



**NEW MEXICO STEAM LOCOMOTIVE
AND RAILROAD HISTORICAL SOCIETY dba
NEW MEXICO HERITAGE RAIL**

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND**

**For The Year Ended December 31, 2023
With Comparative Totals for 2022**

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New Mexico Steam Locomotive & Railroad Historical Society
Independent Auditor's Report and Financial Statements
For the Year Ended December 31, 2023, With Comparative Totals For 2022

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**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.**

Official Roster

As of December 31, 2023

Name	Position
John Roberts	President
Rick Marsden	Vice President
Gail Kirby	Secretary
Richard Kirby	Chief Mechanical Officer
Jon Spargo	Safety Officer
John Cekala	Member
Phillip Jacobus	Member
Henry Roberts	Member
John Taylor	Member
Robert DeGroft*	Past President, Ex-Officio
Karla DeGroft*	Acting Treasurer, Advisory Board

*Non-voting members



Independent Auditor's Report

Board of Directors and Management of
New Mexico Steam Locomotive
and Railroad Historical Society, Inc.
dba New Mexico Heritage Rail
Albuquerque, New Mexico

Opinion

We have audited the accompanying financial statements of the New Mexico Steam Locomotive and Railroad Historical Society, Inc dba New Mexico Heritage Rail. (the Society) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Mexico Steam Locomotive and Railroad Historical Society, Inc. dba New Mexico Heritage Rail at December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

- of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

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

Report on Prior Year Summarized Comparative Information

We have previously audited the Society's 2022 financial statements, and in our report dated April 22, 2023, we expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent in all material respects, with the audited financial statements from which it has been derived.



Hinkle + Landers, P.C.

Albuquerque, NM

April 8, 2024

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
STATEMENT OF FINANCIAL POSITION
As of December 31, 2023 With Comparative Totals for 2022**

ASSETS

	<u>2023</u>	<u>2022</u>
Current Assets		
Cash, restricted cash and cash equivalents	\$ 297,290	394,040
Investments - certificate of deposits	70,000	-
Receivables	8,179	-
Prepaid expense	5,456	2,477
Deposits	3,230	3,230
Inventory	8,909	6,676
Total current assets	<u>393,064</u>	<u>406,423</u>
Property and Equipment		
Operating equipment	81,225	79,725
Storage equipment	29,409	29,409
Leasehold improvements	349,620	319,802
Portable building	11,422	11,422
Locomotive shed	109,811	109,811
Construction in progress	9,675	9,675
	<u>591,162</u>	<u>559,844</u>
Less accumulated depreciation	<u>(326,893)</u>	<u>(295,023)</u>
Property and equipment - net	264,269	264,821
 Steam locomotive and tender	 3,154,282	 3,107,382
Tool car	401,212	363,528
Total assets	<u>\$ 4,212,827</u>	<u>4,142,154</u>

LIABILITIES

Current Liabilities		
Accounts payable	\$ -	-
Total current liabilities	-	-

NET ASSETS

Net Assets		
Net Assets without Donor Restrictions		
Undesignated	378,045	380,626
Investment in property and equipment, net	264,269	264,821
Investment in steam locomotive and tender	3,555,494	3,470,910
Total net assets without donor restrictions	<u>4,197,808</u>	<u>4,116,357</u>
Net Assets with Donor Restrictions		
Purpose restricted	15,019	25,797
Time restricted	-	-
Total net assets with donor restrictions	<u>15,019</u>	<u>25,797</u>
Total net assets	<u>4,212,827</u>	<u>4,142,154</u>
Total liabilities and net assets	<u>\$ 4,212,827</u>	<u>4,142,154</u>

See independent auditor's report.

