



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, 2013**

**New Mexico Steam Locomotive & Railroad Historical Society
Financial Statements
For the Year Ended December 31, 2013 With Comparative Totals For 2012**

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

Official Roster

As of December 31, 2013

Name	Position
Michael F. Hartshorne	President
Robert D. DeGroft	Vice President
Gail Kirby	Secretary
Ernest Robart	Treasurer
Rick Kirby	Chief Mechanical Officer
Don MacCornack	Member
Dave Traudt	Member
Frank Gerstle	Past President, Ex Officio
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

Report on Financial Statements

We have audited the accompanying statement of financial position of the New Mexico Steam Locomotive and Railroad Historical Society, Inc. (a nonprofit organization) (the Society) as of December 31, 2013, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, in making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the New Mexico Steam Locomotive and Railroad Historical Society, Inc. at December 31, 2013, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited New Mexico Steam Locomotive and Railroad Historical Society, Inc.'s 2012 financial statements, and in our report dated May 15, 2013, 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, 2013, is consistent in all material respects, with the audited financial statements from which it has been derived.

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

Hinkle + Landers, P.C.
Albuquerque, NM
May 15, 2014

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.
STATEMENT OF FINANCIAL POSITION
As of December 31, 2013 With Comparative Totals For 2012**

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 168,989	47,071
Receivables	10,000	-
Prepaid expense	1,572	1,572
Inventory	<u>29,649</u>	<u>27,012</u>
Total current assets	<u>210,210</u>	<u>75,655</u>
Property and Equipment		
Operating equipment	78,756	74,725
Storage equipment	29,409	29,409
Leasehold improvements	49,585	46,319
Portable building	4,115	4,115
Work in progress	<u>9,675</u>	<u>-</u>
	171,540	154,568
Less accumulated depreciation	<u>(109,144)</u>	<u>(97,553)</u>
Property and equipment - net	<u>62,396</u>	<u>57,015</u>
Steam locomotive/tender and caboose	<u>1,413,176</u>	<u>1,166,302</u>
Total assets	<u>\$ 1,685,782</u>	<u>1,298,972</u>

NET ASSETS

Net Assets

Unrestricted:

Undesignated	\$ 100,210	68,255
Investment in property and equipment	62,396	57,015
Investment in steam locomotive and tender	1,413,176	1,166,302
Temporarily restricted	<u>110,000</u>	<u>7,400</u>
Total net assets	<u>1,685,782</u>	<u>1,298,972</u>

Total net assets	<u>\$ 1,685,782</u>	<u>1,298,972</u>
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See accompanying independent auditor's report and notes to financial statements.

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

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2013 With Comparative Totals For 2012

	2013			2012
	Unrestricted	Temporarily Restricted	Total	
Revenue and Support				
Sale of promotional items	\$ 13,704	-	13,704	9,852
Cost of sales	(6,677)	-	(6,677)	(6,194)
Net sales revenue	<u>7,027</u>	<u>-</u>	<u>7,027</u>	<u>3,658</u>
Contributions	74,151	110,000	184,151	38,831
Contributions in-kind	235,282	-	235,282	226,356
Memberships dues	12,404	-	12,404	11,716
Grant revenues	25,453	-	25,453	16,747
Miscellaneous revenue	494	-	494	333
Restrictions satisfied by payment	-	-	-	-
Total support	<u>347,784</u>	<u>110,000</u>	<u>457,784</u>	<u>293,983</u>
Total revenue and support	<u>354,811</u>	<u>110,000</u>	<u>464,811</u>	<u>297,641</u>
Expenses				
Program services	65,998	-	65,998	94,086
Fundraising	2,405	-	2,405	5,021
General & administration	<u>9,598</u>	<u>-</u>	<u>9,598</u>	<u>11,244</u>
Total expenses	<u>78,001</u>	<u>-</u>	<u>78,001</u>	<u>110,351</u>
Change in net assets	276,810	110,000	386,810	187,290
Net assets, beginning of year	<u>1,298,972</u>	<u>-</u>	<u>1,298,972</u>	<u>1,111,682</u>
Net assets, end of year	<u><u>\$ 1,575,782</u></u>	<u><u>110,000</u></u>	<u><u>1,685,782</u></u>	<u><u>1,298,972</u></u>

