



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

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

**For The Year Ended December 31, 2022  
With Comparative Totals for 2021**

2500 9th St. NW  
Albuquerque, NM 87102  
505.883.8788  
[www.HL-cpas.com](http://www.HL-cpas.com)

**New Mexico Steam Locomotive & Railroad Historical Society**  
**Financial Statements**  
**For the Year Ended December 31, 2022, With Comparative Totals For 2021**

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

**Official Roster**

**As of December 31, 2022**

<u>Name</u>	<u>Position</u>
John Roberts	President
Rick Marsden	Vice President
Gail Kirby	Secretary
Phil Jacobus	Treasurer
Richard Kirby	Chief Mechanical Officer
John Cekala	Member
John Taylor	Member
Henry Roberts	Member
Jon Spargo	Safety Officer
Robert DeGroft	Past President, 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, 2022, 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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis of Opinion**

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

**Responsibilities of Management for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

**Report on Prior Year Summarized Comparative Information**

We have previously audited the Society's 2021 financial statements, and in our report dated April 25, 2022, 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, 2021, is consistent in all material respects, with the audited financial statements from which it has been derived.

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.

Albuquerque, NM

April 22, 2023

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

**STATEMENT OF FINANCIAL POSITION**

**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

ASSETS

	2022	2021
<b>Current Assets</b>		
Cash, restricted cash and cash equivalents	\$ 394,040	350,704
Receivables	-	1,999
Prepaid expense	2,477	2,477
Deposits	3,230	3,230
Inventory	6,676	7,409
Total current assets	406,423	365,819
<b>Property and Equipment</b>		
Operating equipment	79,725	79,725
Storage equipment	29,409	29,409
Leasehold improvements	319,802	198,178
Portable building	11,422	11,422
Locomotive shed	109,811	109,811
Construction in progress	9,675	9,675
	559,844	438,220
Less accumulated depreciation	(295,023)	(265,283)
Property and equipment - net	264,821	172,937
Steam locomotive and tender	3,107,382	3,013,478
Tool car	363,528	308,973
Total assets	\$ 4,142,154	3,861,207

LIABILITIES

<b>Current Liabilities</b>		
Accounts payable	\$ -	-
Total current liabilities	-	-

NET ASSETS

<b>Net Assets</b>		
<b>Net Assets without Donor Restrictions</b>		
Undesignated	380,626	343,305
Investment in property and equipment, net	264,821	172,937
Investment in steam locomotive and tender	3,470,910	3,322,451
Total net assets without donor restrictions	4,116,357	3,838,693
<b>Net Assets with Donor Restrictions</b>		
Purpose restricted	25,797	22,514
Time restricted	-	-
Total net assets with donor restrictions	25,797	22,514
Total net assets	4,142,154	3,861,207
Total liabilities and net assets	\$ 4,142,154	3,861,207

See independent auditor's report.

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

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

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Sale of promotional items	\$ 29,316	-	29,316	32,172
Cost of sales	(12,033)	-	(12,033)	(15,312)
Net sales revenue	17,283	-	17,283	16,860
Contributions	94,548	-	94,548	105,682
Contributions in-kind	99,621	-	99,621	83,135
Memberships dues	14,931	-	14,931	6,482
Grant revenues	146,624	10,000	156,624	2,500
Miscellaneous revenue	1,848	-	1,848	12,568
Net assets released from restrictions	6,717	(6,717)	-	-
Total support	364,289	3,283	367,572	210,367
Total revenue and support	381,572	3,283	384,855	227,227
Expenses				
Program services	89,518	-	89,518	62,164
General & administration	13,353	-	13,353	11,542
Fundraising	1,037	-	1,037	2,275
Total expenses	103,908	-	103,908	75,981
Change in net assets	277,664	3,283	280,947	151,246
Net assets, beginning of year	3,838,693	22,514	3,861,207	3,709,961
Net assets, end of year	\$ 4,116,357	25,797	4,142,154	3,861,207

See independent auditor's report.