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

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY**

STATEMENT OF ACTIVITIES

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

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Sale of promotional items	\$ 36,596	-	36,596	29,316
Cost of sales	(18,107)	-	(18,107)	(12,033)
Net sales revenue	18,489	-	18,489	17,283
Contributions	106,463	5,019	111,482	94,548
Contributions in-kind	67,134	-	67,134	99,621
Memberships dues	15,376	-	15,376	14,931
Grant revenues	5,000	-	5,000	156,624
Interest income	11,651	-	11,651	1,468
Miscellaneous revenue	12,535	-	12,535	380
Net assets released from restrictions	15,797	(15,797)	-	-
Total support	233,956	(10,778)	223,178	367,572
Total revenue and support	252,445	(10,778)	241,667	384,855
Expenses				
Program services	152,189	-	152,189	89,518
General & administration	14,159	-	14,159	13,353
Fundraising	4,646	-	4,646	1,037
Total expenses	170,994	-	170,994	103,908
Change in net assets	81,451	(10,778)	70,673	280,947
Net assets, beginning of year	4,116,357	25,797	4,142,154	3,861,207
Net assets, end of year	\$ 4,197,808	15,019	4,212,827	4,142,154

See independent auditor's report.

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

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY**

STATEMENT OF FUNCTIONAL EXPENSES

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

	Program Services	Support Activities		2023 Totals	2022 Totals
		General & Administration	Fund- Raising		
Repairs and maintenance	\$ 18,694	-	-	18,694	6,750
Cost of sales	18,107	-	-	18,107	12,033
Advertising and promotion	15,722	-	-	15,722	2,843
Shop supplies	13,778	-	-	13,778	13,103
Insurance	12,829	-	-	12,829	7,040
Rent and leases	12,157	-	-	12,157	6,000
Fuel expense	11,697	-	-	11,697	3,249
Professional services	-	8,484	-	8,484	8,171
Large equipment and tools	8,207	-	-	8,207	4,477
Equipment rental	7,837	-	-	7,837	3,747
Miscellaneous	4,761	-	-	4,761	569
Telephone	2,094	2,093	-	4,187	2,301
Computer equipment and supplies	-	1,997	1,997	3,994	347
Travel and entertainment	2,820	-	705	3,525	905
Volunteer services	2,169	255	128	2,552	-
Internet expense	2,419	-	-	2,419	1,323
Utilities	1,180	-	-	1,180	965
Postage and delivery	454	114	568	1,136	1,364
Credit card fees	-	990	-	990	1,067
Office expense	908	-	-	908	568
Printing and reproduction	619	-	-	619	1,350
Information technology	613	-	-	613	452
Small tools	546	-	-	546	1,529
Security service	227	226	-	453	5,313
Licenses and permits	441	-	-	441	492
Dues and subscriptions	146	-	-	146	243
Total expenses					
before depreciation	138,425	14,159	4,646	157,230	86,201
Depreciation	31,871	-	-	31,871	29,740
Total expenses	170,296	14,159	4,646	189,101	115,941
Less expenses included with revenue on the statement of activities:					
Cost of sales	(18,107)	-	-	(18,107)	(12,033)
Total expenses	\$ 152,189	14,159	4,646	170,994	103,908

See independent auditor's report.

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

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
STATEMENT OF CASH FLOWS**

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

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Sale of promotional items	\$ 36,596	29,316
Contributions	111,482	94,548
Grant revenue	5,000	156,624
Memberships dues	15,376	14,931
Other revenue	<u>24,186</u>	<u>1,848</u>
Total cash received	192,640	297,267
Cash paid to:		
Cost of sales	(18,107)	(12,033)
Vendors and suppliers	<u>(139,720)</u>	<u>(63,840)</u>
Net cash provided (used) by operating activities	34,813	221,394
CASH FLOWS FROM INVESTING ACTIVITIES		
Work on locomotive/tool car/tender	(30,245)	(56,434)
Purchase of property and equipment	(31,318)	(121,624)
Purchase of investments	<u>(70,000)</u>	<u>-</u>
Net cash (provided) used by investing activities	(131,563)	(178,058)
Net (decrease) increase in cash and cash equivalents	<u>(96,750)</u>	<u>43,336</u>
Cash, cash equivalents and restricted cash, beginning of year	<u>394,040</u>	<u>350,704</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u><u>297,290</u></u>	<u><u>394,040</u></u>
Reconciliation of change in net assets to cash provided (used) by operating activities		
Change in net assets	\$ 70,673	280,947
Depreciation expense	31,871	29,740
Capitalized contributions in-kind	(54,339)	(92,025)
Decrease (increase) in receivables	(8,179)	1,999
Decrease (increase) in inventory	(2,234)	733
Increase (decrease) in accounts payable	<u>-</u>	<u>-</u>
Net cash provided (used) by operating activities	\$ <u><u>34,813</u></u>	<u><u>221,394</u></u>
Supplementary data for non-cash operating activities:		
In-kind contributions	\$ <u><u>67,134</u></u>	<u><u>99,621</u></u>

