



# 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, 2017  
With Comparative Totals for 2016**



**New Mexico Steam Locomotive & Railroad Historical Society  
Financial Statements  
For the Year Ended December 31, 2017 With Comparative Totals For 2016**

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

**Official Roster**

**As of December 31, 2017**

<b>Name</b>	<b>Position</b>
<b>Michael F. Hartshorne</b>	<b>President</b>
<b>Dave Van De Valde</b>	<b>Vice President</b>
<b>Gail Kirby</b>	<b>Secretary</b>
<b>John Gibbons</b>	<b>Treasurer</b>
<b>Rick Kirby</b>	<b>Chief Mechanical Officer</b>
<b>Larry Lukens</b>	<b>Member</b>
<b>Don MacCornack</b>	<b>Member</b>
<b>Rick Bugge</b>	<b>Webmaster</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, 2017, 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, 2017, 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 2016 financial statements, and in our report dated May 10, 2017, 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, 2016, 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  
April 26, 2018

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY, INC.  
STATEMENT OF FINANCIAL POSITION  
As of December 31, 2017 With Comparative Totals For 2016**

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b>Current Assets</b>		
Cash, restricted cash and cash equivalents	\$ 211,141	162,654
Prepaid expense	855	855
Deposits	3,230	-
Inventory	5,978	8,344
Total current assets	<u>221,204</u>	<u>171,853</u>
<b>Property and Equipment</b>		
Operating equipment	74,725	74,725
Storage equipment	29,409	29,409
Leasehold improvements	159,777	159,777
Portable building	4,115	4,115
Locomotive shed	109,811	109,811
Work in progress	9,675	9,675
	<u>387,512</u>	<u>387,512</u>
Less accumulated depreciation	(179,745)	(160,095)
Property and equipment - net	<u>207,767</u>	<u>227,417</u>
 Steam locomotive/tender and caboose	 <u>2,536,867</u>	 <u>2,216,603</u>
Total assets	\$ <u><u>2,965,838</u></u>	<u><u>2,615,873</u></u>

**LIABILITIES**

**Current liabilities**

Accounts payable	\$ -	6,152
Total current liabilities	-	6,152

**NET ASSETS**

**Net Assets**

Unrestricted:		
Undesignated	125,247	165,701
Designated	50,000	-
Investment in property and equipment	207,767	227,417
Investment in steam locomotive and tender	2,536,867	2,216,603
Temporarily restricted	45,957	-
Total net assets	<u>2,965,838</u>	<u>2,609,721</u>
Total liabilities and net assets	\$ <u><u>2,965,838</u></u>	<u><u>2,615,873</u></u>

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, 2017 With Comparative Totals For 2016**

	<b>2017</b>			<b>2016</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	
<b>Revenue and Support</b>				
Sale of promotional items	\$ 14,686	-	<b>14,686</b>	13,416
Cost of sales	(7,415)	-	<b>(7,415)</b>	(5,554)
Net sales revenue	<u>7,271</u>	<u>-</u>	<u><b>7,271</b></u>	<u>7,862</u>
Contributions	59,062	45,957	<b>105,019</b>	221,283
Contributions in-kind	310,402	-	<b>310,402</b>	279,088
Memberships dues	17,160	-	<b>17,160</b>	16,552
Grant revenues	20,000	-	<b>20,000</b>	23,000
Miscellaneous revenue	534	-	<b>534</b>	961
Net assets released from restrictions	-	-	-	-
Total support	<u>407,158</u>	<u>45,957</u>	<u><b>453,115</b></u>	<u>540,884</u>
Total revenue and support	<u>414,429</u>	<u>45,957</u>	<u><b>460,386</b></u>	<u>548,746</u>
<b>Expenses</b>				
Program services	88,479	-	<b>88,479</b>	121,740
Fundraising	3,890	-	<b>3,890</b>	4,206
General & administration	<u>11,900</u>	<u>-</u>	<u><b>11,900</b></u>	<u>13,426</u>
Total expenses	<u>104,269</u>	<u>-</u>	<u><b>104,269</b></u>	<u>139,372</u>
Change in net assets	310,160	45,957	<b>356,117</b>	409,374
Net assets, beginning of year	<u>2,609,721</u>	<u>-</u>	<u><b>2,609,721</b></u>	<u>2,200,347</u>
Net assets, end of year	<u><u>\$ 2,919,881</u></u>	<u><u>45,957</u></u>	<u><u><b>2,965,838</b></u></u>	<u><u>2,609,721</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, 2017 With Comparative Totals For 2016**