See accompanying independent auditor's report and notes to financial statements.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2013 With Comparative Totals For 2012**

		Support Services			
	Program Services	Fund- Raising	General & Administration	2013 Totals	2012 Totals
Volunteer services	\$ 15,265	898	1,796	17,959	38,462
Rent and leases	11,400	-	-	11,400	11,400
Shop supplies	8,735	-	-	8,735	6,375
Professional services	-	-	5,992	5,992	5,992
Small tools	5,091	-	-	5,091	6,775
Printing and reproduction	1,690	423	-	2,113	1,008
Insurance	2,040	-	-	2,040	2,684
Equipment rental	1,755	-	-	1,755	1,481
Travel and entertainment	1,645	-	-	1,645	727
Telephone	803	-	803	1,605	1,466
Advertising and promotion	935	401	-	1,336	8,824
Postage and delivery	519	649	130	1,298	453
Information technology	1,193	-	-	1,193	1,144
Repairs and maintenance	1,090	-	-	1,090	94
Security service	835	-	-	835	7,470
Office expense	298	-	299	597	474
Internet expense	575	-	-	575	648
Credit card fees	-	-	544	544	366
Miscellaneous expenses	269	-	-	269	717
Vehicle expense	209	-	-	209	603
Computer equipment and supplies	-	35	35	69	47
Licenses and permits	60	-	-	60	35
Dues and subscriptions	-	-	-	-	185
Total expenses					
before depreciation	54,407	2,405	9,598	66,410	97,430
Depreciation	11,591	-	-	11,591	12,921
Total expenses	<u>\$ 65,998</u>	<u>2,405</u>	<u>9,598</u>	<u>78,001</u>	<u>110,351</u>

See accompanying independent auditor's report and notes to financial statements.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013 With Comparative Totals For 2012**

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Cash received from:		
Sale of promotional items	\$ 7,027	3,658
Contributions	184,151	38,831
Grant revenue	15,453	19,747
Memberships dues	12,404	11,716
Other revenue	494	333
Total cash received	<u>219,529</u>	<u>74,285</u>
Cash paid to:		
Vendors and suppliers	<u>(36,410)</u>	<u>(44,596)</u>
Net cash provided by operating activities	183,119	29,689
INVESTING ACTIVITIES		
Work on locomotive tender	(57,904)	(10,482)
Purchase of property and equipment	<u>(3,297)</u>	<u>(10,157)</u>
Net cash used by investing activities	<u>(61,201)</u>	<u>(20,639)</u>
Net (decrease) increase in cash and cash equivalents	<u>121,918</u>	<u>9,050</u>
Cash and cash equivalents, beginning of year	<u>47,071</u>	<u>38,021</u>
Cash and cash equivalents, end of year	\$ <u>168,989</u>	<u>47,071</u>
Reconciliation of change in net assets to cash provided by operating activities		
Change in net assets	\$ 386,810	187,290
Depreciation expense	11,591	12,921
Decrease (Increase) in receivables	(10,000)	3,000
Decrease (Increase) in prepaid expense	-	(878)
Capitalized contributions in-kind	(202,645)	(173,906)
Decrease (Increase) in inventory	<u>(2,637)</u>	<u>1,262</u>
Net cash provided by operating activities	\$ <u>183,119</u>	<u>29,689</u>
Supplemental data for non-cash operating activities:		
In-kind contributions	\$ <u>235,282</u>	<u>181,274</u>

See accompanying independent auditor's report and notes to financial statements.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2013 With Comparative Totals for 2012**

NOTE A—NATURE OF OPERATIONS

The New Mexico Steam Locomotive and Railroad Historical Society was formed in 1997 by a small group of concerned citizens who wanted to restore and operate the 69 year old Atchison, Topeka & Santa Fe engine number 2926, a Baldwin-built 4-8-4 Northern steam locomotive that had been on static display in Coronado Park in Albuquerque since the mid 1950's. The plan of the Society is to restore the engine to running condition and use it to promote New Mexico and educate the public on the strong ties the economic development of the State has with rail transportation.