See independent auditor's report.

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

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS**

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

NOTE A—NATURE OF OPERATIONS

The New Mexico Steam Locomotive & Railroad Historical Society dba New Mexico Heritage Rail (Society) was formed in 1997 by a small group of concerned citizens who wanted to save Santa Fe engine number 2926 from decay and neglect. A Baldwin built 4-8-4 Northern, built during the war years in 1944, had been on display in Albuquerque's Coronado Park since the mid-1950s. The plan of the Society is to restore the engine to running condition and use it to promote tourism in New Mexico and educate the public on the strong ties the economic development of the State of New Mexico has with rail transportation.

By 2003, actual restoration had begun, and since then more than 250,000 volunteer hours have been spent on the project. The organization is a 501(c)(3) non-profit and has no paid employees.

2023 proved to be an important milestone for the organization. NMHR obtained long-term permissions from the New Mexico Department of Transportation (NMDOT) that allow us to traverse the Sawmill Spur, where our restoration site is located, and along a few miles of the mainline. This allowed the society to make three steam-powered trips: two to 4th St., adjacent to Tractor Brewing, and our first annual New Mexico Railroad Days at the historic Rail Yards. In the next calendar year, NMDOT will require 2926 to be fully PTC compliant as they are completing full implementation of PTC along their rail lines. We are now in the process of getting the Federal Railroad Administration (FRA)- and NMDOT-required PTC system installed on 2926. This will allow us an added degree of operational capability and freedom.

Steam engines require constant maintenance inspections and servicing. Many of these inspections are required by the Federal Railroad Administration where detailed records are submitted on a strict schedule. Many of the systems on the locomotive must be "exercised," recertified, and recalibrated on a regular basis.

The Society continues its work to complete the Support Car which will contain tools, supplies of valves, fasteners, lubricants, electrical generation, crew area, and a souvenir store. The purpose of the car is to accompany the locomotive on any excursion outside of our 8th St. location to provide services and supplies as needed.

**NEW MEXICO STEAM LOCOMOTIVE AND
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NOTES TO FINANCIAL STATEMENTS**

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

The Society is also actively working on the turntable and surrounding areas at Albuquerque's historic South Rail Yards using Society and State funds. We are working to restore and renovate the turntable and lead-in tracks in support of our goal to relocate steam operations to the south end of the yards. State funds were obtained in 2023 and we are in the process of obtaining 2024 funds.

The projects are funded by contributions of time, materials and monies received from members, individuals, companies and organizations from all walks of life from all parts of the world. Less than ½ of 1% of total contributions have come from government funding.

The Society's goals are as follows:

- Accurately preserve, restore, operate and display an engine that represents the epitome of steam locomotive technology in the United States.
- Provide an informational and educational program applicable to all ages that creates interest, awareness and an appreciation of the importance of railroads in the development of the greatest nation in the world.
- Participate at the highest levels possible with city, county, State and national organizations in the promotion of railroad history and rail tourism.
- Serve as a bridge to modern day railroading and its continuing impact on the economy of the United States.

NOTE B—SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Society have been prepared on the accrual basis. The significant policies followed are described below:

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets. Net assets with donor restrictions and net assets without donor restrictions are defined as follows:

**NEW MEXICO STEAM LOCOMOTIVE AND
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NOTES TO FINANCIAL STATEMENTS**

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

Net Assets Without Donor Restrictions—Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. The organization's Board of Directors may designate assets without restrictions for specific operational purposes from time to time.

