognized as revenue during the period in which they occur.

3. GUARANTEED INVESTMENT CERTIFICATES

Guaranteed investment certificates have yields ranging from 3.00% to 3.50% (2024 - 4.90% to 5.25%) and mature in 2026 (2024 - mature in 2025).

4. ECONOMIC DEPENDENCE

Two members represent 83% (2024 - 83%) of total revenues and 14% (2024 - 67%) of accounts receivable.

5. CAPITAL ASSETS

| | 2025 | | | 2024 |
|--------------------------------|---------------------|-----------------------------|------------------|------------------|
| | Cost | Accumulated amortization | Net | Net |
| Computer hardware and software | \$ 248,538 | \$ 215,382 | \$ 33,156 | \$ 8,403 |
| Office furniture and equipment | 313,095 | 306,737 | 6,358 | 7,948 |
| Leasehold improvements | <u>461,536</u> | <u>419,559</u> | <u>41,977</u> | <u>57,920</u> |
| | <u>\$ 1,023,169</u> | <u>\$ 941,678</u> | <u>\$ 81,491</u> | <u>\$ 74,271</u> |

Cost and accumulated amortization amounted to \$1,023,263 and \$948,992, respectively, as at December 31, 2024.

THE RAILWAY ASSOCIATION OF CANADA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2025

6. LEASE INDUCEMENT

In 2018, the Association received \$130,067 from the landlord as an inducement to renew the lease for office space. The inducement is being amortized on a straight-line basis over the term of the lease, expiring on September 30, 2028 as a reduction of office expenses.

7. COMMITMENTS

Minimum annual lease payments relating to office space, equipment and vehicles are as follows:

| | |
|------|------------|
| 2026 | \$ 262,438 |
| 2027 | 251,948 |
| 2028 | 162,966 |

8. GOVERNMENT REMITTANCES

Government remittances of \$nil (2024 - \$nil) are included in accounts payable and accrued liabilities.

9. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis provides a measure of the Association's risk exposure and concentrations. The Association does not use derivative financial instruments to manage its risks.

Investment risk

Investment in financial instruments renders the Association subject to investment risks. Interest rate risk is the risk arising from fluctuations in interest rates and their degree of volatility. Market risk is the risk to the value of a financial instrument due to fluctuations in market prices, whether these fluctuations are caused by factors specific to the investment itself or to its issuer, or by factors pertinent to all investments on the market. The Association is exposed to market risk through its investments (note 3).

Credit risk

Credit risk relates to the potential that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Association is exposed to credit risk relating to its cash and accounts receivable. 49% (2024 - 19%) of accounts receivable is owed from government departments.

Changes in risk

There have been no significant changes in the Association's risk exposures from the prior year.

Operation Lifesaver Canada
Variance Summary Report
Financial Statements Year Ended December 31, 2025

Balance Sheet

- Cash decreased \$11,106 (14%) from \$78,099 in 2024 to \$66,993 in 2025, reflecting continued use of cash to fund operations and timing of reimbursements.
- Accounts receivable increased \$166,497 (72%) from \$232,227 to \$398,724. The receivables reflect amounts owed by Transport Canada (TC), under the RSIP funding agreement, and the Receiver General (GST/PST rebate).
- Accounts payable and accrued liabilities decreased by \$56,787 (45%), from \$127,261 to \$70,474, indicating settlement of prior year obligations and lower accrued costs at year end.
- Due to The Railway Association of Canada increased significantly by \$215,039 (117%), from \$183,065 to \$398,104. This reflects increased reliance on RAC to fund operations pending reimbursement from Transport Canada.
- Net assets remain at \$0, consistent with the organization's practice of matching revenues with expenses as a not-for-profit entity.

Statement of Operations

- **Revenue** increased by \$151,077 (16%), from \$937,340 in 2024 to \$1,088,417 in 2025.

Key drivers include:

- Transport Canada Funding increased by \$297,400 (56%), reflecting a full year of eligible funding under the agreement.
- Member Assessment Revenue decreased by \$136,622 (35%), as reliance shifted from RAC support to Transport Canada funding. (see note 1 below)
- Sponsorship and Other Revenue decreased by \$9,701 (64%), due to lower sponsorship activity compared to the prior year.

Overall, revenue growth is primarily driven by increased federal funding.

- **Expenses** increased by \$151,077 (16%), in line with revenue growth.

