



# 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, 2019  
With Comparative Totals for 2018**



**New Mexico Steam Locomotive & Railroad Historical Society  
Financial Statements  
For the Year Ended December 31, 2019, With Comparative Totals For 2018**

**Table of Contents**

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	<u>Page</u>
Official Roster	1
Independent Auditor's Report	2-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-17

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

**Official Roster**

**As of December 31, 2019**

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



**Independent Auditor’s Report**

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

**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, 2019, 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, whether due to fraud or error.

**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, 2019, 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 2018 financial statements, and in our report dated April 5, 2019, 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, 2018, 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, 2020

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
STATEMENT OF FINANCIAL POSITION  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

ASSETS

	2019	2018
<b>Current Assets</b>		
Cash, restricted cash and cash equivalents	\$ 232,548	214,540
Receivables	794	2,000
Prepaid expense	1,204	855
Deposits	3,230	3,230
Inventory	5,321	7,934
Total current assets	243,097	228,559
<b>Property and Equipment</b>		
Tool car	207,436	113,183
Operating equipment	79,725	79,725
Storage equipment	29,409	29,409
Leasehold improvements	193,310	167,869
Portable building	11,422	11,422
Locomotive shed	109,811	109,811
Work in progress	9,675	9,675
	640,788	521,094
Less accumulated depreciation	(222,230)	(200,865)
Property and equipment - net	418,558	320,229
Steam locomotive and tender	2,912,662	2,757,552
Total assets	\$ 3,574,317	3,306,340

LIABILITIES

<b>Current Assets</b>		
Accounts payable	\$ 22,358	-
Total current liabilities	22,358	-

NET ASSETS

<b>Net Assets</b>		
<b>Net Assets without Donor Restrictions</b>		
Undesignated	171,943	178,750
Investment in property and equipment, net	418,558	320,229
Investment in steam locomotive and tender	2,912,662	2,757,552
<b>Net Assets with Donor Restrictions</b>		
Purpose restricted	48,796	49,809
Time restricted	-	-
Total net assets	3,551,959	3,306,340
Total liabilities and net assets	\$ 3,574,317	3,306,340

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue and Support</b>				
Sale of promotional items	\$ 36,415	-	36,415	29,747
Cost of sales	(12,652)	-	(12,652)	(9,543)
Net sales revenue	23,763	-	23,763	20,204
Contributions	77,813	30,055	107,868	120,850
Contributions in-kind	189,852	-	189,852	255,563
Memberships dues	19,697	-	19,697	16,872
Grant revenues	2,500	25,000	27,500	55,000
Gain on sale of assets	-	-	-	1,000
Miscellaneous revenue	5,492	-	5,492	1,200
Net assets released from restrictions	56,068	(56,068)	-	-
Total support	351,422	(1,013)	350,409	450,485
 Total revenue and support	 375,185	 (1,013)	 374,172	 470,689
<b>Expenses</b>				
Program services	109,375	-	109,375	114,200
Fundraising	4,955	-	4,955	2,896
General & administration	14,221	-	14,221	13,091
 Total expenses	 128,551	 -	 128,551	 130,187
 Change in net assets	 246,634	 (1,013)	 245,621	 340,502
Net assets, beginning of year	3,256,529	49,809	3,306,338	2,965,838
Net assets, end of year	\$ 3,503,163	48,796	3,551,959	3,306,340



**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

	Program Services	Support Activities		2019 Totals	2018 Totals
		Fund- Raising	General & Administration		
Volunteer services	\$ 34,337	2,020	4,040	40,397	36,553
Cost of sales	12,652	-	-	12,652	9,543
Shop supplies	11,853	-	-	11,853	12,662
Large equipment and tools	7,338	-	-	7,338	5,587
Professional services	-	-	6,850	6,850	6,665
Rent and leases	6,000	-	-	6,000	10,050
Equipment rental	4,962	-	-	4,962	2,189
Vehicle expense	3,942	-	-	3,942	6,794
Postage and delivery	1,395	1,744	349	3,488	1,719
Travel and entertainment	2,653	663	-	3,316	58
Insurance	3,280	-	-	3,280	2,609
Repairs and maintenance	1,999	-	-	1,999	12,444
Small tools	1,978	-	-	1,978	1,138
Advertising and promotion	1,694	-	-	1,694	1,181
Telephone	704	-	704	1,408	1,594
Credit card fees	-	-	1,249	1,249	1,030
Printing and reproduction	1,229	-	-	1,229	959
Computer equipment and supplies	-	528	527	1,055	392
Security service	503	-	502	1,005	1,153
Utilities	961	-	-	961	988
Internet expense	813	-	-	813	749
Information technology	752	-	-	752	656
Office expense	686	-	-	686	124
Miscellaneous	528	-	-	528	945
Dues and subscriptions	358	-	-	358	233
Licenses and permits	45	-	-	45	595
<b>Total expenses</b>					
before depreciation	100,662	4,955	14,221	119,838	118,610
Depreciation	21,365	-	-	21,365	21,120
Less expenses included with revenue on the statement of activities:					
Cost of sales	(12,652)	-	-	(12,652)	(9,543)
<b>Total expenses</b>	<u>\$ 109,375</u>	<u>4,955</u>	<u>14,221</u>	<u>128,551</u>	<u>130,187</u>