The undesignated net assets represent the investment in undesignated assets and amounts invested in property and equipment, less accumulated depreciation and amortization and any related debt.

Net Assets With Donor Restrictions—Temporary in Nature—Net assets with temporary donor restrictions are the result of contributions and other inflows of assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions can be fulfilled and removed by actions of the organization pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature. Donor Restrictions Temporary in nature are as follows:

<u>Donor Restricted</u>	<u>2022</u>	<u>Additions</u>	<u>Released</u>	<u>2023</u>
Sawmill spur grant	\$ 10,000	-	-	10,000
Tool Car	-	5,019	-	5,019
Positive train controls	15,797	-	(15,797)	-
	<u>\$ 25,797</u>	<u>5,019</u>	<u>(15,797)</u>	<u>15,019</u>

Net Assets With Donor Restrictions—Perpetual in Nature—Net assets with perpetual donor restrictions resulting from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the Organization. The Society has no donor restricted net assets that are perpetually restricted.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

**NEW MEXICO STEAM LOCOMOTIVE AND
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NOTES TO FINANCIAL STATEMENTS**

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

amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant changes in the near term that could have a material effect on the financial statements include:

- Allocation of expenses by function to program, administration and fundraising.
- Depreciation and amortization are based on estimated useful lives of property and equipment.
- In-kind donations are based on fair value techniques selected by management.

Cash, Cash Equivalents and Restricted Cash

For purposes of the statement of cash flows, the Society considers all restricted and unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk

The Society maintains its cash and certificates of deposit in bank deposit accounts which, at times, may exceed the federally insured limits. The Society believes it is not exposed to any significant credit risks on cash, cash equivalents or certificates of deposit.

Revenue Recognition

The Society accounts for its revenue and support under ASC 606 “Revenue from Contracts with Customers” and ASU 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made” in accordance with accounting principles generally accepted in the United States of America.

The following summarizes the revenue recognition policies for major classifications of revenue:

Contributions

Contributions are reported when an unconditional promise to give or other asset is received (in accordance with ASC 958-605). All contributions are considered available for the Society’s general programs unless specifically restricted by the donor. The Statement of Activities identifies donor imposed restrictions and the subsequent release from restrictions as they are met.

**NEW MEXICO STEAM LOCOMOTIVE AND
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NOTES TO FINANCIAL STATEMENTS**

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

Grants

Grants contributions are typically recorded as restricted revenue based on either a purpose (program) restriction and/or a time restriction. Some grant contributions may be recorded on a reimbursement basis. Specifically, revenue for grants that are conditional contributions are recognized when qualifying expenses are incurred, a receivable and grant revenue are recorded. The Society has no conditional grants and has no exchange type grants.

Merchandise Revenue

The Society offers promotional merchandise for sale at its store. The Society recognizes revenue as the customer pays and takes possession of the merchandise. Merchandise is sold with a right of return, but the Society has not experienced any material returns for the years ended December 31, 2023 and 2022. Therefore, the Society has no need for estimates of liabilities for such returns. The performance obligation is the delivery of the good to the customer. The transaction price is established by the Society based on retail prices suggested by the suppliers. As each item is individually priced, no allocation of the transaction price is necessary.

Fair Value of Financial Instruments

The carrying amounts of cash, restricted cash and cash equivalents, receivables, payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments. The fair value of long-term debt is the carrying value due to the adjustable market rate of interest. Impairment reserves are provided as necessary.

Investments

Funds are held in certificates of deposit. The replacement fund investments are designated for future repairs and maintenance. All investments are classified as “Held to Maturity” as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 320-10 and subsections, since the Society has the “positive intent and ability” to hold certificates of deposits to their scheduled maturity. Under ASC 320-10, these investments are recorded at cost. That cost is not adjusted for changes in the fair value of the securities. Holding gains or losses from market price changes are ignored.