Key variances include:

Increases:

- Contract services: +\$63,546 (15%)
- Publicity, printing and supplies: +\$38,013 (9%)
- Office and miscellaneous: +\$26,221 (63%)
- Film and duplication: +\$19,156 (97%)
- Travel: +\$4,141 (22%)

These increases reflect expanded program delivery, content production, and operational activity.

Note 1

Effective August 1, 2025, Transport Canada (TC) revised its funding calculation methodology to include both cash and in-kind contributions in determining its share, which is capped at 50% under the agreement. Previously, while the agreement allowed for up to 50% TC funding, the effective contribution was approximately 35% TC, 35% RAC, and 30% in-kind, as significant in-kind contributions limited TC's share on a cash basis. Under the revised approach, total project funding is allocated on a 50% TC and 50% RAC basis, inclusive of in-kind contributions.

This change is expected to be beneficial for RAC from a budgeting perspective, as periods with higher in-kind contributions may reduce the need for RAC cash funding. Based on current projections, RAC's annual cash contribution is expected to be approximately \$300,000 beginning in 2026, compared to \$400,000 annually during the project period from April 2024 to March 2026.

FINANCIAL STATEMENTS

For

OPERATION LIFESAVER CANADA

For year ended

DECEMBER 31, 2025

DRAFT
For Discussion Purposes Only

INDEPENDENT AUDITOR'S REPORT

To the Member of

OPERATION LIFESAVER CANADA

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2025 and the results of its operations and its 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 Financial Statements* section of our report. We are independent of the Corporation 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 Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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

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 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.

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.
- 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 Corporation'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 Corporation'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 Corporation to cease to continue as a going concern.
- 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.

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.

Chartered Professional Accountants
Licensed Public Accountants

Ottawa, Ontario
Date to be determined.

OPERATION LIFESAVER CANADA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025

| | <u>2025</u> | <u>2024</u> |
|---|--------------------------|--------------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | \$ 66,993 | \$ 78,099 |
| Accounts receivable (note 3) | 398,724 | 232,227 |
| Prepaid expenses | <u>2,861</u> | <u>-</u> |
| | <u>\$ 468,578</u> | <u>\$ 310,326</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued liabilities (note 4) | \$ 70,474 | \$ 127,261 |
| Due to The Railway Association of Canada (note 5) | <u>398,104</u> | <u>183,065</u> |
| | 468,578 | 310,326 |
| NET ASSETS | | |
| Unrestricted | <u>-</u> | <u>-</u> |
| | <u>\$ 468,578</u> | <u>\$ 310,326</u> |

Approved by the Board:

..... Director

..... Director

(See accompanying notes)

OPERATION LIFESAVER CANADA
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2025

| | <u>2025</u> | <u>2024</u> |
|--------------------------------------|------------------|----------------|
| Revenue | | |
| Transport Canada (note 6) | \$ 831,610 | \$ 534,210 |
| Members assessment | 251,465 | 388,087 |
| Sponsorship and other | 5,342 | 15,043 |
| | <u>1,088,417</u> | <u>937,340</u> |
| Expenses | | |
| Contracted services | 500,487 | 436,941 |
| Publicity, printing and supplies | 457,905 | 419,892 |
| Office and miscellaneous | 67,671 | 41,450 |
| Film and duplication | 38,982 | 19,826 |
| Travel | 23,372 | 19,231 |
| | <u>1,088,417</u> | <u>937,340</u> |
| Net revenue for the year | - | - |
| Net assets, beginning of year | <u>-</u> | <u>-</u> |
| Net assets, end of year | <u>\$ -</u> | <u>\$ -</u> |

(See accompanying notes)

OPERATION LIFESAVER CANADA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2025

| | <u>2025</u> | <u>2024</u> |
|--|------------------|------------------|
| CASH FLOWS FROM (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net revenue for the year | \$ - | \$ - |
| Changes in non-cash working capital items: | | |
| Accounts receivable | (166,497) | (103,369) |
| Prepaid expenses | (2,861) | - |
| Accounts payable and accrued liabilities | (56,787) | 73,428 |
| Due to The Railway Association of Canada | <u>215,039</u> | <u>16,051</u> |
| DECREASE IN CASH | (11,106) | (13,890) |
| CASH AT BEGINNING OF YEAR | <u>78,099</u> | <u>91,989</u> |
| CASH AT END OF YEAR | <u>\$ 66,993</u> | <u>\$ 78,099</u> |

(See accompanying notes)

OPERATION LIFESAVER CANADA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2025

1. NATURE OF OPERATIONS

Operation Lifesaver Canada (the Corporation) is incorporated under the Canada Not-for-profit Corporations Act.

