

NASHVILLE STEAM PRESERVATION SOCIETY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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

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, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and 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 audits. We conducted our audits 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.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Steam Preservation Society, Inc. as of December 31, 2019 and 2018, 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.

Crosslin, PLLC

Nashville, Tennessee
June 10, 2020

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2019	2018
Cash and cash equivalents	\$ 604,653	\$ 761,528
Accounts receivable	-	144
Inventories	11,499	6,939
Prepaid expenses and other assets	32,248	18,502
Property and equipment, net	125,646	26,718
	<u> </u>	<u> </u>
Total assets	<u>\$ 774,046</u>	<u>\$ 813,831</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	<u>\$ 1,417</u>	<u>\$ 5,315</u>
Total liabilities	<u>1,417</u>	<u>5,315</u>

NET ASSETS

Net assets without donor restrictions	<u>772,629</u>	<u>808,516</u>
Total net assets	<u>772,629</u>	<u>808,516</u>
Total liabilities and net assets	<u>\$ 774,046</u>	<u>\$ 813,831</u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains:			
Direct Public Grants	\$ 175,946	\$ -	\$ 175,946
Individual/Business Contributions	142,819	-	142,819
Non-Profit Organizations	21,904	-	21,904
In-Kind Donations	418	-	418
Company Store Sales	32,944	-	32,944
Interest Income	2,189	-	2,189
	<u>376,220</u>	<u>-</u>	<u>376,220</u>
 Expenses and losses:			
Program services	<u>263,158</u>	<u>-</u>	<u>263,158</u>
Supporting services:			
Management and general	45,688	-	45,688
Fundraising	<u>103,261</u>	<u>-</u>	<u>103,261</u>
Total supporting services	<u>148,949</u>	<u>-</u>	<u>148,949</u>
Total expenses and losses	<u>412,107</u>	<u>-</u>	<u>412,107</u>
 Change in net assets	(35,887)	-	(35,887)
 Net assets, beginning of year	<u>808,516</u>	<u>-</u>	<u>808,516</u>
 Net assets, end of year	<u>\$ 772,629</u>	<u>\$ -</u>	<u>\$ 772,629</u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and gains:			
Direct Public Grants	\$ 342,951	\$ -	\$ 342,951
Individual/Business Contributions	210,557	-	210,557
Non-Profit Organizations	5,976	-	5,976
Special Events	2,596	-	2,596
Donated Securities	49,699	-	49,699
In-Kind Donations	4,773	-	4,773
Company Store Sales	18,987	-	18,987
Interest Income	1,241	-	1,241
	<u>636,780</u>	<u>-</u>	<u>636,780</u>
Total revenues and gains			
Expenses and losses:			
Program services	<u>27,268</u>	<u>-</u>	<u>27,268</u>
Supporting services:			
Management and general	18,712	-	18,712
Fundraising	<u>32,995</u>	<u>-</u>	<u>32,995</u>
Total supporting services	<u>51,707</u>	<u>-</u>	<u>51,707</u>
Total expenses and losses	<u>78,975</u>	<u>-</u>	<u>78,975</u>
Change in net assets	557,805	-	557,805
Net assets, beginning of year	<u>250,711</u>	<u>-</u>	<u>250,711</u>
Net assets, end of year	<u>\$ 808,516</u>	<u>\$ -</u>	<u>\$ 808,516</u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

		Supporting Services			
	Program Services	Management and General	Fundraising	Total Supporting Services	Total
Locomotive Restoration	113,422	-	-	-	113,422
Locomotive Relocation	144,572	-	-	-	144,572
Government Licences & Permits	-	417	-	417	417
Consulting Services	-	-	69,652	69,652	69,652
Postage, Mailing Service	-	1,467	-	1,467	1,467
Newletter Printing	-	4,121	-	4,121	4,121
Admin Supplies & Software Fees	-	1,619	-	1,619	1,619
Website Operations	-	493	-	493	493
Donation Processing Fees	-	-	125	125	125
Company Store Operations	-	-	17,007	17,007	17,007
Business Taxes	-	60	-	60	60
Advertising	-	1,472	-	1,472	1,472
Liability & Property Insurance	-	11,532	-	11,532	11,532
Membership & Dues	-	45	-	45	45
Locomotive Lease	1	-	-	-	1
Volunteer Expenses	-	-	1,621	1,621	1,621
Travel and Meetings	-	791	-	791	791
Professional fees	-	8,750	-	8,750	8,750
Other rolling stock repairs	5,163	-	-	-	5,163
Special Events	-	-	14,856	14,856	14,856
Total other expenses	263,158	30,767	103,261	134,028	397,186
Total expenses before depreciation and amortization	263,158	30,767	103,261	134,028	397,186
Depreciation and amortization	-	14,921	-	14,921	14,921
Total expenses	\$ 263,158	\$ 45,688	\$ 103,261	\$ 148,949	\$ 412,107