**NEW MEXICO STEAM LOCOMOTIVE AND
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NOTES TO FINANCIAL STATEMENTS**

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Inventory

The Society has inventory of promotional items for sale. Inventory is recorded on a first-in, first-out (FIFO) basis. They are reported at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended December 31, 2023 and 2022, advertising expenses incurred totaled \$15,722 and \$2,843, respectively.

Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. These expenses require allocation on a reasonable basis that is consistently applied.

The expenses are allocated as follows:

Type of Expense	Basis *
Volunteer services, security service, postage, computer expense	A
Rent, leases, printing, shop supplies, equipment, tools, vehicle, insurance, utilities, advertising, IT, repairs and maintenance, office expenses, licences and permits, dues and subscriptions, miscellaneous and depreciation.	B
Fundraising	C
Credit card fees and professional services	D

* Legend for Basis of Allocation of Expenses

- A. Estimates of use based on personnel time
- B. Direct to program
- C. Direct to fundraising
- D. Direct to general and administrative

Expense Allocation	2023	2022
Program	89%	86%
General & administrative	8%	13%
Fundraising	3%	1%
	<u>100%</u>	<u>100%</u>

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Income Taxes

The Society is a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax. The Society currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

Contributions to the Society qualify for the charitable contributions deduction to the extent provided by Section 170 of the Internal Revenue Service Code. The Society is not a private foundation.

The Organization files its Federal Form 990 tax return in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico.

Donated Services and Assets

The Society pays for most services requiring specific expertise. Donated services that required specific expertise were recorded at their estimated fair value, in accordance with ASC 958-605, "Accounting for Contributions Received and Contributions Made."

The Society receives donations of assets from corporations and individuals. Non-cash donations are recorded as in-kind contributions at their estimated fair values at the date of donation. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Society has no donor-restricted assets to report as of December 31, 2023 and 2022.

In addition, a substantial number of volunteers have donated significant amounts of their time in the Society's programs and in its fund-raising campaigns, which were not recognized in the financial statements because they did not meet the criteria for recognition under ASC 958-605. General labor services that did not meet the definition of specific expertise and therefore were not included in the financial statements amounted to 9,838 hours at the rate of \$8 per hour amounted to \$78,706 for the year ended December 31, 2023 and 6,352 hours at a rate of \$8 per hour amounted to \$50,820 for 2022. Office and Store labor services that

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did not meet the definition of specific expertise and therefore were not included in the financial statements amounted to 1,554 hours at the rate of \$14 per hour amounted to \$21,756 for the year ended December 31, 2023 and 1,869 hours at a rate of \$14 per hour amounted to \$26,170 for 2022.

<u>Donated Services and Assets</u>	<u>2023</u>	<u>2022</u>	<u>Usage in Programs/Activities</u>	<u>Donor Restriction</u>	<u>Fair Value Techniques</u>
Steam locomotive, tender and tool car					
labor (capitalized)	\$ 54,339	92,025	Program	None	1
Land and equipment lease	12,000	6,000	Program	None	2
Shop supplies	418	477	Program	None	4
Inventory of promotional items	377	-	Program	None	4
Accounting/computer software	-	1,062	Administrative	None	3
Office supplies	-	57	Administrative	None	4
Total	<u>\$ 67,134</u>	<u>99,621</u>			

*** Legend for Fair Value Techniques**

- 1.- Estimated based on current rates of professional services purchased in the region.
- 2.- Estimated based on current rates of leases of similar land in the region.
- 3.- Estimated based on current value of donated software.
- 4.- Estimated based on current value of donated items.

Property, Equipment, Depreciation and Amortization

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation and amortization are computed using the straight-line method. The Society capitalizes all expenditures for property and equipment with a cost in excess of \$5,000 with an estimated life of greater than one year. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized.