The Corporation's responsibilities include raising public awareness of the potential hazards of road/railway crossings and the dangers associated with trespassing on railway property in view to reduce accidents, fatalities and injuries along Canada's railways in communities across the country.

The Corporation is a not-for-profit organization as defined in subsection 149(1)(l) of the Income Tax Act (Canada) and as such is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management makes accounting estimates when determining the collectability of accounts receivable and in determining its accrued liabilities. Actual results may differ from those estimates.

3. ACCOUNTS RECEIVABLE

100% (2024 - 100%) of accounts receivable is owed from two government departments.

4. GOVERNMENT REMITTANCES

Government remittances of \$nil (2024 - \$nil) are included in accounts payable and accrued liabilities.

5. RELATED PARTY BALANCES AND TRANSACTIONS

The Corporation is controlled by The Railway Association of Canada (RAC) as RAC is the Corporation's sole member.

Amounts owing to RAC are due on demand and are non-interest bearing.

Transactions with RAC are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OPERATION LIFESAVER CANADA
NOTES TO THE FINANCIAL STATEMENTS - Cont'd.
YEAR ENDED DECEMBER 31, 2025

6. TRANSPORT CANADA FUNDING

The Corporation's current funding agreement with Transport Canada's Rail Safety Improvement Program (RSIP) will end on September 30, 2027, while the funding component ceased on March 31, 2026. The agreement provided funding up to \$1,318,000 (2024 - \$1,200,000) for eligible expenditures.

Subsequent to year-end, the Corporation submitted its application to extend the agreement and to renew its funding from Transport Canada as part of normal course funding. Subsequent to year-end, the Corporation has secured \$XXX in funding from Transport Canada that management estimates will bridge the Corporation's cash requirements through to XXX.

7. LIQUIDITY RISK

Liquidity risk is the risk an entity will encounter difficulty in meeting obligations associated with its financial liabilities and accordingly, could impact the appropriateness of the use of accounting principles applicable to a going concern. The Company is exposed to liquidity risk mainly with respect to its funding agreement with Transport Canada and its ability to recoup eligible operating expenses. Refer to note 6 for further details on the Transport Canada funding agreement.

Funding from Transport Canada provides a substantial portion of the Corporation's cash requirements. The Corporation's existence is also dependent on its ability to negotiate and extend the funding agreement. To date, the Corporation has been successful in renegotiating and extending the funding agreement with Transport Canada, however failure to successfully negotiate the funding agreement could impact the ability of the Corporation to recover eligible expenses and in turn the going concern of the Corporation.

Changes in risk

There have been no significant changes in the Corporation's risk exposures from the prior year.

Item 8 –2026 Financial Report Jan-Feb
April 23, 2026 Meeting

2026 Financial Statements to February 28

Overall, cash and investments are approximately **\$226k (5%) lower** than the previous year, primarily reflecting the timing of working capital movements and investment activity during the period.

Accounts receivable reflect a **decrease of \$1.76M (61%)** over the previous year. The reduction is primarily driven by **Spectrum invoices drafted in February 2025 versus March 2026**. Approximately **46% of receivables are current**, with the remaining balance split between 31- 60 days and amounts aged over 90 days. Monitoring and collection efforts remain ongoing.

Prepaid expenses are **\$10k (51%) lower** than the previous year, reflecting the utilization of prior period prepayments and fewer advance payments at this point in the year.

Accounts payable and accrued liabilities reflect a **decrease of \$1.89M (61%)** over the previous year. The decrease is primarily attributable to the **timing of the Spectrum invoice (approximately \$2.0M)**, which was recorded earlier in 2025 compared to 2026.

Deferred revenue increased by **\$152k (53%)** over the previous year. The increase reflects **ETC funds carried forward from 2025 into 2026**.

Lease inducement continues to be amortized over the remaining term of the lease in accordance with accounting policy.

Overall, the organization remains in a **strong financial position**, with net assets of approximately **\$3.57M** at February 28.

For the two-month period, the organization is **ahead of budget with a positive variance of \$298k**, driven primarily by the timing of revenues and expenses.

Revenues are generally in line with expectations for the period, with member assessments performing slightly above budget, partially offset by timing differences. Interest and other income are also exceeding budget expectations.

Expenses are **below budget overall**, primarily due to the timing of program expenditures, particularly in areas such as **radio spectrum licensing, contracted services, and advocacy activities**. Salaries and benefits are slightly above budget due to timing factors.

