



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

NEW MEXICO STEAM LOCOMOTIVE
AND RAILROAD HISTORICAL SOCIETY

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
For The Year Ended December 31, 2021 With
Comparative Totals for 2020

New Mexico Steam Locomotive & Railroad Historical Society
Financial Statements
For the Year Ended December 31, 2021, With Comparative Totals For 2020

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

Official Roster

As of December 31, 2021

<u>Name</u>	<u>Position</u>
Michael F. Hartshorne	President
Don MacCornack	Vice President
Gail Kirby	Secretary
Bob McMahon/John Gibbons	Treasurer
Richard Kirby	Chief Mechanical Officer
John Roberts	Member
Ron Taylor	Member
Rick Bugge	Webmaster
Jon Spargo	Safety Officer, Ex Officio



Independent Auditor's Report

Board of Directors
New Mexico Steam Locomotive
and Railroad Historical Society, Inc.
Albuquerque, New Mexico

Opinion

We have audited the accompanying financial statements of the New Mexico Steam Locomotive and Railroad Historical Society, Inc. (the Society) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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. at December 31, 2021, 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 Responsibility

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 Summarized Comparative Information

We have previously audited the Society's 2020 financial statements, and in our report dated May 11, 2021, 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, 2020, is consistent in all material respects, with the audited financial statements from which it has been derived.



Hinkle + Landers, P.C.

Albuquerque, NM

April 25, 2022

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

STATEMENT OF FINANCIAL POSITION

For the Year Ended December 31, 2021 With Comparative Totals for 2020

ASSETS

	2021	2020
Current Assets		
Cash, restricted cash and cash equivalents	\$ 350,704	304,469
Receivables	2,000	6,425
Prepaid expense	2,477	2,477
Deposits	3,230	3,230
Inventory	7,408	6,248
Total current assets	365,819	322,849
 Property and Equipment		
Tool car	308,973	237,607
Operating equipment	79,725	79,725
Storage equipment	29,409	29,409
Leasehold improvements	198,178	193,310
Portable building	11,422	11,422
Locomotive shed	109,811	109,811
Work in progress	9,675	9,675
	747,193	670,959
Less accumulated depreciation	(265,283)	(243,594)
Property and equipment - net	481,910	427,365
Steam locomotive and tender	3,013,478	2,962,403
Total assets	\$ 3,861,207	3,712,617

LIABILITIES

Current Assets		
Accounts payable	\$ -	2,656
Total current liabilities	-	2,656

NET ASSETS

Net Assets		
Net Assets without Donor Restrictions		
Undesignated	348,903	297,679
Investment in property and equipment, net	481,910	427,365
Investment in steam locomotive and tender	3,013,478	2,962,403
Net Assets with Donor Restrictions		
Purpose restricted	16,916	22,514
Time restricted	-	-
Total net assets	3,861,207	3,709,961
Total liabilities and net assets	\$ 3,861,207	3,712,617

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2021 With Comparative Totals for 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Sale of promotional items	\$ 32,172	-	32,172	6,145
Cost of sales	(15,312)	-	(15,312)	(2,212)
Net sales revenue	16,860	-	16,860	3,933
Contributions	105,682	-	105,682	114,128
Contributions in-kind	83,135	-	83,135	71,809
Memberships dues	6,482	-	6,482	19,819
Grant revenues	2,500	-	2,500	20,000
Miscellaneous revenue	12,568	-	12,568	10,101
Net assets released from restrictions	5,598	(5,598)	-	-
Total support	215,965	(5,598)	210,367	235,857
 Total revenue and support	 232,825	 (5,598)	 227,227	 239,790
Expenses				
Program services	62,164	-	62,164	68,476
Fundraising	2,275	-	2,275	1,360
General & administration	11,542	-	11,542	11,952
Total expenses	75,981	-	75,981	81,788
Change in net assets	156,844	(5,598)	151,246	158,002
Net assets, beginning of year	3,687,447	22,514	3,709,961	3,551,959
Net assets, end of year	\$ 3,844,291	16,916	3,861,207	3,709,961

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2021 With Comparative Totals for 2020