The major classifications of property and equipment and the related estimated useful lives are as follows:

<u>Classification</u>	<u>Estimated Useful Lives</u>
Operating equipment	3-7 years
Storage equipment	7 years
Portable buildings	7-15 years
Leasehold improvements	15 years
Locomotive shed	15 years

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NOTES TO FINANCIAL STATEMENTS**

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Impairment of Long-Lived Assets

The Society accounts for long-lived assets in accordance with the provisions of FASB Accounting Standards Codification (ASC) 360-10 and subsections. Under ASC 360-10, the Society is required to review long-lived assets for the impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Prior Year Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Contingencies

Amounts received from grantor agencies and other third parties are subject to audit and adjustment by these entities. Any disallowed claims, including amounts already collected, may constitute a liability of the Society. The amount, if any, of expenses which may be disallowed cannot be determined at this time, although the Society expects such amount, if any, to be immaterial.

NOTE C—STEAM LOCOMOTIVE AND ROLLING STOCK—HISTORICAL TREASURE

The Society's steam locomotive and tender are considered historical treasures since they meet the following criteria:

- held for public exhibition, education, or research in furtherance of public service rather than financial gain.

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- protected, kept unencumbered, cared for, and preserved.
- subject to an organizational policy that requires the use of proceeds from items that are sold to be for the acquisitions of new collection items, the direct care of existing collections, or both.

The Society has capitalized the steam locomotive and tender since they were acquired. The steam locomotive and tender are currently being restored and materials and services related their restoration are capitalized at cost, when purchased. When materials or services are donated, they are valued at fair value or estimated fair value on the date of the contribution.

Historical treasures fall under accounting standards for collections. When applicable, gains or losses on the deaccession of steam locomotive and tender would be classified on the statement of activities as support without donor restrictions or donor-restricted support depending on donor restrictions. The steam locomotive and tender are the sole historical treasure assets of the Society and are not expected to be subject to any deaccessions. As of the date of this report, there have been no deaccessions of the steam locomotive and tender.

Once the steam locomotive and tender are placed into service, they will be depreciated over their estimated useful lives based on the individual components. The anticipated date the steam locomotive and tender will be put into service has not yet been determined due to various factors such as the compliance and insurance requirements of NMDOT and AMTRAK.

<u>Steam Locomotive and Rolling Stock</u>	<u>2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>2023</u>
Santa Fe 2926 Locomotive and Tender	\$ 3,107,382	46,900	-	3,154,282
Tool car	363,528	37,684	-	401,212
Total	<u>\$ 3,470,910</u>	<u>84,584</u>	<u>-</u>	<u>3,555,494</u>

**NEW MEXICO STEAM LOCOMOTIVE AND
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NOTES TO FINANCIAL STATEMENTS**

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

NOTE D—CASH, RESTRICTED CASH AND CASH EQUIVALENTS

Cash, restricted cash and cash equivalents consists of the following as of December 31:

<u>Cash, Restricted Cash and Cash Equivalents</u>	<u>2023</u>	<u>2022</u>
Cash in checking	\$ 30,902	8,740
Cash in savings	6	6
Money market	251,313	348,677
Designated and restricted		
Cash - positive train control	-	26,567
Cash - Sawmill Spur	5,019	-
Cash - Sawmill Spur	10,000	10,000
Cash box	50	50
Total	<u>\$ 297,290</u>	<u>394,040</u>

NOTE E—INVESTMENTS

At December 31, Replacement Reserve Fund investments consist of the following certificates of deposit:

<u>Bank</u>	<u>Reference #</u>	<u>2023</u>	<u>2022</u>	<u>Maturity Date</u>	<u>Coupon Rate</u>
Merrill Lynch	8562852N0	\$ 35,000	-	2/5/2024	5.25%
Merrill Lynch	8562854A6	35,000	-	4/19/2024	5.45%
		<u>\$ 70,000</u>	<u>-</u>		

**NEW MEXICO STEAM LOCOMOTIVE AND
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NOTES TO FINANCIAL STATEMENTS**

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

NOTE F—PROPERTY, EQUIPMENT, DEPRECIATION AND AMORTIZATION

Major classes of property, equipment, and accumulated depreciation are as follows at December 31:

<u>Property and Equipment</u>	<u>2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>2023</u>
Operating equipment	\$ 79,725	1,500	-	81,225
Storage equipment	29,409	-	-	29,409
Portable buildings	11,422	-	-	11,422
Leasehold improvements	319,802	29,818	-	349,620
Locomotive shed	109,811	-	-	109,811
Construction in progress	9,675	-	-	9,675
Subtotal	559,844	31,318	-	591,162
Less: accumulated				
Depreciation/Amortization	(295,023)	(31,870)	-	(326,893)
Total	\$ 264,821	(552)	-	264,269

Depreciation and amortization expense for the year ended December 31, 2023 was \$31,870 and \$29,739 in 2022.

NOTE G—OPERATING LEASE

The Society entered into a five-year lease agreement for the usage of land that renewed in 2016 for \$10 for the five-year term. The land lease is an in-kind contribution. The lease does not require the Society to be held to any commitment.

NOTE H—RELATED PARTY

During the years ended December 31, 2023 and 2022, two members of the board were related by marriage and two members of the board were related by family.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS**

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

NOTE I—ECONOMIC DEPENDENCY

The Society receives a significant portion of its revenues in the form of contributions and contributions in-kind. The Society expects these sources of revenue to continue into the foreseeable future. If, however, a significant portion of these contributions are not continued, the Society's ability to continue would be diminished. The following is a summary of concentrations from contributions and contributions in-kind as of December 31:

		<u>2023</u>	<u>%</u>	<u>2022</u>	<u>%</u>
Contributions	\$	111,482	46%	94,548	25%
Contributions in-kind		<u>67,134</u>	<u>28%</u>	<u>99,621</u>	<u>26%</u>
	\$	<u>178,616</u>	<u>74%</u>	<u>194,169</u>	<u>50%</u>
 Total revenues	\$	 <u>241,667</u>		 <u>384,855</u>	

NOTE J—LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Society regularly monitors liquidity to meet its cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designations, the nature of the underlying assets, external limitations imposed by donors or contracts with others. The Society is not substantially supported by restricted grants. Because a donor's restriction required resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet those responsibilities to its donors. These financial assets may not be available for general expenditure within one year. Part of the Society's liquidity management is its policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Liquidity is as follows:

		<u>2023</u>	<u>2022</u>
Cash, restricted cash and cash equivalents at year end	\$	297,290	394,040
Less those unavailable for general expenditures within year, due to:			
Restricted by donor with purpose restrictions		<u>(15,019)</u>	<u>(25,797)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>282,271</u>	<u>368,243</u>

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS**

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

NOTE K—EVALUATION OF SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The Society recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position date, including the estimates inherent in the process of preparing the financial statements. The Society's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The Society has evaluated subsequent events through April 8, 2024, which is the date the financial statements were available to be issued.



**NEW MEXICO STEAM LOCOMOTIVE
AND RAILROAD HISTORICAL SOCIETY**

MANAGEMENT ADVISORY LETTER

For The Year Ended December 31, 2022

2500 9th St. NW
Albuquerque, NM 87102
505.883.8788
www.HL-cpas.com

Management Advisory Letter

Board of Directors and Management of
New Mexico Steam Locomotive
and Railroad Historical Society, Inc.
dba New Mexico Heritage Rail
Albuquerque, New Mexico

Management of the New Mexico Steam Locomotive and Railroad Historical Society, Inc. (a nonprofit organization) (Society) is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Society's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as described above.

This communication is intended solely for the information and use of management and others within the organization to which the Society is receiving grant funds and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Hinkle & Landers, P.C." in a cursive, script font.

Hinkle + Landers, P.C.

Albuquerque, NM

April 8, 2024

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.
SCHEDULE OF MANAGEMENT ADVISORY COMMENTS
For the Year Ended December 31, 2023**

PRIOR YEAR COMMENTS

None

CURRENT YEAR COMMENTS

None