

**NASHVILLE STEAM PRESERVATION SOCIETY, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022 AND 2021**

NASHVILLE STEAM PRESERVATION SOCIETY, INC.

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT .....	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position .....	3
Statements of Activities .....	4 - 5
Statements of Functional Expenses .....	6 - 7
Statements of Cash Flows.....	8
Notes to Financial Statements .....	9 - 13



## 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, 2022 and 2021, 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, 2022 and 2021, 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  
May 3, 2023

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2022	2021
Cash and cash equivalents	\$ 551,949	\$ 489,285
Accounts receivable	-	2,000
Inventories	21,714	17,094
Prepaid expenses and other assets	25,524	59,863
Property and equipment, net	85,276	115,303
	<u>684,463</u>	<u>683,545</u>
Total assets	<u>\$ 684,463</u>	<u>\$ 683,545</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 31,899	\$ 102,619
Total liabilities	<u>31,899</u>	<u>102,619</u>

NET ASSETS

Net assets without donor restrictions	<u>652,564</u>	<u>580,926</u>
Total net assets	<u>652,564</u>	<u>580,926</u>
Total liabilities and net assets	<u>\$ 684,463</u>	<u>\$ 683,545</u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>
Revenues and gains:	
Direct Public Grants	\$ 351,176
Individual/Business Contributions	268,968
Non-Profit Organizations	10,000
In-Kind Donations	615
Company Store Sales	37,183
Miscellaneous Income	<u>1,250</u>
Total revenues and gains	<u>669,192</u>
Expenses and losses:	
Program services	<u>461,031</u>
Supporting services:	
Management and general	64,247
Fundraising	<u>72,276</u>
Total supporting services	<u>136,523</u>
Total expenses and losses	<u>597,554</u>
Change in net assets	71,638
Net assets, beginning of year	<u>580,926</u>
Net assets, end of year	<u><u>\$ 652,564</u></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
Interest 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 FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022

	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total Supporting Services	
Locomotive Restoration	\$ 461,030	\$ -	\$ -	\$ -	\$ 461,030
Government Licences & Permits	-	200	-	200	200
Consulting Services	-	-	39,086	39,086	39,086
Postage, Mailing Service	-	3,277	-	3,277	3,277
Newsletter Printing	-	5,149	-	5,149	5,149
Admin Supplies & Software Fees	-	2,459	-	2,459	2,459
Website Operations	-	452	-	452	452
Company Store Operations	-	-	24,393	24,393	24,393
Business Taxes	-	3,368	-	3,368	3,368
Advertising	-	851	-	851	851
Education Programs & Events	-	3,359	-	3,359	3,359
Liability & Property Insurance	-	4,391	-	4,391	4,391
Membership & Dues	-	40	-	40	40
Locomotive Lease	1	-	-	-	1
Volunteer Expenses	-	-	400	400	400
Travel and Meetings	-	602	-	602	602
Professional Fees	-	10,072	-	10,072	10,072
Special Events	-	-	8,397	8,397	8,397
Total other expenses	461,031	34,220	72,276	106,496	567,527
Total expenses before depreciation	461,031	34,220	72,276	106,496	567,527
Depreciation	-	30,027	-	30,027	30,027
Total expenses	\$ 461,031	\$ 64,247	\$ 72,276	\$ 136,523	\$ 597,554

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 and 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
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	<u>706,427</u>	<u>33,247</u>	<u>64,092</u>	<u>97,339</u>	<u>803,766</u>
Total expenses before depreciation	706,427	33,247	64,092	97,339	803,766
Depreciation	<u>-</u>	<u>28,397</u>	<u>-</u>	<u>28,397</u>	<u>28,397</u>
Total expenses	<u>\$ 706,427</u>	<u>\$ 61,644</u>	<u>\$ 64,092</u>	<u>\$ 125,736</u>	<u>\$ 832,163</u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 71,638	\$ (348,151)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	30,027	28,397
Contributions of fixed assets	-	(9,000)
(Increase) decrease in current assets:		
Accounts receivable	2,000	(2,000)
Inventory	(4,620)	(4,316)
Prepaid expenses	34,339	33,481
(Decrease) increase in current liabilities:		
Accounts payable and accrued expenses	<u>(70,720)</u>	<u>29,988</u>
Net cash provided by (used in) operating activities	<u>62,664</u>	<u>(271,601)</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>-</u>	<u>(23,394)</u>
Net cash used in investing activities	<u>-</u>	<u>(23,394)</u>
Net change in cash and cash equivalents	62,664	(294,995)
Cash and cash equivalents, beginning of year	<u>489,285</u>	<u>784,280</u>
Cash and cash equivalents, end of year	<u><u>\$ 551,949</u></u>	<u><u>\$ 489,285</u></u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

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, 2022 AND 2021

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 \$30,027 and \$28,397 for the years ended December 31, 2022 and 2021, respectively.

Fixed assets are comprised of shop equipment, tools, and fixtures totaling \$147,543 in 2022 and 2021, office and computer equipment totaling \$2,847 in 2022 and 2021, and box cars for the locomotive totaling \$38,950 in 2022 and 2021. Accumulated depreciation totaled \$104,064 and \$74,037 for the year ended December 31, 2022 and 2021, 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, contributions of nonfinancial assets are recorded as revenue and expenses in the accompanying statements of activities. These contributions consist of services of skilled labor and are recorded at the estimated fair market value, as determined by the provider, at the date of the gift. Revenue recognized from contributions of nonfinancial assets at December 31, 2022 and 2021, respectively, were \$440 and \$-0-.

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, 2022 AND 2021

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, 2022 and 2021, related to marketing of the locomotive restoration project totaled \$851 and \$-0-, 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, 2022 AND 2021

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which requires an entity to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. Likewise, the Organization must disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets. Adoption of this standard did not have a significant impact on the financial statements.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$551,949	\$489,285
Receivables	<u>-</u>	<u>2,000</u>
Total financial assets	<u>\$551,949</u>	<u>\$491,285</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.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

E. RELATED PARTY

During 2022 and 2021, 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 May 3, 2023, the date the financial statements were available for issuance, and has determined that there were no subsequent events requiring disclosure.