Cash flows from operations reflect normal seasonal fluctuations, with changes in accounts receivable and accounts payable contributing to overall cash usage during the period.

All government remittances are current.

The Railway Association of Canada
Consolidated Statement of Financial Position
February 28, 2026

| | 2026 | 2025 |
|--|------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 1,098,448 | 1,424,539 |
| Guaranteed investment certificates | 2,916,100 | 2,816,408 |
| Accounts receivable (Note 1) | 1,108,125 | 2,870,489 |
| Inventory | 4,959 | 5,270 |
| Prepaid expenses | 9,911 | 20,218 |
| | <u>5,137,543</u> | <u>7,136,924</u> |
| Capital assets | | |
| | 41,977 | 57,921 |
| | 6,358 | 7,948 |
| | <u>33,156</u> | <u>29,659</u> |
| | <u>81,492</u> | <u>95,527</u> |
| | <u>5,219,035</u> | <u>7,232,451</u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 1,183,248 | 3,071,331 |
| Deferred revenue | 437,452 | 285,021 |
| | <u>1,620,700</u> | <u>3,356,352</u> |
| Lease inducement | 31,165 | 43,356 |
| Net assets | <u>3,567,170</u> | <u>3,832,743</u> |
| | <u>5,219,035</u> | <u>7,232,451</u> |

Note 1 Aged Accounts Receivable

| | Total | Current | 31-60 | 61-90 | 91+ |
|-------------|--------------|----------------|--------------|--------------|------------|
| | \$ | \$ | \$ | \$ | \$ |
| 2026 | 988,313 | 455,832 | 267,281 | - | 265,200 |
| 2025 | 2,432,856 | 2,202,927 | 113,054 | - | 116,876 |

The Railway Association of Canada
Consolidated Statement of Operations for the Period Ended
February 28, 2026

| | Budget 2026 \$ Two Months | Actual 2026 \$ Two Months | Actual 2025 \$ Two Months |
|---|--|--|--|
| Revenues | | | |
| Members' assessment | | | |
| Operating costs | 1,402,488 | 1,419,706 | 1,346,987 |
| Radio Spectrum licence | 2,173,097 | - | 2,098,387 |
| ETC Assessment | 506,568 | 231,391 | 348,729 |
| LVVR Legal Assessment | 67,592 | - | 179,624 |
| Transport Canada | | | 112,613 |
| Interest and other income | 16,123 | 30,461 | 35,634 |
| | <u>4,165,868</u> | <u>1,681,558</u> | <u>4,121,974</u> |
| Expenses | | | |
| Executive Group | | | |
| Travel, hospitality and miscellaneous | 25,540 | 15,315 | 13,787 |
| | <u>25,540</u> | <u>15,315</u> | <u>13,787</u> |
| Finance and Administration | | | |
| Contracted services | 42,000 | | 6,584 |
| Travel, hospitality and miscellaneous | 1,500 | 4,426 | 5,067 |
| Office expense | 166,245 | 131,253 | 97,775 |
| Professional fees | - | (19,000) | 4,130 |
| | <u>209,745</u> | <u>116,679</u> | <u>113,556</u> |
| Operation and Regulatory Affairs | | | |
| Contracted services | 94,947 | 88,252 | 90,174 |
| ETC | 506,568 | 333,663 | 348,729 |
| LVVR Legal | 7,694 | - | 179,624 |
| Travel, hospitality and miscellaneous | 55,397 | 110,989 | 91,424 |
| Communications | 11,853 | 64,486 | 61,165 |
| Radio Spectrum licence and maintenance | 2,087,530 | 16,752 | 2,051,760 |
| | <u>2,763,989</u> | <u>614,142</u> | <u>2,822,876</u> |
| Public and Corporate Affairs | | | |
| Contracted services | 136,680 | 133,441 | 127,316 |
| Travel, hospitality and miscellaneous | 6,510 | 1,231 | 9,405 |
| Advocacy projects and media relations | 42,420 | 28,875 | 20,281 |
| | <u>185,610</u> | <u>163,547</u> | <u>157,002</u> |
| Salaries, benefits, succession | <u>453,050</u> | <u>473,642</u> | <u>904,226</u> |
| | <u>3,637,934</u> | <u>1,383,325</u> | <u>4,011,447</u> |
| Net revenue for the period | 527,934 | 298,233 | 110,527 |
| Net assets - Beginning of year | <u>3,270,753</u> | <u>3,270,753</u> | <u>3,722,211</u> |
| Net assets - End of period | <u>3,798,687</u> | <u>3,568,986</u> | <u>3,832,738</u> |