	Program Services	Support Activities		2021 Totals	2020 Totals
		Fund- Raising	General & Administration		
Cost of sales	\$ 15,312	-	-	15,312	2,212
Shop supplies	5,567	-	-	5,567	2,673
Professional services	-	-	7,929	7,929	7,416
Fuel expense	6,641	-	-	6,641	1,187
Rent and leases	6,000	-	-	6,000	6,000
Insurance	4,943	-	-	4,943	6,965
Equipment rental	3,329	-	-	3,329	3,393
Computer equipment and supplies	-	1,163	1,162	2,325	63
Repairs and maintenance	2,085	-	-	2,085	600
Postage and delivery	790	987	197	1,974	975
Miscellaneous	1,806	-	-	1,806	395
Telephone	795	-	795	1,590	1,529
Small tools	1,380	-	-	1,380	4,079
Advertising and promotion	1,182	-	-	1,182	32
Internet expense	1,159	-	-	1,159	783
Security service	540	-	539	1,079	2,851
Utilities	1,066	-	-	1,066	914
Volunteer services	857	50	101	1,008	14,462
Credit card fees	-	-	819	819	771
Printing and reproduction	661	-	-	661	718
Licenses and permits	651	-	-	651	135
Information technology	377	-	-	377	1,186
Travel and entertainment	299	75	-	374	583
Office expense	234	-	-	234	55
Dues and subscriptions	113	-	-	113	262
Large equipment and tools	-	-	-	-	2,397
Total expenses					
before depreciation	55,787	2,275	11,542	69,604	62,636
Depreciation	21,689	-	-	21,689	21,364
Total expenses	\$ 77,476	2,275	11,542	91,293	84,000
Less expenses included with revenue on the statement of activities:					
Cost of sales	(15,312)	-	-	(15,312)	(2,212)
Total expenses	\$ 62,164	2,275	11,542	75,981	81,788

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from:		
Sale of promotional items	\$ 16,860	3,933
Contributions	105,682	114,128
Grant revenue	2,500	20,000
Memberships dues	6,482	19,819
Other revenue	12,568	10,101
Total cash received	144,092	167,981
 Cash paid to:		
Vendors and suppliers	(44,827)	(66,277)
Net cash provided (used) by operating activities	99,265	101,704
 CASH FLOWS FROM INVESTING ACTIVITIES		
Work on locomotive/tool car/tender	(48,162)	(29,783)
Purchase of property and equipment	(4,868)	-
Net cash (provided) used by investing activities	(53,030)	(29,783)
Net (decrease) increase in cash and cash equivalents	46,235	71,921
Cash, cash equivalents and restricted cash, beginning of year	304,469	232,548
Cash, cash equivalents and restricted cash, end of year	\$ 350,704	304,469
 Reconciliation of change in net assets to cash provided (used) by operating activities		
Change in net assets	\$ 151,246	158,002
Depreciation expense	21,689	21,364
Capitalized contributions in-kind	(74,279)	(50,129)
Decrease (increase) in receivables	4,425	(5,631)
Decrease (increase) in prepaid expense	-	(1,273)
Decrease (increase) in inventory	(1,160)	(927)
Increase (decrease) in accounts payable	(2,656)	(19,702)
Net cash provided (used) by operating activities	\$ 99,265	101,704
 Supplementary data for non-cash operating activities:		
In-kind contributions	\$ 83,135	71,809

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

NOTE A—NATURE OF OPERATIONS

The New Mexico Steam Locomotive & Railroad Historical Society (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 1950's. 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 has with rail transportation.

By 2003, actual restoration had begun, and since then more than 213,700 volunteer hours have been spent on the project. The organization is a 501(c) (3) non-profit and has no paid employees. In 2019, the Society had a series of four static steam-ups, the goal of which was to prove operation of the boiler and various mechanical aspects of the locomotive. These proved successful and were accepted by the FRA (Federal Railroad Administration). The Society held a steam-up to move the locomotive under its own power for the first time in July 2021.

The tool car basic restoration to make it "rail worthy" was completed by Sea Island Passenger Services in Ohio. This allowed it to travel via rail from Ohio to Albuquerque and it was delivered to the restoration site in May 2020. Funds spent to-date on the tool car are approximately \$308,900. Additional work on the tool car will continue throughout 2022.

The project has been 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 and 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.

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

- 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:

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:

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

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.

Donor restricted assets are as follows:

<u>Donor Restricted</u>	<u>2021</u>	<u>2020</u>
Positive train control	16,916	22,514
	\$ 16,916	22,514

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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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.

Revenue Recognition

The Society has adopted 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.

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

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.

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, when qualifying expenses are incurred, a receivable and grant revenue are recorded. The Society 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, 2021 and 2021. 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.

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

Inventory

The Society has inventory of promotional items for. 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, 2021 and 2020, advertising expenses incurred totaled \$1,182 and \$32, 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.

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

The expenses are allocated as follows:

<u>Natural Expense Category</u>	<u>Basis</u>
Volunteer services	Estimates of effort and time
Rent and leases	All used for program
Printing and reproduction	All used for program
Professional services	All used for general and administrative
Shop supplies	All used for program
Large equipment and tools	All used for program
Vehicle expense	All used for program
Equipment rental	All used for program
Telephone	Estimates of use
Small tools	All used for program
Travel and entertainment	Estimates of use
Fundraising	All used for fundraising
Insurance	All used for program
Utilities	All used for program
Advertising and promotion	All used for program
Security service	Estimates of use
Credit card fees	All used for general and administrative
Internet expense	All used for program
Information technology	All used for program
Postage and delivery	Estimates of use
Repairs and maintenance	All used for program
Computer equipment and supplies	Estimates of use
Office expense	All used for program
Licenses and permits	All used for program
Dues and subscriptions	All used for program
Miscellaneous	All used for program
Depreciation	All used for program

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.