		Support Services			
	Program Services	Fund- Raising	General & Administration	2017 Totals	2016 Totals
Volunteer services	\$ 25,567	1,504	3,008	<b>30,079</b>	45,090
Rent and leases	11,400	-	-	<b>11,400</b>	11,400
Printing and reproduction	7,747	-	-	<b>7,747</b>	3,683
Professional services	-	-	6,439	<b>6,439</b>	6,378
Shop supplies	5,520	-	-	<b>5,520</b>	6,079
Large equipment and tools	3,646	-	-	<b>3,646</b>	7,811
Vehicle expense	2,487	-	-	<b>2,487</b>	8,552
Equipment rental	2,430	-	-	<b>2,430</b>	1,938
Telephone	945	-	945	<b>1,890</b>	1,560
Small tools	1,683	-	-	<b>1,683</b>	3,747
Travel and entertainment	1,068	267	-	<b>1,335</b>	2,770
Fundraising	-	1,609	-	<b>1,609</b>	-
Insurance	1,242	-	-	<b>1,242</b>	2,122
Utilities	1,227	-	-	<b>1,227</b>	-
Advertising and promotion	1,095	-	-	<b>1,095</b>	3,338
Security service	476	-	476	<b>952</b>	1,509
Credit card fees	-	-	821	<b>821</b>	827
Internet expense	676	-	-	<b>676</b>	653
Information technology	578	-	-	<b>578</b>	473
Postage and delivery	297	372	74	<b>743</b>	1,457
Repairs and maintenance	564	-	-	<b>564</b>	6,280
Computer equipment and supplies	-	138	137	<b>275</b>	62
Office expense	55	-	-	<b>55</b>	1,658
Licenses and permits	50	-	-	<b>50</b>	60
Dues and subscriptions	45	-	-	<b>45</b>	695
Miscellaneous	30	-	-	<b>30</b>	1,307
Total expenses					
before depreciation	68,828	3,890	11,900	<b>84,618</b>	119,449
Depreciation	19,651	-	-	<b>19,651</b>	19,923
Total expenses	\$ <u>88,479</u>	<u>3,890</u>	<u>11,900</u>	<u><b>104,269</b></u>	<u>139,372</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, 2017 With Comparative Totals For 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
<b>Cash received from:</b>		
Sale of promotional items	\$ 7,271	7,862
Contributions	105,019	221,283
Grant revenue	20,000	23,000
Memberships dues	17,160	16,552
Other revenue	534	961
Total cash received	<u>149,984</u>	<u>269,658</u>
<b>Cash paid to:</b>		
Vendors and suppliers	<u>(41,328)</u>	<u>(52,169)</u>
Net cash provided (used) by operating activities	<u>108,656</u>	<u>217,489</u>
<b>INVESTING ACTIVITIES</b>		
Work on locomotive and tender	(60,169)	(42,303)
Purchase of property and equipment	-	(105,780)
Net cash (provided)used by investing activities	<u>(60,169)</u>	<u>(148,083)</u>
Net (decrease) increase in cash and cash equivalents	<u>48,487</u>	<u>69,406</u>
Cash, cash equivalents and restricted cash, beginning of year	<u>162,654</u>	<u>93,248</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 211,141</u>	<u>162,654</u>
<b>Reconciliation of change in net assets to cash provided (used) by operating activities</b>		
Change in net assets	\$ 356,117	409,374
Depreciation expense	19,651	19,923
Capitalized contributions in-kind	(260,096)	(219,049)
Decrease (Increase) in deposits	(3,230)	-
Decrease (Increase) in inventory	2,366	1,089
Increase (decrease) in accounts payable	(6,152)	6,152
Net cash provided (used) by operating activities	<u>\$ 108,656</u>	<u>217,489</u>
<b>Supplementary data for non-cash operating activities:</b>		
In-kind Contributions	<u>\$ 310,402</u>	<u>279,088</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, 2017 With Comparative Totals for 2016**

**NOTE A—NATURE OF OPERATIONS**

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

By 2003, actual restoration had begun, and since then more than 167,000 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 2018. 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 \$44,500 in additional funds are required to complete the restoration of the engine and tender in 2018. A tool car project is expected to be completed in 2019 at a cost of \$127,000.

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:

**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, 2017 With Comparative Totals for 2016**

**Unrestricted Net Assets**

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

**Designated Net Assets**

The board of directors has designated \$50,000 to be used for restoration of a tool car.

**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. At December 31, 2017 temporarily restricted net assets are as follows:

<u>Temporarily Restricted</u>	<u>2017</u>	<u>2016</u>
Tool car	\$ <u><u>45,957</u></u>	<u><u>-</u></u>

**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 2017 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, 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.

**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.

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RAILROAD HISTORICAL SOCIETY  
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Level 3: Unobservable inputs for the asset or liability.

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

**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 which are valued at cost of \$5,978.

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.

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 2014. 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.

