

**NASHVILLE STEAM PRESERVATION SOCIETY, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2021 AND 2020**

NASHVILLE STEAM PRESERVATION SOCIETY, INC.

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## Independent Auditor's Report

To the Board of Directors  
Nashville Steam Preservation Society, Inc.  
Nashville, Tennessee

### **Opinion**

We have audited the accompanying financial statements of Nashville Steam Preservation Society, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



To the Board of Directors  
Nashville Steam Preservation Society, Inc.

### **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 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 Organization'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 Organization'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.

*Crosslin, PLLC*

Nashville, Tennessee  
June 15, 2022

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2021	2020
Cash and cash equivalents	\$ 489,285	\$ 784,280
Accounts receivable	2,000	-
Inventories	17,094	12,778
Prepaid expenses and other assets	59,863	93,344
Property and equipment, net	115,303	111,306
	<u>683,545</u>	<u>1,001,708</u>
Total assets	<u>\$ 683,545</u>	<u>\$ 1,001,708</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 102,619	\$ 72,631
	<u>102,619</u>	<u>72,631</u>
Total liabilities	<u>102,619</u>	<u>72,631</u>

NET ASSETS

Net assets without donor restrictions	580,926	929,077
	<u>580,926</u>	<u>929,077</u>
Total net assets	<u>580,926</u>	<u>929,077</u>
	<u>\$ 683,545</u>	<u>\$ 1,001,708</u>
Total liabilities and net assets	<u>\$ 683,545</u>	<u>\$ 1,001,708</u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>
Revenues and gains:	
Direct Public Grants	\$ 216,502
Individual/Business Contributions	220,200
Non-Profit Organizations	6,100
In-Kind Donations	9,000
Company Store Sales	31,810
Miscellaneous Income	<u>400</u>
Total revenues and gains	<u>484,012</u>
Expenses and losses:	
Program services	<u>706,427</u>
Supporting services:	
Management and general	61,644
Fundraising	<u>64,092</u>
Total supporting services	<u>125,736</u>
Total expenses and losses	<u>832,163</u>
Change in net assets	(348,151)
Net assets, beginning of year	<u>929,077</u>
Net assets, end of year	<u><u>\$ 580,926</u></u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>
Revenues and gains:	
Direct Public Grants	\$ 574,195
Individual/Business Contributions	111,888
Non-Profit Organizations	727
Donated Securities	5,898
In-Kind Donations	10,606
Company Store Sales	15,911
Interest Income	<u>4,559</u>
Total revenues and gains	<u>723,784</u>
Expenses and losses:	
Program services	<u>450,824</u>
Supporting services:	
Management and general	55,725
Fundraising	<u>60,787</u>
Total supporting services	<u>116,512</u>
Total expenses and losses	<u>567,336</u>
Change in net assets	156,448
Net assets, beginning of year	<u>772,629</u>
Net assets, end of year	<u><u>\$ 929,077</u></u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2021

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Locomotive Restoration	\$ 706,426	\$ -	\$ -	\$ -	\$ 706,426
Consulting Services	-	-	44,597	44,597	44,597
Postage, Mailing Service	-	3,313	-	3,313	3,313
Newsletter Printing	-	4,540	-	4,540	4,540
Admin Supplies & Software Fees	-	889	-	889	889
Website Operations	-	95	-	95	95
Donation Processing Fees	-	435	-	435	435
Company Store Operations	-	-	18,855	18,855	18,855
Business Taxes	-	3,149	-	3,149	3,149
Advertising	-	-	-	-	-
Education Programs & Events	-	3,523	-	3,523	3,523
Liability & Property Insurance	-	5,245	-	5,245	5,245
Membership & Dues	-	90	-	90	90
Locomotive Lease	1	-	-	-	1
Volunteer Expenses	-	-	640	640	640
Travel and Meetings	-	398	-	398	398
Professional Fees	-	11,570	-	11,570	11,570
Total other expenses	706,427	33,247	64,092	97,339	803,766
Total expenses before depreciation	706,427	33,247	64,092	97,339	803,766
Depreciation	-	28,397	-	28,397	28,397
Total expenses	\$ 706,427	\$ 61,644	\$ 64,092	\$ 125,736	\$ 832,163

See notes to financial statements.



NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Locomotive Restoration	\$ 450,823	\$ -	\$ -	\$ -	\$ 450,823
Locomotive Relocation	-	-	-	-	-
Government Licenses & Permits	-	200	-	200	200
Consulting Services	-	-	51,500	51,500	51,500
Postage, Mailing Service	-	2,352	-	2,352	2,352
Newsletter Printing	-	3,080	-	3,080	3,080
Admin Supplies & Software Fees	-	1,247	-	1,247	1,247
Website Operations	-	386	-	386	386
Donation Processing Fees	-	83	-	83	83
Company Store Operations	-	-	8,422	8,422	8,422
Business Taxes	-	2,295	-	2,295	2,295
Advertising	-	304	-	304	304
Education Programs & Events	-	7,200	-	7,200	7,200
Liability & Property Insurance	-	3,785	-	3,785	3,785
Membership & Dues	-	145	-	145	145
Locomotive Lease	1	-	-	-	1
Volunteer Expenses	-	-	700	700	700
Travel and Meetings	-	1,917	-	1,917	1,917
Professional fees	-	8,557	-	8,557	8,557
Special Events	-	-	165	165	165
Total other expenses	450,824	31,551	60,787	92,338	543,162
Total expenses before depreciation	450,824	31,551	60,787	92,338	543,162
Depreciation	-	24,174	-	24,174	24,174
Total expenses	\$ 450,824	\$ 55,725	\$ 60,787	\$ 116,512	\$ 567,336