By 2003, actual restoration began, and since then, more than 104,000 volunteer hours have been spent. The organization is a 501(c)(3) non-profit and has no paid employees. As of the release of this audit report, the project is about 85% complete and exists on contributions of time, materials and monies received from members, individuals, companies and organizations from all walks of life. Less than 1% of total contributions have come from government funding.

The Society estimates that \$106,000 additional funds are required to complete the project and the goal is to have an operational engine in the first quarter of 2016.

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 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 in cooperation with the State of New Mexico's Railrunner.

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

Net Assets

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of the Society are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

The Society also prepares financial statements in accordance with FASB Accounting Standards Codification ASC 958-205 and subsections. Under ASC 985-205, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Society is required to present a statement of cash flows.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2013 With Comparative Totals for 2012**

Unrestricted Net Assets

Undesignated unrestricted net assets are used to account for all resources over which the Board of Directors has discretionary control.

Temporarily Restricted Net Assets

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the Society pursuant to those stipulations.

Permanently Restricted Net Assets

Permanently restricted net assets result from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that cannot be removed by actions of the Society. There were no permanent net assets held during 2013 and accordingly, these financials do not reflect any activity related to this class of net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require the use of management's estimates. Accordingly, actual results could differ from these estimates.

Cash and Cash Equivalents

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

Fair Value Measurements

The fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable.

ASC 820-10 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements.

ASC 820-10 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. ASC 820-10 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2013 With Comparative Totals for 2012**

The Society has no assets that are required to be reported using the above criteria.

Inventory

The Society has inventory of a live steam model locomotive valued at \$6,500 which is for sale, inventory of promotional items for sale which are valued at cost of \$11,958 and railroad lanterns that are valued at \$11,191.

Inventory is recorded on a first-in, first-out (FIFO) basis. They are reported at the lower of cost or market, which is recorded as an expenditure at the time individual items are used.

Revenue

The organization receives a majority of its revenue from charitable contributions and grants that are generally available for unrestricted use unless specifically restricted by the donor.

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.

Accounting for Uncertainty in Income Taxes

The Society has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified as current in the Society's financial statements. Currently the 2009, 2010 and 2011 tax years are open and subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department. However, the Society is not currently under audit nor has the Society been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose. Therefore, no provisions for the effects of uncertain tax positions has been recorded for the years ended December 31, 2013 or 2012.

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

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2013 With Comparative Totals for 2012**

asset to a specific purpose. The Society has no donor-restricted assets to report as of December 31, 2013 and 2012.

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 1,721 hours at the rate of \$8 per hour amounted to \$13,768 for the year ended December 31, 2013 and 1,891 hours at a rate of \$8 per hour amounted to \$15,128 for 2012.

Property and Equipment

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 of \$500 or more. Items with a cost of less than \$500 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterment's and replacements are capitalized.

<u>Donated Services and Assets</u>		<u>2013</u>	<u>2012</u>
Accounting/Computer Services/ Grant Writing	\$	17,959	38,462
Land and Equipment Lease		11,400	11,400
Computer		575	576
Inventory of Promotional Items		783	1,221
Office Expense		225	-
Shop Supplies		1,417	87
Small Tools		257	-
Steam Locomotive (capitalized)		202,645	173,906
Miscellaneous		<u>21</u>	<u>704</u>
Total	\$	<u><u>235,282</u></u>	<u><u>226,356</u></u>

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2013 With Comparative Totals for 2012**

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

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

NOTE B—STEAM LOCOMOTIVE AND ROLLING STOCK – HISTORICAL TREASURE

The Society's Steam Locomotive/tender and caboose are considered a historical treasure since it meets the following criteria:

- Held for exhibition to the public and educational purposes
- It is protected, cared for, and preserved
- It is subject to a policy requiring any proceeds from its sales to be reinvested in other historical treasures.

