



# 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, 2014**



**New Mexico Steam Locomotive & Railroad Historical Society  
Financial Statements  
For the Year Ended December 31, 2014 With Comparative Totals For 2013**

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

**Official Roster**

**As of December 31, 2014**

**New Mexico Steam Locomotive & Railroad Historical Society  
Financial Statements  
For the Year Ended December 31, 2014 With Comparative Totals For 2013**

<b>Name</b>	<b>Position</b>
<b>Michael F. Hartshorne</b>	<b>President</b>
<b>Robert D. DeGroft</b>	<b>Vice President</b>
<b>Gail Kirby</b>	<b>Secretary</b>
<b>John Gibbons</b>	<b>Treasurer (on leave)</b>
<b>Ernest Robart</b>	<b>Acting Treasurer</b>
<b>Rick Kirby</b>	<b>Chief Mechanical Officer</b>
<b>Don MacCornack</b>	<b>Member</b>
<b>Dave Van De Valde</b>	<b>Member</b>
<b>Frank Gerstle</b>	<b>Past President, Ex Officio</b>
<b>Jon Spargo</b>	<b>Safety Officer, Ex Officio</b>

## **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, 2014, 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, 2014, 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 2013 financial statements, and in our report dated May 15, 2014, 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  
June 9, 2015

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY, INC.  
STATEMENT OF FINANCIAL POSITION  
As of December 31, 2014 With Comparative Totals For 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 99,190	168,989
Receivables	-	10,000
Prepaid expense	855	1,572
Inventory	<u>22,402</u>	<u>29,649</u>
Total current assets	<u>122,447</u>	<u>210,210</u>
<b>Property and Equipment</b>		
Operating equipment	74,725	74,725
Storage equipment	29,409	29,409
Leasehold improvements	159,330	47,585
Portable building	4,115	4,115
Work in progress	<u>13,706</u>	<u>15,706</u>
	<u>281,285</u>	<u>171,540</u>
Less accumulated depreciation	<u>(125,222)</u>	<u>(109,144)</u>
Property and equipment - net	<u>156,063</u>	<u>62,396</u>
Steam locomotive/tender and caboose	<u>1,632,429</u>	<u>1,413,176</u>
Total assets	<u>\$ 1,910,939</u>	<u>1,685,782</u>

NET ASSETS

**Net Assets**

Unrestricted:

Undesignated	\$ 122,447	100,210
Investment in property and equipment	156,063	62,396
Investment in steam locomotive and tender	1,632,429	1,413,176
Temporarily restricted	<u>-</u>	<u>110,000</u>
Total net assets	<u>1,910,939</u>	<u>1,685,782</u>

Total net assets	<u>\$ 1,910,939</u>	<u>1,685,782</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, 2014 With Comparative Totals For 2013**

	<b>2014</b>			<b>2013</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	
<b>Revenue and Support</b>				
Sale of promotional items	\$ 21,809	-	<b>21,809</b>	13,704
Cost of sales	(14,532)	-	<b>(14,532)</b>	(6,677)
Net sales revenue	<u>7,277</u>	<u>-</u>	<u><b>7,277</b></u>	<u>7,027</u>
Contributions	69,177	-	<b>69,177</b>	184,151
Contributions in-kind	214,814	-	<b>214,814</b>	235,282
Memberships dues	14,236	-	<b>14,236</b>	12,404
Grant revenues	17,500	-	<b>17,500</b>	25,453
Miscellaneous revenue	829	-	<b>829</b>	494
Net assets released from restrictions	<u>110,000</u>	<u>(110,000)</u>	<u>-</u>	<u>-</u>
Total support	<u>426,556</u>	<u>(110,000)</u>	<u><b>316,556</b></u>	<u>457,784</u>
Total revenue and support	<u>433,833</u>	<u>(110,000)</u>	<u><b>323,833</b></u>	<u>464,811</u>
<b>Expenses</b>				
Program services	83,730	-	<b>83,730</b>	65,998
Fundraising	3,544	-	<b>3,544</b>	2,405
General & administration	<u>11,402</u>	<u>-</u>	<u><b>11,402</b></u>	<u>9,598</u>
Total expenses	<u>98,676</u>	<u>-</u>	<u><b>98,676</b></u>	<u>78,001</u>
Change in net assets	335,157	(110,000)	<b>225,157</b>	386,810
Net assets, beginning of year	<u>1,575,782</u>	<u>110,000</u>	<u><b>1,685,782</b></u>	<u>1,298,972</u>
Net assets, end of year	<u><u>\$ 1,910,939</u></u>	<u><u>-</u></u>	<u><u><b>1,910,939</b></u></u>	<u><u>1,685,782</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, 2014 With Comparative Totals For 2013**