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (348,151)	\$ 156,448
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	28,397	24,174
Contributions of fixed assets	(9,000)	-
(Increase) decrease in current assets:		
Accounts receivable	(2,000)	-
Inventory	(4,316)	(1,279)
Prepaid expenses	33,481	(61,096)
Increase in current liabilities:		
Accounts payable and accrued expenses	29,988	71,214
Net cash (used in) provided by operating activities	<u>(271,601)</u>	<u>189,461</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(23,394)</u>	<u>(9,834)</u>
Net cash used in investing activities	<u>(23,394)</u>	<u>(9,834)</u>
Net change in cash and cash equivalents	(294,995)	179,627
Cash and cash equivalents, beginning of year	<u>784,280</u>	<u>604,653</u>
Cash and cash equivalents, end of year	<u><u>\$ 489,285</u></u>	<u><u>\$ 784,280</u></u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Nashville Steam Preservation Society, Inc. (the “Organization”) was founded in 2016, as a nonprofit corporation under the provisions of the Tennessee Nonprofit Corporation Act. Its purpose is to preserve history by restoring and operating relevant historic railroad equipment for the purpose of education, tourism, and goodwill to and for Metro Nashville.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the mission and primary objectives of the Organization. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions - Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature; whereby the donor has stipulated funds be maintained in perpetuity. The Organization does not have net assets with donor restrictions that are perpetual in nature.

Expirations of restrictions on net assets as the result of fulfilling donor-imposed stipulations and/or passage of time are reported as net assets released from restrictions between the applicable classes of net assets in the statement of activities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fixed Assets

Fixed assets are stated in the accompanying statement of financial position at cost, or if contributed, at fair market value at date of gift. The Organization follows the policy of presenting gifts of land, buildings and equipment placed in service within the reporting period as contributions without donor restriction in the statement of activities. Contributions received, which are designated by donors for future land, building, and equipment purchases, are reflected as contributions with donor restriction.

Depreciable assets are generally depreciated on a straight-line basis over the estimated useful lives of the assets ranging from 5 - 25 years. Depreciation expense amounted to \$28,397 and \$24,174 for the years ended December 31, 2021 and 2020, respectively.

Fixed assets are comprised of shop equipment, tools, and fixtures totaling \$147,543 in 2021 and \$115,149 in 2020, office and computer equipment totaling \$2,847 in 2021 and 2020, and box cars for the locomotive totaling \$38,950 in 2021 and 2020. Accumulated depreciation totaled \$74,037 and \$45,640 for the year ended December 31, 2021 and 2020, respectively.

Contributions

Contributions are recognized as revenue when received. Contributions are reported as increases in net assets without donor restrictions, unless use of the related assets are limited by donor-imposed restrictions.

In addition, the Organization has recognized certain contributed services in the statement of activities, which are used to offset restoration expenses. All recognized contributed services are from private donors and are determined to require specialized skills and are valued at fair market value. For the years ended December 31, 2021 and 2020, the Organization recognized \$-0- and \$10,606, respectively, in contributed services.

Contributions of donated assets are recognized at their fair market value. The Organization recognized \$9,000 in donated assets in 2021 and are included in property and equipment.

Income Taxes

The Organization qualifies as a not-for-profit organization and is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and, accordingly, no provision for income taxes is included in the accompanying financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition.

Estimates

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 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.

Financial Instruments

The Organization's financial instruments consist of accounts receivable and accounts payable. The recorded values approximate their fair values based on their short-term nature.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2021 and 2020, related to marketing of the locomotive restoration project totaled \$-0- and \$304, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. These costs have been directly charged to program or supporting services based on specific identification.

Inventories

Inventories, consisting of memorabilia merchandise, are stated at the lower of cost (first-in, first-out) or net realizable value.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$489,285	\$784,280
Receivables	<u>2,000</u>	<u>-</u>
Total financial assets	<u>\$491,285</u>	<u>\$784,280</u>

The Organization is substantially supported by program revenues and unrestricted contributions. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

C. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash in bank and uncollateralized accounts receivable, net of allowance. The Organization's cash deposits are primarily in financial institutions in Tennessee and may, at times, exceed federally insured amounts. The Organization has not experienced any losses in such accounts.

D. LEASE

On August 17, 2016, the Organization entered into a lease with The Metropolitan Government of Nashville and Davidson County to lease the Steam Locomotive, Number 576. The lease provides for an annual rent of \$1 and requires that the locomotive be restored and operational to allow citizens of Nashville, Tennessee, and others visiting the city, to ride on runs of the locomotive.

E. RELATED PARTY

During 2021 and 2020, the Organization's President also served as the project manager for the third-party company outsourced for restoration services.

F. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 15, 2022, the date the financial statements were available for issuance, and has determined that there were no subsequent events requiring disclosure.