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
<b>Cash received from:</b>		
Sale of promotional items	\$ 23,763	20,204
Contributions	107,868	120,850
Grant revenue	27,500	55,000
Memberships dues	19,697	16,672
Other revenue	5,492	1,200
Total cash received	184,320	213,926
<b>Cash paid to:</b>		
Vendors and suppliers	(30,719)	(62,694)
Net cash provided (used) by operating activities	153,601	151,232
<b>INVESTING ACTIVITIES</b>		
Work on locomotive/tool car/tender	(110,152)	(127,434)
Purchase of property and equipment	(25,441)	(20,399)
Net cash (provided) used by investing activities	(135,593)	(147,833)
Net (decrease) increase in cash and cash equivalents	18,008	3,399
Cash, cash equivalents and restricted cash, beginning of year	214,540	211,141
Cash, cash equivalents and restricted cash, end of year	\$ 232,548	214,540
<b>Reconciliation of change in net assets to cash provided (used) by operating activities</b>		
Change in net assets	\$ 245,621	340,502
Depreciation expense	21,365	21,120
Capitalized contributions in-kind	(139,213)	(205,434)
Gain on sale of assets	-	(1,000)
Decrease (increase) in receivables	1,206	(2,000)
Decrease (increase) in prepaid expense	(349)	-
Decrease (increase) in inventory	2,613	(1,956)
Increase (decrease) in accounts payable	22,358	-
Net cash provided (used) by operating activities	\$ 153,601	151,232
<b>Supplementary data for non-cash operating activities:</b>		
In-kind contributions	\$ 189,852	255,763

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

**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 202,000 volunteer hours have been spent on the project. The organization is a 501(c) (3) non-profit and has no paid employees. In 2019, the Society had a series of four static steam-ups, the goal of which was to prove operation of the boiler and various mechanical aspects of the locomotive. These proved successful and were accepted by the FRA (Federal Railroad Administration). In March 2020, the Society had scheduled a steam-up to move the locomotive under its own power for the first time. It was cancelled/delayed due to the COVID19 quarantine ordered by the Governor of the State of New Mexico. The restoration site was also closed. The Society will restart and have additional tests and a steam-up under locomotive power when the quarantine is lifted.

The tool car basic restoration to make it "rail worthy" was completed by Sea Island Passenger Services in Ohio. This allowed it to travel via rail from Ohio to Albuquerque and it will be delivered to the restoration site in May 2020. Funds spent to-date on the tool car are approximately \$130,000. Additional work on the tool car will continue throughout 2020.

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

The Society's goals are as follows:

- Accurately preserve, restore, operate and display an engine that represents the epitome of steam locomotive technology in the United States.
- Provide 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.

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

**NOTE B—SIGNIFICANT ACCOUNTING POLICIES**

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

**Financial Statement Presentation**

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

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

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

Net Assets with Donor Restrictions—Net assets 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. Net assets perpetual in nature result 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 Society. At December 31, 2019, the Society reported no net assets perpetual in nature.

Donor restricted assets are as follows:

<b><u>Donor Restricted</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Tool car	\$ 23,796	49,809
Positive train control	25,000	-
	<b><u>\$ 48,796</u></b>	<b><u>49,809</u></b>

**Use of Estimates in Preparing Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

**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*.

*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 \$5,321. 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.

**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.

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

**Advertising Costs**

Advertising costs are expensed as incurred. For the years ended December 31, 2019 and 2018, advertising expenses incurred totaled \$1,694 and \$1,181 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.

The expenses are allocated as follows:

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

**Income Taxes**

The Society is a non-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

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 2016. The organization is not currently under audit nor has the organization been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

**Donated Services and Assets**

The Society pays for most services requiring specific expertise. Donated services that required specific expertise were recorded at their estimated fair value, in accordance with ASC 958-605, "Accounting for Contributions Received and Contributions Made."

The Society receives donations of assets from corporations and individuals. Non-cash donations are recorded as in-kind contributions at their estimated fair values at the date of donation. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Society has no donor-restricted assets to report as of December 31, 2019 and 2018.

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 2,758 hours at the rate of \$8 per hour amounted to \$22,064 for the year ended December 31, 2019 and 2,105 hours at a rate of \$8 per hour amounted to \$16,842 for 2018.