**The Railway Association of Canada
Consolidated Statement of Cash Flows
For the period ended February 28, 2026**

| | 2026 | 2025 |
|--|-------------------------|-------------------------|
| | \$ | \$ |
| CASH FLOWS FROM (USED IN) | | |
| OPERATING ACTIVITIES | | |
| Net revenues | 298,233 | 110,527 |
| Item not affecting cash | | |
| Amortization of lease inducement | (2,108) | (2,017) |
| | <u>296,125</u> | <u>108,510</u> |
| Change in non-cash working capital items | | |
| Accounts receivable | (355,005) | (1,525,094) |
| Inventory | 0 | - |
| Prepaid expenses | 73,182 | 86,138 |
| Accounts payable and accrued liabilities | (166,582) | 1,871,170 |
| Deferred revenue | (106,907) | (255,441) |
| | <u>(259,187)</u> | <u>285,283</u> |
| INVESTING ACTIVITIES | | |
| Proceeds on sale of guaranteed investment certificates | 597,303 | 1,377,009 |
| Purchase of guaranteed investment certificates | (611,746) | (982,590) |
| Purchase of capital assets | (1) | (21,255) |
| | <u>(14,444)</u> | <u>373,164</u> |
| Change in cash during the period | (273,631) | 658,447 |
| Cash – Beginning of year | <u>1,372,079</u> | <u>766,092</u> |
| Cash – End of period | <u>1,098,448</u> | <u>1,424,539</u> |

Item 9 – 2026 Budget
April 23, 2026 Meeting

2026 Budget

At the fall Finance & Audit Committee meeting, RAC presented a 3-year plan reflecting the following summarized projections:

| Year | Projected Net (Expense) | Member Assessment Level | Projected Net Assets |
|-----------------|-------------------------|---------------------------|----------------------|
| 2025 Forecast | (\$1,133,000) | \$5,914,490 | \$2,589,211 |
| 2026 Projection | (\$271,320) | \$6,032,783 (2% incr.) | \$2,317,891 |
| 2027 Projection | (\$192,178) | \$6,198,684 (2.75% incr.) | \$2,125,713 |
| 2028 Projection | (\$117,565) | \$6,384,645 (3.0% incr.) | \$2,008,148 |

2025 Financial Results

Actual results for 2025 were favourable, with expenses coming in **\$682K below the fall forecast**. The variance was primarily driven by underspending in **Public and Corporate Affairs** and **Operations and Regulatory Affairs**, reflecting:

- Reduced travel costs
- Lower contract services expenditures
- A modest decrease in advocacy-related spending

In addition, salary expenses were lower than anticipated due to staff reductions, further contributing to the overall favourable result.

2026 Budget

The 2026 budget was approved as presented in the fall.

The projected change in projected net expense is primarily attributable to a revision in member assessment data. Specifically, one member initially reported a higher value for assessment purposes (more reflective of actual activity), but subsequently submitted a revised, lower value after the 2026 assessments had already been calculated and confirmed.

As a result, the total estimated member assessment revenue for 2026 has decreased to \$5,888,918.

A minor reduction in training-related revenue is also anticipated. In addition, increasing costs associated with delivering the annual RailCan conference, combined with unchanged participation fees, are contributing to a widening gap in cost recovery.

| Year | Projected Net (Expense) | Member Assessment Level | Projected Net Assets |
|-----------------|-------------------------|---------------------------|----------------------|
| 2025 Actual | (\$451,458) | \$5,914,490 | \$3,270,753 |
| 2026 Projection | (\$464,973) | \$5,888,918 (.4% decr.) | \$2,805,780 |
| 2027 Projection | (\$385,831) | \$6,050,863 (2.75% incr.) | \$2,419,949 |
| 2028 Projection | (\$311,218) | \$6,232,389 (3.0% incr.) | \$2,108,731 |