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

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

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

	Program Services	Support Activities		2022 Totals	2021 Totals
		General & Administration	Fund- Raising		
Shop supplies	\$ 13,103	-	-	13,103	5,567
Cost of sales	12,033	-	-	12,033	15,312
Professional services	-	8,171	-	8,171	7,929
Insurance	7,040	-	-	7,040	4,943
Repairs and maintenance	6,750	-	-	6,750	2,085
Rent and leases	6,000	-	-	6,000	6,000
Security service	2,657	2,656	-	5,313	1,079
Large equipment and tools	4,477	-	-	4,477	-
Equipment rental	3,747	-	-	3,747	3,329
Fuel expense	3,249	-	-	3,249	6,641
Advertising and promotion	2,843	-	-	2,843	1,182
Telephone	1,151	1,150	-	2,301	1,590
Small tools	1,529	-	-	1,529	1,380
Postage and delivery	546	136	682	1,364	1,974
Printing and reproduction	1,350	-	-	1,350	661
Internet expense	1,323	-	-	1,323	1,159
Credit card fees	-	1,066	-	1,066	819
Utilities	965	-	-	965	1,066
Travel and entertainment	724	-	181	905	374
Miscellaneous	569	-	-	569	1,806
Office expense	568	-	-	568	234
Licenses and permits	492	-	-	492	651
Information technology	452	-	-	452	377
Computer equipment and supplies	-	174	174	348	2,325
Dues and subscriptions	243	-	-	243	113
Volunteer services	-	-	-	-	1,008
<b>Total expenses</b>					
before depreciation	71,811	13,353	1,037	86,201	69,604
Depreciation	29,740	-	-	29,740	21,689
<b>Total expenses</b>	<b>\$ 101,551</b>	<b>13,353</b>	<b>1,037</b>	<b>115,941</b>	<b>91,293</b>
Less expenses included with revenue					
on the statement of activities:					
Cost of sales	(12,033)	-	-	(12,033)	(15,312)
<b>Total expenses</b>	<b>\$ 89,518</b>	<b>13,353</b>	<b>1,037</b>	<b>103,908</b>	<b>75,981</b>

See independent auditor's report.

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

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

**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from:		
Sale of promotional items	\$ 29,316	32,172
Contributions	94,548	105,682
Grant revenue	156,624	2,500
Memberships dues	14,931	6,482
Other revenue	1,848	12,568
Total cash received	297,267	159,404
Cash paid to:		
Cost of sales	(12,033)	(15,312)
Vendors and suppliers	(63,840)	(44,827)
Net cash provided (used) by operating activities	221,394	99,265
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Work on locomotive/tool car/tender	(56,434)	(48,162)
Purchase of property and equipment	(121,624)	(4,868)
Net cash (provided) used by investing activities	(178,058)	(53,030)
Net (decrease) increase in cash and cash equivalents	43,336	46,235
Cash, cash equivalents and restricted cash, beginning of year	350,704	304,469
Cash, cash equivalents and restricted cash, end of year	\$ 394,040	350,704
Reconciliation of change in net assets to cash provided (used) by operating activities		
Change in net assets	\$ 280,947	151,246
Depreciation expense	29,740	21,689
Capitalized contributions in-kind	(92,025)	(74,279)
Decrease (increase) in receivables	1,999	4,425
Decrease (increase) in inventory	733	(1,160)
Increase (decrease) in accounts payable	-	(2,656)
Net cash provided (used) by operating activities	\$ 221,394	99,265
Supplementary data for non-cash operating activities:		
In-kind contributions	\$ 99,621	83,135

See independent auditor's report.

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

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

**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

**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-1950s. The plan of the Society is to restore the engine to running condition and use it to promote tourism in New Mexico and educate the public on the strong ties the economic development of the State of New Mexico has with rail transportation.

By 2003, actual restoration had begun, and since then more than 236,000 volunteer hours have been spent on the project. The organization is a 501(c)(3) non-profit and has no paid employees.

2022 was a pivotal year for our organization. We officially declared the restoration complete by placing the last jacketing plate on the locomotive with signatures of the contributing volunteers on the inside. This does not mean our 25-year project is over and done.

Steam engines require constant maintenance inspections and servicing, many of which are required by the Federal Railroad Administration with detailed records submitted on a strict schedule. A myriad of items must be “exercised” on a regular basis.

Other items now required by the FRA are a Positive Train Control system, radios, and a Multiple Unit Control. The Society has also opted to install an event recorder system for additional safety.

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

In September of 2022, the 8th Street crossing was replaced and in late 2022, the Society received permission from the City of Albuquerque to begin work on the Historic Rail Yards downtown to repair the turntable and lead-in tracks prior to our occupation of the south end

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of the yards for steam operations. Monies from the State of New Mexico are being sought to cover the cost and as of this writing it looks like monies will be coming in 2023.

Negotiations are ongoing to get permissions to operate excursions to promote tourism in the State of New Mexico.

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

The Society's goals are as follows:

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

**NOTE B—SIGNIFICANT ACCOUNTING POLICIES**

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

**Financial Statement Presentation**

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

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NOTES TO FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

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

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

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

<u>Donor Restricted</u>	<u>2021</u>	<u>Additions</u>	<u>Released</u>	<u>2022</u>
Sawmill spur grant	\$ -	10,000	-	10,000
Positive train controls	22,514	-	(6,717)	15,797
	<u>\$ 22,514</u>	<u>10,000</u>	<u>(6,717)</u>	<u>25,797</u>

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

**Use of Estimates in Preparing Financial Statements**

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

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

**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

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

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

**Contributions**

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

**Grants**

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

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**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, 2022 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.