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

<b>Donated Services and Assets</b>	2019	2018
Steam locomotive, tender and tool car (capitalized)	\$ 139,213	205,434
Accounting/computer services	40,397	36,553
Land and equipment lease	6,000	10,050
Shop supplies	1,565	758
Computer	936	683
Inventory of promotional items	654	1,671
Small tools	484	-
Miscellaneous	309	101
Advertising/promotional	200	-
Fuel	52	62
Office	28	95
Construction materials	14	-
Equipment repairs	-	156
<b>Total</b>	<b>\$ 189,852</b>	<b>255,563</b>

**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 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 betterments and replacements are capitalized.

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

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

**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



**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

**Comparative Financial Statements**

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

**Reclassifications**

Certain reclassifications may have been made to 2018 amounts to conform to 2019 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 and tender are considered a historical treasure since they meet the following criteria:

- held for public exhibition, education, or research in furtherance of public service rather than financial gain.
- protected, kept unencumbered, cared for, and preserved.
- subject to an organizational policy that requires the use of proceeds from items that are sold to be for the acquisitions of new collection items, the direct care of existing collections, or both.

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

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

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

Once the steam locomotive and tender are placed into service, they will be depreciated over their estimated useful lives based on the individual components. The anticipated date the steam locomotive and tender will be put into service has not yet been determined due to various factors such as the restrictions on mass gatherings due to COVID-19, as well as compliance and insurance requirements of NMDOT and AMTRAK.

<u>Steam Locomotive and Rolling Stock</u>	<u>2019</u>	<u>2018</u>
Santa Fe 2926 Locomotive and tender	\$ <u>2,912,662</u>	<u>2,757,552</u>

**NOTE C—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>2019</u>	<u>2018</u>
Cash in Checking	\$ 24,674	9,903
Cash in Savings	6	6
Money Market	159,022	154,772
Designated and Restricted		
Cash - Tool Car	23,796	49,809
Cash - Positive Train Control	25,000	-
Cash Box	50	50
Total	\$ <u>232,548</u>	<u>214,540</u>

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

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

<u>Property and Equipment</u>	<u>2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>2019</u>
Tool car	113,183	94,253	-	207,436
Operating Equipment	\$ 79,725	-	-	79,725
Storage Equipment	29,409	-	-	29,409
Portable Buildings	11,422	-	-	11,422
Leasehold Improvements	167,869	25,441	-	193,310
Locomotive Shed	109,811	-	-	109,811
Work in Progress	9,675	-	-	9,675
Subtotal	<u>521,094</u>	<u>119,694</u>	<u>-</u>	<u>640,788</u>
Less: Accumulated				
Depreciation	<u>(200,865)</u>	<u>(21,365)</u>	<u>-</u>	<u>(222,230)</u>
Total	\$ <u>320,229</u>	<u>98,329</u>	<u>-</u>	<u>418,558</u>

Depreciation expense for the year ended December 31, 2019 was \$21,365 and \$21,120 in 2018.

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

**NOTE E—OPERATING LEASE**

The Society entered into a five-year lease agreement for the usage of land that renewed in 2016 for \$10 for the five-year term. The land lease is an in-kind contribution. The lease does not require the Society to be held to any commitment.

**NOTE F—RELATED PARTY**

During the years ended December 31, 2019 and 2018, 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:

	<u>2019</u>	<u>%</u>	<u>2018</u>	<u>%</u>
Contributions	\$ 107,868	29%	120,850	26%
Contributions in-kind	189,852	51%	255,563	54%
	<u>\$ 297,720</u>	<u>80%</u>	<u>376,413</u>	<u>80%</u>
 Total revenues	 \$ <u>374,172</u>		 <u>470,689</u>	

**NOTE H—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.

Liquidity is as follows:

	<u>2019</u>	<u>2018</u>
Cash, restricted cash and cash equivalents at year end	\$ 232,548	214,540
Less those unavailable for general expenditures within year, due to:		
Restricted by donor with purpose restrictions	<u>(48,796)</u>	<u>(49,809)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 183,752</u>	<u>164,731</u>

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019 With Comparative Totals for 2018**

**NOTE I—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, 2020, which is the date the financial statements were available to be issued.

Subsequent to December 31, 2019, as a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the organization's funding sources and cash flow. Other financial impacts could occur though such potential impact is unknown at this time



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

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

**MANAGEMENT ADVISORY LETTER  
For The Year Ended December 31, 2019**



**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.*

Hinkle + Landers, P.C.  
Albuquerque, NM  
April 22, 2020

**NEW MEXICO STEAM LOCOMOTIVE AND  
RAILROAD HISTORICAL SOCIETY, INC.  
SCHEDULE OF MANAGEMENT ADVISORY COMMENTS  
For the Year Ended December 31, 2019**

PRIOR YEAR COMMENTS

None

CURRENT YEAR COMMENTS

None