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

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. The Organization is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2018. The organization is not currently under audit nor has the organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

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, 2021 and 2020.

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 5,485 hours at the rate of \$8 per hour amounted to \$43,880 for the year ended December 31, 2021 and 1,761 hours at a rate of \$8 per hour amounted to \$14,088 for 2020. Office and Store labor services that did not meet the definition of specific expertise and therefore were not included in the financial statements amounted to 1,582 hours at the rate of \$14 per hour amounted to

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

\$22,148 for the year ended December 31, 2021 and 613 hours at a rate of \$14 per hour amounted to \$8,580 for 2020.

<u>Donated Services and Assets</u>	2021	2020
Steam locomotive, tender and tool car (capitalized)	\$ 74,279	50,129
Land and equipment lease	6,000	6,000
Accounting/computer services	1,957	14,088
Office	502	102
Shop supplies	282	215
Construction materials	115	-
Computer	-	625
Inventory of promotional items	-	565
Small tools	-	64
Miscellaneous	-	21
Total	<u>\$ 83,135</u>	<u>71,809</u>

All in-kind services and assets were used for the Society's operations and program.

Property, Equipment and Depreciation

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method. 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 depreciable lives are as follows:

Classification	Depreciable Lives
Building and Improvements	5 – 30 years
Land Improvements	15 years
Furniture, Fixtures, and Equipment	3 – 7 years

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NOTES TO FINANCIAL STATEMENTS**

For the Year Ended December 31, 2021 With Comparative Totals for 2020

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.

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, 2020, 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.

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

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.
- 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 restrictions on mass gatherings due to COVID-19, as well as compliance and insurance requirements of NMDOT and AMTRAK.

Steam Locomotive and Rolling Stock	2021	2020
Santa Fe 2926 Locomotive and Tender	\$ 3,013,478	2,962,403

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

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>2021</u>	<u>2020</u>
Cash in Checking	\$ 10,251	3,156
Cash in Savings	6	6
Money Market	323,481	278,743
Designated and Restricted		
Cash - Positive Train Control	16,916	22,514
Cash Box	50	50
Total	<u>\$ 350,704</u>	<u>304,469</u>

NOTE E—PROPERTY, EQUIPMENT AND DEPRECIATION

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

<u>Property and Equipment</u>	<u>2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>2021</u>
Tool car	\$ 237,607	71,366	-	308,973
Operating Equipment	79,725	-	-	79,725
Storage Equipment	29,409	-	-	29,409
Portable Buildings	11,422	-	-	11,422
Leasehold Improvements	193,310	4,868	-	198,178
Locomotive Shed	109,811	-	-	109,811
Work in Progress	9,675	-	-	9,675
Subtotal	<u>670,959</u>	<u>76,234</u>	<u>-</u>	<u>747,193</u>
Less: Accumulated				
Depreciation	<u>(243,594)</u>	<u>(21,689)</u>	<u>-</u>	<u>(265,283)</u>
Total	<u>\$ 427,365</u>	<u>54,545</u>	<u>-</u>	<u>481,910</u>

Depreciation expense for the year ended December 31, 2021 was \$21,689 and \$21,364 in 2020.

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

NOTE F—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 G—RELATED PARTY

During the years ended December 31, 2021 and 2020, two members of the board were related by marriage.

NOTE H—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>2021</u>	<u>%</u>	<u>2020</u>	<u>%</u>
Contributions	\$	105,682	47%	114,128	48%
Contributions in-kind		<u>83,135</u>	<u>37%</u>	<u>71,809</u>	<u>30%</u>
	\$	<u><u>188,817</u></u>	<u><u>83%</u></u>	<u><u>185,937</u></u>	<u><u>78%</u></u>
 Total revenues	 \$	 <u><u>227,227</u></u>		 <u><u>239,790</u></u>	

NOTE I—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.

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

For the Year Ended December 31, 2021 With Comparative Totals for 2020

Liquidity is as follows:

	2021	2020
Cash, restricted cash and cash equivalents at year end	\$ 350,704	304,469
Less those unavailable for general expenditures within year, due to:		
Restricted by donor with purpose restrictions	(16,916)	(22,514)
Financial assets available to meet cash needs for general expenditures within one year	\$ 333,788	281,955

NOTE J—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 25, 2022, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2021, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the organization’s funding sources and cash flow. Other financial impacts could occur though such potential impact is unknown at this time.



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

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

MANAGEMENT ADVISORY LETTER
For The Year Ended December 31, 2021



Management Advisory Letter

Board of Directors
New Mexico Steam Locomotive and
Railroad Historical Society, Inc.
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.

Hinkle & Landers, P.C.

Hinkle + Landers, P.C.

Albuquerque, NM

April 25, 2022

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.
SCHEDULE OF MANAGEMENT ADVISORY COMMENTS
For the Year Ended December 31, 2021**

PRIOR YEAR COMMENTS

None

CURRENT YEAR COMMENTS

None