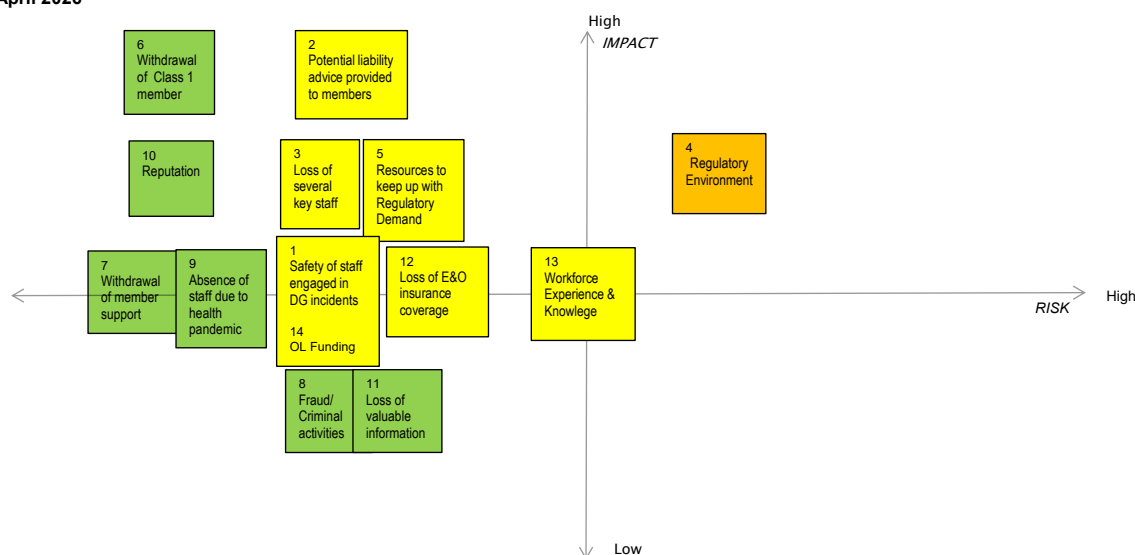
**The Railway Association of Canada
Projected Consolidated Statement of Operations
Budget 2026**

TAB 7 (ii)

| | Budget 2026 | Actual 2025 | Actual 2024 |
|---|-------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ |
| Revenues | | | |
| Members' Assessment | | | |
| Operating costs | 5,977,616 | 6,050,507 | 5,851,884 |
| Radio Spectrum | 2,173,097 | 2,098,001 | 1,979,496 |
| ETC Assessment | 3,039,985 | 2,126,408 | 1,913,607 |
| LVVR Legal Assessment | 442,694 | 478,807 | 482,306 |
| Transport Canada | 631,614 | 831,610 | 534,210 |
| Interest and other income | 376,240 | 391,703 | 629,680 |
| | <u>12,641,246</u> | <u>11,977,036</u> | <u>11,391,183</u> |
| Expenses | | | |
| Executive Group | | | |
| Travel, hospitality and miscellaneous | 122,070 | 92,619 | 94,648 |
| | <u>122,070</u> | <u>92,619</u> | <u>94,648</u> |
| Finance and Administration | | | |
| Office expense | 574,667 | 620,398 | 607,224 |
| Professional fees | 37,858 | 21,482 | 149,697 |
| Contracted services | 70,500 | 40,213 | 48,083 |
| Amortization | 67,215 | 32,196 | 30,986 |
| Travel, hospitality and miscellaneous | 30,231 | 16,482 | 38,453 |
| Membership fees | - | - | - |
| Recruitment/succession planning | 50,000 | - | - |
| | <u>830,471</u> | <u>730,771</u> | <u>874,443</u> |
| Operation and Regulatory Affairs | | | |
| Radio Spectrum license and maintenance | 2,222,691 | 2,051,760 | 1,979,835 |
| Contracted services | 478,096 | 661,425 | 660,182 |
| ETC | 3,039,985 | 2,126,408 | 1,913,607 |
| LVVR Legal | 442,694 | 478,807 | 482,306 |
| Travel, hospitality and miscellaneous | 753,617 | 819,237 | 597,422 |
| Communications | 268,374 | 210,447 | 292,567 |
| | <u>7,205,457</u> | <u>6,348,084</u> | <u>5,925,919</u> |
| Public and Corporate Affairs | | | |
| Contracted services | 854,655 | 817,401 | 661,887 |
| Advocacy projects and media relations | 660,510 | 441,827 | 407,540 |
| Travel, hospitality and miscellaneous | 188,770 | 48,183 | 265,982 |
| | <u>1,703,935</u> | <u>1,307,411</u> | <u>1,335,409</u> |
| Salaries, benefits and other | | | |
| | <u>3,244,286</u> | <u>3,949,609</u> | <u>3,054,107</u> |
| Total Expenses | <u>13,106,219</u> | <u>12,428,494</u> | <u>11,284,526</u> |
| Net expense | <u>(464,973)</u> | <u>(451,458)</u> | <u>106,657</u> |
| Opening Net Asset | <u>3,270,753</u> | <u>3,722,211</u> | <u>3,934,269</u> |
| Closing Net Asset | <u>2,805,780</u> | <u>3,270,753</u> | <u>3,722,211</u> |