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

		Supporting Services			
	Program	Management		Total	
	Services	and General	Fundraising	Supporting	Total
				Services	
Locomotive Restoration	23,596	-	-	-	23,596
Locomotive Relocation	3,671	-	-	-	3,671
Government Licences & Permits	-	180	-	180	180
Consulting Services	-	-	16,800	16,800	16,800
Postage, Mailing Service	-	807	-	807	807
Newletter Printing	-	3,032	-	3,032	3,032
Admin Supplies & Software Fees	-	1,174	-	1,174	1,174
Website Operations	-	86	-	86	86
Donation Processing Fees	-	-	182	182	182
Company Store Operations	-	-	10,828	10,828	10,828
Business Taxes	-	79	-	79	79
Advertising	-	411	-	411	411
Liability & Property Insurance	-	1,239	-	1,239	1,239
Membership & Dues	-	45	-	45	45
Locomotive Lease	1	-	-	-	1
Volunteer Expenses	-	-	2,360	2,360	2,360
Travel and Meetings	-	114	-	114	114
Special Events	-	-	2,825	2,825	2,825
Donations to Other Groups	-	5,000	-	5,000	5,000
Total other expenses	27,268	12,167	32,995	45,162	72,430
Total expenses before depreciation and amortization	27,268	12,167	32,995	45,162	72,430
Depreciation and amortization	-	6,545	-	6,545	6,545
Total expenses	<u>\$ 27,268</u>	<u>\$ 18,712</u>	<u>\$ 32,995</u>	<u>\$ 51,707</u>	<u>\$ 78,975</u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (35,887)	\$ 557,805
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	14,921	6,545
Decrease (increase) in current assets:		
Accounts receivable	144	(144)
Inventory	(4,560)	(3,853)
Prepaid expenses	(13,746)	(15,502)
(Decrease) increase in current liabilities:		
Accounts payable	(3,898)	4,437
Net cash (used in) provided by operating activities	<u>(43,026)</u>	<u>549,288</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(113,849)</u>	<u>(17,169)</u>
Net cash used in investing activities	<u>(113,849)</u>	<u>(17,169)</u>
Net change in cash and cash equivalents	(156,875)	532,119
Cash and cash equivalents, beginning of year	<u>761,528</u>	<u>229,409</u>
Cash and cash equivalents, end of year	<u><u>\$ 604,653</u></u>	<u><u>\$ 761,528</u></u>

See notes to financial statements.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

Accounts receivable represent amounts due from vendors. The Organization establishes an allowance for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the allowance when management deems further collection efforts will not produce additional recoveries. As of December 31, 2019 and 2018, the Organization expected all accounts receivable to be fully collectible. Accordingly, no provision for collectible accounts was made as of December 31, 2019 and 2018.

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 \$14,921 and \$6,545 for the years ended December 31, 2019 and 2018, respectively.

Fixed assets are comprised of shop equipment, tools, and fixtures totaling \$105,800 in 2019 and \$32,596 in 2018, office and computer equipment totaling \$2,362 in 2019 and \$667 in 2018, and box cars for the locomotive totaling \$38,950 in 2019 and \$-0- in 2018. Accumulated depreciation totaled \$21,466 and \$6,545 for the year ended December 31, 2019 and 2018, 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, 2019 and 2018, the Organization recognized \$418 and \$4,773, respectively, in contributed services.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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.

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, 2019 and 2018, related to marketing of the project totaled \$741 and \$411, 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.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories

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

Reclassifications

Certain amounts reported in the financial statements for fiscal 2019 have been reclassified to conform with the fiscal 2020 presentation.

New Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Organization adopted ASU 2014-09 and related amendments on January 1, 2019 using the modified retrospective method. The adoption of the standard did not impact the results of operations or change in net assets.

B. LIQUIDITY AND AVAILABILITY OF RESOURCES

The table below represents financial assets available for general expenditures within one year at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$604,653	\$761,528
Accounts receivable, net	<u>-</u>	<u>144</u>
Total financial assets	<u>604,653</u>	<u>761,672</u>
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$604,653</u>	<u>\$761,672</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.

NASHVILLE STEAM PRESERVATION SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 10, 2020, the date the financial statements were available for issuance, and has determined that there was one subsequent event requiring disclosure below:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our contributors, employees and vendors, all of which are uncertain and cannot be predicted.

While expected to be temporary, given the uncertainties the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the Organization's results of future operations, financial position, and liquidity in fiscal year 2020.