<u>Steam Locomotive and Rolling Stock</u>	<u>2013</u>	<u>2012</u>
Santa Fe 2926 Locomotive/tender	\$ 1,412,176	1,165,302
Additional Rolling Stock (caboose and two cars)	<u>1,000</u>	<u>1,000</u>
Total	\$ <u><u>1,413,176</u></u>	<u><u>1,166,302</u></u>

There is no depreciation expense associated with the Society's historical treasure at this time since it is in the process of being restored. Once the project is completely restored, an estimated life for the locomotive will be estimated and depreciation will be recorded accordingly.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2013 With Comparative Totals for 2012**

NOTE C—CASH AND CASH EQUIVALENTS

Cash consists of the following as of December 31:

<u>Cash and Cash Equivalents</u>		<u>2013</u>	<u>2012</u>
Cash in Checking	\$	47,614	25,823
Cash in Savings		21,256	21,213
Money Market		100,069	-
Cash Box		<u>50</u>	<u>35</u>
Total	\$	<u><u>168,989</u></u>	<u><u>47,071</u></u>

NOTE D—PROPERTY, EQUIPMENT AND DEPRECIATION

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

<u>Property and Equipment</u>		<u>2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>2013</u>
Operating Equipment	\$	74,725	-	-	74,725
Storage Equipment		29,409	-	-	29,409
Portable Buildings		4,115	-	-	4,115
Leasehold Improvements		46,319	1,266	-	47,585
Work in progress		<u>-</u>	<u>15,706</u>	<u>-</u>	<u>15,706</u>
Subtotal		<u>154,568</u>	<u>16,972</u>	<u>-</u>	<u>171,540</u>
Less Accumulated Depreciation		<u>(97,553)</u>	<u>(11,591)</u>	<u>-</u>	<u>(109,144)</u>
Total	\$	<u><u>57,015</u></u>	<u><u>5,381</u></u>	<u><u>-</u></u>	<u><u>62,396</u></u>

Depreciation expense for the year ended December 31, 2013 was \$11,591 and \$12,921 in 2012.

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY
NOTES TO FINANCIAL STATEMENTS
For The Year Ended December 31, 2013 With Comparative Totals for 2012**

NOTE E—OPERATING LEASES

The Society entered into a five year lease agreement for the usage of land that renews in 2016 for \$10 for the five-year term. The Society also entered into a lease for a railcar mover that is open ended. Both the land lease and railcar mover lease are in-kind contributions. Both leases do not require the Society to be held to any commitment.

NOTE F – RELATED PARTY

During the years ended December 31, 2013 and 2012 the wife of a member of the Board of Directors volunteered her assistance with the accounting for the Society. Also, a board member is married to another board member.

NOTE G – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet 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 balance sheet, 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 balance sheet but arose after the balance sheet date and before financial statements are available to be issued. The Society has evaluated subsequent events through May 15, 2014, which is the date the financial statements were available to be issued.



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

**MANAGEMENT ADVISORY LETTER
For The Year Ended December 31, 2013**

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 opinions 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.
Albuquerque, NM
May 15, 2013

**NEW MEXICO STEAM LOCOMOTIVE AND
RAILROAD HISTORICAL SOCIETY, INC.
SCHEDULE OF MANAGEMENT COMMENTS
For the Year Ended December 31, 2013**

PRIOR YEAR COMMENTS – Corrected

12-01 Bank Reconciliations - Old Outstanding Checks

CURRENT YEAR COMMENTS

None