		Support Services			
	Program Services	Fund- Raising	General & Administration	2014 Totals	2013 Totals
Volunteer services	\$ 23,809	1,401	2,801	<b>28,011</b>	17,959
Rent and leases	11,400	-	-	<b>11,400</b>	11,400
Shop supplies	10,477	-	-	<b>10,477</b>	8,735
Small tools	-	-	6,678	<b>6,678</b>	5,091
Professional services	6,099	-	-	<b>6,099</b>	5,992
Travel and entertainment	2,538	634	-	<b>3,172</b>	1,645
Insurance	1,987	852	-	<b>2,839</b>	2,040
Advertising and promotion	2,477	-	-	<b>2,477</b>	1,336
Printing and reproduction	1,715	-	-	<b>1,715</b>	2,113
Telephone	735	-	735	<b>1,470</b>	1,605
Equipment rental	1,213	-	-	<b>1,213</b>	1,755
Postage and delivery	397	497	99	<b>993</b>	1,298
Vehicle expense	986	-	-	<b>986</b>	209
Information technology	883	-	-	<b>883</b>	1,193
Office expense	788	-	-	<b>788</b>	597
Security service	385	-	385	<b>770</b>	835
Internet expense	643	-	-	<b>643</b>	575
Credit card fees	-	-	542	<b>542</b>	544
Repairs and maintenance	531	-	-	<b>531</b>	1,090
Miscellaneous	349	-	-	<b>349</b>	269
Computer equipment and supplies	-	161	161	<b>322</b>	69
Dues and subscriptions	180	-	-	<b>180</b>	60
Licenses and permits	60	-	-	<b>60</b>	-
Total expenses					
before depreciation	67,652	3,544	11,402	<b>82,598</b>	66,410
Depreciation	16,078	-	-	<b>16,078</b>	11,591
Total expenses	<u>\$ 83,730</u>	<u>3,544</u>	<u>11,402</u>	<u><b>98,676</b></u>	<u>78,001</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, 2014 With Comparative Totals For 2013**

	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>OPERATING ACTIVITIES</b>		
<b>Cash received from:</b>		
Sale of promotional items	\$ 7,277	7,027
Contributions	69,177	184,151
Grant revenue	27,500	15,453
Memberships dues	14,236	12,404
Other revenue	829	494
Total cash received	<u>119,019</u>	<u>219,529</u>
<b>Cash paid to:</b>		
Vendors and suppliers	<u>(29,553)</u>	<u>(36,410)</u>
Net cash provided by operating activities	<b>89,466</b>	183,119
<b>INVESTING ACTIVITIES</b>		
Work on locomotive and tender	(49,520)	(57,904)
Purchase of property and equipment	<u>(109,745)</u>	<u>(3,297)</u>
Net cash used by investing activities	<u>(159,265)</u>	<u>(61,201)</u>
Net (decrease) increase in cash and cash equivalents	<u>(69,799)</u>	<u>121,918</u>
Cash and cash equivalents, beginning of year	<u>168,989</u>	<u>47,071</u>
Cash and cash equivalents, end of year	\$ <u><u>99,190</u></u>	<u>168,989</u>
<b>Reconciliation of change in net assets to cash provided by operating activities</b>		
Change in net assets	\$ 225,157	386,810
Depreciation expense	16,078	11,591
Decrease (Increase) in receivables	10,000	(10,000)
Capitalized contributions in-kind	(169,733)	(202,645)
Decrease (Increase) in prepaid expense	717	-
Decrease (Increase) in inventory	<u>7,247</u>	<u>(2,637)</u>
Net cash provided by operating activities	\$ <u><u>89,466</u></u>	<u>183,119</u>
<b>Supplemental data for non-cash operating activities:</b>		
In-kind contributions	\$ <u><u>214,814</u></u>	<u>235,282</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, 2014 With Comparative Totals for 2013**

**NOTE A—NATURE OF OPERATIONS**

The New Mexico Steam Locomotive & Railroad Historical Society was formed in 1977 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 118,000 volunteer hours have been spent on the project. The organization is a 501(c) (3) non-profit and has no paid employees. As of the release of this report, the project is expected to be complete in early 2016. 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 1/2 of 1% of total contributions have come from government funding.

The Society estimates that \$53,000 in additional funds are required to complete the restoration project 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 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.
- 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:

**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

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended December 31, 2014 With Comparative Totals for 2013**

addition, the Society is required to present a statement of cash flows.

**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 2014 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 U.S. 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

**NEW MEXICO STEAM LOCOMOTIVE AND  
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NOTES TO FINANCIAL STATEMENTS  
For The Year Ended December 31, 2014 With Comparative Totals for 2013**

other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

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

**Inventory**

The Society has inventory of promotional items for sale which are valued at cost of \$11,211 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.

**Uncertain Tax Positions**

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 2011. 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.

The Organization recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses, when applicable. No provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2014 or 2013.