**Inventory**

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

**Advertising Costs**

Advertising costs are expensed as incurred. For the years ended December 31, 2022 and 2021, advertising expenses incurred totaled \$2,843 and \$1,182, 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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**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

The expenses are allocated as follows:

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

\* Legend for Basis of Allocation of Expenses

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

Expense Allocation	2022	2021
Program	86%	82%
General & administrative	13%	15%
Fundraising	1%	3%
	100%	100%

**Income Taxes**

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

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

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

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**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, 2022 and 2021.

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 6,352 hours at the rate of \$8 per hour amounted to \$50,820 for the year ended December 31, 2022 and 5,340 hours at a rate of \$8 per hour amounted to \$43,880 for 2021. 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 1,869 hours at the rate of \$14 per hour amounted to \$26,170 for the year ended December 31, 2022 and 1,582 hours at a rate of \$14 per hour amounted to \$22,148 for 2021.

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<u>Donated Services and Assets</u>	<u>2022</u>	<u>2021</u>	<u>Usage in Programs/Activities</u>	<u>Donor Restriction</u>	<u>Fair Value Techniques</u>
Steam locomotive, tender and tool car					
labor (capitalized)	\$ 92,025	74,279	Program	None	1
Land and equipment lease	6,000	6,000	Program	None	2
Accounting/computer software	1,062	1,957	Administrative	None	3
Shop supplies	477	282	Program	None	4
Office supplies	57	502	Administrative	None	4
Construction materials	-	115	Program	None	4
Total	<u>\$ 99,621</u>	<u>83,135</u>			

**\* Legend for Fair Value Techniques**

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

**Property, Equipment 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 estimated useful lives are as follows:

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

**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

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**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

**Prior Year Comparative Financial Statements**

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

**Contingencies**

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

**NOTE C—STEAM LOCOMOTIVE AND ROLLING STOCK—HISTORICAL TREASURE**

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

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

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

**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

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

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

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

<u>Steam Locomotive and Rolling Stock</u>	<u>2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>2022</u>
Santa Fe 2926 Locomotive and Tender	\$ 3,013,478	93,904	-	3,107,382
Tool car	308,973	54,555	-	363,528
Total	<u>\$ 3,322,451</u>	<u>148,459</u>	<u>-</u>	<u>3,470,910</u>

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

**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

**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>2022</u>	<u>2021</u>
Cash in checking	\$ 8,740	10,251
Cash in savings	6	6
Money market	348,677	334,251
Designated and restricted		
Cash - positive train control	26,567	6,146
Cash - Sawmill Spur	10,000	-
Cash box	50	50
Total	<u>\$ 394,040</u>	<u>350,704</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>2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>2022</u>
Operating equipment	\$ 79,725	-	-	79,725
Storage equipment	29,409	-	-	29,409
Portable buildings	11,422	-	-	11,422
Leasehold improvements	198,178	121,624	-	319,802
Locomotive shed	109,811	-	-	109,811
Construction in progress	9,675	-	-	9,675
Subtotal	<u>438,220</u>	<u>121,624</u>	<u>-</u>	<u>559,844</u>
Less: accumulated				
Depreciation	<u>(265,283)</u>	<u>(29,740)</u>	<u>-</u>	<u>(295,023)</u>
Total	<u>\$ 172,937</u>	<u>91,884</u>	<u>-</u>	<u>264,821</u>

Depreciation expense for the year ended December 31, 2022 was \$29,739 and \$21,689 in 2021.

**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.

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

**For the Year Ended December 31, 2022 With Comparative Totals for 2021**

**NOTE G—RELATED PARTY**

During the years ended December 31, 2022 and 2021, two members of the board were related by marriage and two members of the board were related by family.

**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>2022</u>	<u>%</u>	<u>2021</u>	<u>%</u>
Contributions	\$	94,548	25%	105,682	47%
Contributions in-kind		<u>99,621</u>	<u>26%</u>	<u>83,135</u>	<u>37%</u>
	\$	<u>194,169</u>	<u>50%</u>	<u>188,817</u>	<u>83%</u>
 Total revenues	 \$	 <u>384,855</u>		 <u>227,227</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, 2022 With Comparative Totals for 2021**

Liquidity is as follows:

	2022	2021
Cash, restricted cash and cash equivalents at year end	\$ 394,040	350,704
Less those unavailable for general expenditures within year, due to:		
Restricted by donor with purpose restrictions	(25,797)	(22,514)
Financial assets available to meet cash needs for general expenditures within one year	\$ 368,243	328,190

**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 22, 2023, which is the date the financial statements were available to be issued.



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

**MANAGEMENT ADVISORY LETTER**

**For The Year Ended December 31, 2022**

2500 9th St. NW  
Albuquerque, NM 87102  
505.883.8788  
[www.HL-cpas.com](http://www.HL-cpas.com)

## **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 22, 2023

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY, INC.  
SCHEDULE OF MANAGEMENT ADVISORY COMMENTS  
For the Year Ended December 31, 2022**

PRIOR YEAR COMMENTS

None

CURRENT YEAR COMMENTS

None