Item 10 – Risk Assessment
April 23, 2026 Meeting

**RAILWAY ASSOCIATION OF CANADA
RISK ASSESSMENT
April 2026**



| 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 | 2 | 3 | 6 | MEDIUM | Succession plan | Adequate | = |
| 14. | Financial | Uncertainty of future OL funding by Transport Canada | 2 | 3 | 6 | MEDIUM | Risk may increase if a change in government. Ongoing engagement with Transport Canada on the importance of OL initiative. | Adequate | New |

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 | <i>Insignificant</i> - negligible effects. |
| 2 | <i>Minor</i> - normal administrative difficulties; |
| 3 | <i>Significant</i> - delay in accomplishing program or project objectives; |
| 4 | <i>Major</i> - fundamental rework before objective can be met |
| 5 | <i>Catastrophic</i> - 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 11 – Other Items
April 23, 2026 Meeting

**The Railway Association of Canada
Other Items
April 2026**

- 1. Statement of Variance and Conformance – April 2026**
- 2. Office Relocation Update**
- 3. ERP RFP Process Update**
- 4. Operation Lifesaver Canada Audit (Transport Canada, 2020–2025)**
- 5. HRIS Implementation, RSP Process Modernization, and Strengthened Cybersecurity (with KnowBe4 training rollout planned).**

Statement of Variance and Conformance April 23, 2026

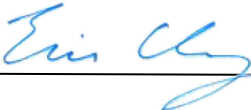
The Audit and Finance Committee of the Railway Association of Canada expects the Association to be well managed with the prudent stewardship of revenues provided by member-companies, the safeguarding of Association assets, and the effective, efficient, and economical use of its resources. It further 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 September 25, 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: April 14, 2026



Eric Harvey, President and CEO



Kristaps Kuplais, VP, Finance and Operations

Office Relocation Update

1. Overview

RAC is in final steps of signing a Lease Amending Agreement to relocate to Suite 205 (4,144 sq. ft.), reducing its footprint from 7,651 sq. ft. (~46% reduction) and committing to a new 10-year term (Aug 1, 2026 – July 31, 2036).

2. Total Occupancy Cost Comparison (Rent + Service Costs)

Current Premises (Annual):

1. Base Rent: ~\$217,300
2. Operating Costs & Taxes: ~\$215,400
3. Utilities: ~\$3,100

Total: ~\$435,800

New Premises (Initial Annual):

1. Base Rent: ~\$105,700
2. Operating Costs & Taxes: ~\$116,700
3. Utilities: ~\$1,700

Total: ~\$224,100

3. Savings

- Annual Savings: ~\$211,700
- Total Savings (10 years): ~\$2.0M – \$2.2M

4. Additional Financial Considerations

- Leasehold Improvement Allowance: ~\$207K
- Tenant responsible for relocation and fit-up costs
- Operating costs are not capped and may increase

5. Strategic Impacts

- Significant cost reduction (~50%)
- Aligns with hybrid workspace model
- Long-term commitment (10 years + extension option)

6. Overall Assessment

The lease provides material cost savings and improved space efficiency, offset by upfront investment and long-term commitments.

8. Key Takeaway

~\$212K annual savings and ~\$2M+ over the lease term, representing a significant cost optimization opportunity.

ERP Selection Process Update

1. Purpose and Context

RAC initiated an RFP to replace its legacy Traverse ERP system, which is nearing end-of-support and no longer supports operational, reporting, and control requirements.

The objective is to implement a modern, cloud-based ERP that:

- Reduces manual processes and spreadsheet reliance
- Strengthens internal controls and audit trails
- Improves financial visibility and reporting
- Supports RAC and Operation Lifesaver Canada (OL) multi-entity structure

2. Current State and Key Risks (Welch LLP)

The current environment presents material operational and audit risks:

- Heavy reliance on manual processes and Excel
- Email-based approvals with fragmented audit trails
- Significant manual reconciliation effort (~50% of finance time)
- Limited real-time visibility and reporting
- Controls dependent on manual oversight rather than system enforcement

Conclusion:

The current system is inefficient, difficult to audit, and not scalable, requiring system-driven transformation.