**Advertising Costs**

Advertising costs are expensed as incurred. For the year ended December 31, 2014, advertising expenses incurred totaled \$2,477.

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
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For The Year Ended December 31, 2014 With Comparative Totals for 2013**

**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, 2014 and 2013.

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 2,820 hours at the rate of \$8 per hour amounted to \$22,558 for the year ended December 31, 2014 and 1,721 hours at a rate of \$8 per hour amounted to \$13,768 for 2013.

<b><u>Donated Services and Assets</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Accounting/Computer Services/ Grant Writing</b>	<b>\$ 28,011</b>	17,959
<b>Land and Equipment Lease</b>	<b>11,400</b>	11,400
<b>Computer</b>	<b>508</b>	575
<b>Inventory of Promotional Items</b>	<b>2,530</b>	783
<b>Office Expense</b>	<b>569</b>	225
<b>Shop Supplies</b>	<b>1,294</b>	1,417
<b>Small Tools</b>	<b>76</b>	257
<b>Steam Locomotive (capitalized)</b>	<b>169,681</b>	202,645
<b>Miscellaneous</b>	<b><u>745</u></b>	<u>21</u>
<b>Total</b>	<b>\$ <u>214,814</u></b>	<u>235,282</u>

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended December 31, 2014 With Comparative Totals for 2013**

**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. The major classifications of property and equipment and the related depreciable lives are as follows:

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

**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

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**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended December 31, 2014 With Comparative Totals for 2013**

**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.

<b><u>Steam Locomotive and Rolling Stock</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Santa Fe 2926 Locomotive/tender</b>	<b>\$ 1,631,429</b>	1,406,476
<b>Additional Rolling Stock (caboose and two cars)</b>	<b><u>1,000</u></b>	<u>1,000</u>
<b>Total</b>	<b>\$ <u>1,632,429</u></b>	<u>1,407,476</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.

**NOTE C—CASH AND CASH EQUIVALENTS**

Cash consists of the following as of December 31:

<b><u>Cash and Cash Equivalents</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
<b>Cash in Checking</b>	<b>\$ 43,033</b>	47,614
<b>Cash in Savings</b>	<b>6</b>	21,256
<b>Money Market</b>	<b>56,101</b>	100,069
<b>Cash Box</b>	<b><u>50</u></b>	<u>50</u>
<b>Total</b>	<b>\$ <u>99,190</u></b>	<u>168,989</u>



**NEW MEXICO STEAM LOCOMOTIVE AND  
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For The Year Ended December 31, 2014 With Comparative Totals for 2013**

**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>2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassi- fication</u>	<u>2014</u>
<b>Operating Equipment</b>	<b>\$ 74,725</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74,725</b>
<b>Storage Equipment</b>	<b>29,409</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,409</b>
<b>Portable Buildings</b>	<b>4,115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,115</b>
<b>Leasehold Improvements</b>	<b>47,585</b>	<b>2,140</b>	<b>-</b>	<b>109,605</b>	<b>159,330</b>
<b>Work in progress</b>	<b>15,706</b>	<b>107,605</b>	<b>-</b>	<b>(109,605)</b>	<b>13,706</b>
<b>Subtotal</b>	<b>171,540</b>	<b>109,745</b>	<b>-</b>	<b>-</b>	<b>281,285</b>
<b>Less: Accumulated Depreciation</b>	<b>(109,144)</b>	<b>(16,078)</b>	<b>-</b>	<b>-</b>	<b>(125,222)</b>
<b>Total</b>	<b>\$ 62,396</b>	<b>93,667</b>	<b>-</b>	<b>-</b>	<b>156,063</b>

Depreciation expense for the year ended December 31, 2014 was \$16,078 and \$11,591 in 2013.

**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, 2014 and 2013, 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 – 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

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended December 31, 2014 With Comparative Totals for 2013**

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><b>2014</b></u>		<u><b>2013</b></u>	
Contributions	\$ <b>69,177</b>	<b>21%</b>	184,151	40%
Contributions in-kind	<u><b>214,814</b></u>	<u><b>66%</b></u>	<u>235,282</u>	<u>51%</u>
	\$ <u><b>283,991</b></u>	<u><b>87%</b></u>	<u>419,433</u>	<u>90%</u>
 Total revenues	 \$ <u><b>323,833</b></u>		 <u>464,811</u>	

**NOTE H – 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 June 9, 2015, which is the date the financial statements were available to be issued.



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

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

**MANAGEMENT ADVISORY LETTER  
For The Year Ended December 31, 2014**

**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  
June 9, 2015

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY, INC.  
SCHEDULE OF MANAGEMENT COMMENTS  
For the Year Ended December 31, 2014**

**PRIOR YEAR COMMENTS**

**None**

**CURRENT YEAR COMMENTS**

**None**