**Advertising Costs**

Advertising costs are expensed as incurred. For the years ended December 31, 2017 and 2016, advertising expenses incurred totaled \$1,095 and \$3,338 respectively.

**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

**NEW MEXICO STEAM LOCOMOTIVE AND  
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For the Year Ended December 31, 2017 With Comparative Totals for 2016**

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, 2017 and 2016.

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 996 hours at the rate of \$8 per hour amounted to \$7,970 for the year ended December 31, 2017 and 1,540 hours at a rate of \$8 per hour amounted to \$12,320 for 2016.

<b>Donated Services and Assets</b>		<b>2017</b>	<b>2016</b>
Steam Locomotive (capitalized)	\$	<b>217,406</b>	219,049
Tool Car		<b>42,690</b>	-
Accounting/Computer Services/Fundraising		<b>29,979</b>	38,591
Land and Equipment Lease		<b>11,400</b>	11,400
Printing and Reproduction		<b>4,755</b>	3,268
Fundraising		<b>1,607</b>	-
Shop Supplies		<b>1,387</b>	521
Computer		<b>631</b>	504
Small Tools		<b>307</b>	1,000
Postage and Delivery		<b>170</b>	353
Miscellaneous		<b>70</b>	526
Travel		-	1,587
Office Supplies		-	1,227
Security system		-	754
Inventory of Promotional Items		-	308
Total	\$	<b>310,402</b>	279,088

**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 \$5,000 or more. 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 betterment's and replacements are capitalized.

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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

**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 June 30, 2017, from which the summarized information was derived.

**Reclassifications**

Certain reclassifications may have been made to 2016 amounts to conform to 2017 presentation.

**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 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.

**NEW MEXICO STEAM LOCOMOTIVE AND  
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NOTES TO FINANCIAL STATEMENTS  
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<b>Steam Locomotive and Rolling Stock</b>	<b>2017</b>	<b>2016</b>
Santa Fe 2926 Locomotive/tender	\$ <b>2,488,177</b>	2,215,603
Additional Rolling Stock (caboose and two cars)	<b>1,000</b>	1,000
Total	<b>\$ 2,489,177</b>	<b>2,216,603</b>

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>Cash and Cash Equivalents</b>	<b>2017</b>	<b>2016</b>
Cash in Checking	\$ <b>23,939</b>	12,451
Cash in Savings	<b>6</b>	6
Money Market	<b>91,189</b>	150,147
Designated and Restricted		
Cash - Tool Car	<b>95,957</b>	-
Cash Box	<b>50</b>	50
Total	<b>\$ 211,141</b>	<b>162,654</b>

**NOTE D—PROPERTY, EQUIPMENT AND DEPRECIATION**

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

<b>Property and Equipment</b>	<b>2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>2017</b>
Operating Equipment	\$ 74,725	-	-	<b>74,725</b>
Storage Equipment	29,409	-	-	<b>29,409</b>
Portable Buildings	4,115	-	-	<b>4,115</b>
Leasehold Improvements	159,777	-	-	<b>159,777</b>
Locomotive shed	109,811	-	-	<b>109,811</b>
Work in progress	9,675	-	-	<b>9,675</b>
Subtotal	<u>387,512</u>	<u>-</u>	<u>-</u>	<u><b>387,512</b></u>
Less: Accumulated				
Depreciation	<u>(160,095)</u>	<u>(19,650)</u>	<u>-</u>	<u><b>(179,745)</b></u>
Total	<b>\$ 227,417</b>	<b>(19,650)</b>	<b>-</b>	<b>207,767</b>

Depreciation expense for the year ended December 31, 2017 was \$19,651 and \$19,923 in 2016.

**NOTE E—OPERATING LEASES**

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 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.



**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2017 With Comparative Totals for 2016**

**NOTE F—RELATED PARTY**

During the years ended December 31, 2017 and 2016, a board member was 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 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:

		<b>2017</b>	<b>%</b>	<b>2016</b>	<b>%</b>
Contributions	\$	<b>105,019</b>	<b>23%</b>	221,283	40%
Contributions in-kind		<b>310,402</b>	<b>67%</b>	279,088	51%
	\$	<b><u>415,421</u></b>	<b><u>90%</u></b>	<b><u>500,371</u></b>	<b><u>91%</u></b>
Total revenues	\$	<b><u>460,386</u></b>		<b><u>548,746</u></b>	

**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 April 26, 2018, 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, 2017**

**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  
April 26, 2018

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY, INC.  
SCHEDULE OF MANAGEMENT ADVISORY COMMENTS  
For the Year Ended December 31, 2017**

**PRIOR YEAR COMMENTS**

**None**

**CURRENT YEAR COMMENTS**

**None**