3. RFP Requirements (Summary)

The new ERP must provide:

- Full financial management (GL, AP, AR, budgeting, reporting)
- Automated workflows and strong audit trails
- Multi-entity support (RAC + OL)
- Real-time dashboards and Board-ready reporting
- Integration with banking, payroll, and payments

4. Evaluated Systems

Sage Intacct:

- Strong finance-focused solution with advanced reporting and audit capabilities

Microsoft Dynamics 365 Business Central:

- Integrated ERP with strong Microsoft ecosystem alignment

Oracle NetSuite (Pending):

- Full-suite ERP with strong scalability and reporting capabilities

5. Cost Overview

Sage Intacct:

- Implementation: Medium
- Annual: Medium

Business Central:

- Implementation: Medium
- Annual: Medium

NetSuite:

- Pending

6. Key Trade-Offs

Sage Intacct:

- Strong finance depth, high reporting flexibility

Business Central:

- Strong Microsoft integration, balanced capabilities

NetSuite:

- Very high scalability, broader platform, higher complexity expected

7. Overall Conclusion

- Current system is not sustainable
- All options improve controls, efficiency, and reporting
- Decision depends on platform strategy (finance-focused vs integrated vs full-suite)

8. Next Steps

- Review NetSuite proposal once received
- Confirm preferred direction, budget, and implementation approach

Transport Canada Audit Summary

1. Overview

An independent audit was conducted on the Transport Canada - funded Rail Safety Improvement Program for the period August 25, 2020 to September 30, 2025.

Transport Canada funding: up to \$2.4M (maximum 50% of eligible costs).

2. Overall Audit Opinion

- Clean audit opinion with minor exceptions
- \$3.77M in eligible expenditures audited and supported
- Financial controls and reporting systems are generally adequate

3. Financial Summary

- Total Reported Costs: \$6.82M
- Audit Adjustments: (\$3.05M)
- Final Eligible Costs: \$3.77M
- Transport Canada Contribution: \$1.88M

4. Key Findings

Travel Expenditures (Minor)

- Some claims exceeded federal travel limits
- Adjustment: ~\$3.7K
- Recommendation: strengthen compliance controls

In-Kind Contributions (Material)

- Lack of supporting documentation (time logs, valuation)
- Adjustment: ~\$3.05M
- Main driver of audit differences

Cost Allocation

- Weak documentation for shared costs (e.g., salaries, admin)
- Adjusted using estimated allocation (~6%)

5. Control Assessment

Strengths:

- Strong overall financial controls
- Proper documentation for most expenditures
- Reporting systems reliable and accurate

Areas for Improvement:

- Documentation for in-kind contributions

- Compliance with travel policies
- Formal cost allocation methodologies

6. Management Response

- Findings accepted
- Improvements underway:
 - Better time tracking
 - Enhanced documentation
 - Clearer valuation methods
 - Stronger internal controls

8. Overall Assessment

- Positive audit outcome overall
- Main issue relates to documentation, not misuse of funds

Operational Modernization: HRIS, RSP and Cybersecurity Enhancements

RAC has undertaken a series of initiatives to modernize its HR, payroll, and cybersecurity environment, aimed at improving efficiency, strengthening internal controls, and reducing operational risk.

The implementation of the Collage Human Resources Information System (HRIS) has replaced legacy Excel-based time tracking with a centralized, system-driven solution. This enhances data accuracy, improves reporting capabilities, and reduces manual effort and risk of error.

In parallel, Registered Savings Plan (RSP) processes have been modernized through RBC Advantage, transitioning from cheque-based payments to direct deposit. This change streamlines administration, improves processing efficiency, and strengthens financial controls by reducing reliance on manual payment methods.

The organization has also strengthened its cybersecurity posture through the implementation of DUO multi-factor authentication and Bitwarden password management, improving access security and reducing vulnerability to unauthorized access.

Additionally, RAC will be launching KnowBe4 cybersecurity awareness training in the near term, further enhancing employee awareness and mitigating risks related to phishing and social engineering.

Key Benefits

- Improved Efficiency: Reduction in manual processes across HR, payroll, and finance functions
- Stronger Internal Controls: Enhanced audit trail, access controls, and reduced reliance on manual processes
- Reduced Operational Risk: Lower risk of errors, fraud, and cybersecurity incidents
- Enhanced Data Integrity & Reporting: More reliable and timely information for decision-making
- Increased Organizational Resilience: Proactive cybersecurity measures and employee awareness training
- Scalability: Systems and processes better positioned to support future growth