

**NEW ENGLAND ELECTRIC RAILWAY
HISTORICAL SOCIETY**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

FINANCIAL STATEMENTS

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	<u>PAGE</u>
<u>FINANCIAL STATEMENTS</u>	
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Cash Flows	5 - 6
Notes to Financial Statements	7 - 12
Independent Auditors' Report on Additional Information	13
Schedules of Functional Expenses	14 - 15



INDEPENDENT AUDITORS' REPORT

CERTIFIED PUBLIC ACCOUNTANTS

February 28, 2010

To the Board of Trustees
New England Electric Railway Historical Society
Kennebunkport, ME

We have audited the accompanying statements of financial position of New England Electric Railway Historical Society as of December 31, 2007, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New England Electric Railway Historical Society as of December 31, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2006 financial statements were compiled by us. We did not audit or review those financial statements and, accordingly, express no opinion or other form of assurance on them.

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NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31,

	2007 (Audited)	2006 (Compiled)
ASSETS		
Cash and cash equivalents:		
Unrestricted	\$ 168,255	\$ 63,168
Restricted	807,239	687,570
Investments:		
Unrestricted	25,430	55,778
Restricted	530,202	474,572
Other receivable:		
Unrestricted	1,329	6,127
Restricted	17,957	1,228
Prepaid expenses:		
Unrestricted	22,660	3,182
Restricted	90	90
Inventories	83,791	87,805
Pledges receivable - Restricted	134,445	-
Property and equipment, net	<u>1,304,488</u>	<u>1,353,776</u>
 Total Assets	 <u>\$ 3,095,886</u>	 <u>\$ 2,733,296</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 16,781	\$ 5,743
Accrued payroll and taxes	5,324	411
Current portion of long-term debt	6,709	7,523
Deferred revenue	13,780	15,850
Other accrued liabilities	19,893	1,359
Long-term debt	<u>63,811</u>	<u>70,520</u>
 Total Liabilities	 <u>126,298</u>	 <u>101,406</u>
NET ASSETS		
Unrestricted:		
Board designated	51,335	7,783
Undesignated	194,352	185,111
Designated - property and equipment	1,233,968	1,275,733
Temporarily restricted	1,129,065	880,473
Permanently restricted	<u>360,868</u>	<u>282,790</u>
 Total Net Assets	 <u>2,969,588</u>	 <u>2,631,890</u>
 Total Liabilities and Net Assets	 <u>\$ 3,095,886</u>	 <u>\$ 2,733,296</u>

See Notes to Financial Statements

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (AUDITED)

YEAR ENDED DECEMBER 31, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Earned Revenue				
Admissions	\$ 105,783	\$ -	\$ -	\$ 105,783
Annual membership dues	29,230	-	-	29,230
Life membership dues	4,275	-	-	4,275
Revenue from auxiliary operation	117,202	21,612	-	138,814
Total Earned Revenue	<u>256,490</u>	<u>21,612</u>	<u>-</u>	<u>278,102</u>
Contributed Support				
Grants	-	52,047	-	52,047
Contribution and bequests	91,687	130,862	70,103	292,652
Contributions-in-kind	11,507	158,908	-	170,415
Total Contributed Support	<u>103,194</u>	<u>341,817</u>	<u>70,103</u>	<u>515,114</u>
Other Revenue				
Interest and dividend income	5,950	27,037	9,059	42,046
Realized and unrealized gains (losses) on investments	3,216	11,962	11,188	26,366
Miscellaneous income	13,425	10,605	-	24,030
Total Other Revenue	<u>22,591</u>	<u>49,604</u>	<u>20,247</u>	<u>92,442</u>
Net assets released from restrictions	<u>176,713</u>	<u>(164,441)</u>	<u>(12,272)</u>	<u>-</u>
Total Support and Revenue	<u>558,988</u>	<u>248,592</u>	<u>78,078</u>	<u>885,658</u>
EXPENSES				
Program Services				
Curatorial and exhibits	266,093	-	-	266,093
Supporting Services				
Membership	15,513	-	-	15,513
General and administrative	163,136	-	-	163,136
Fundraising	1,135	-	-	1,135
Auxiliary operation	102,083	-	-	102,083
Total Supporting Services	<u>281,867</u>	<u>-</u>	<u>-</u>	<u>281,867</u>
Total Expenses	<u>547,960</u>	<u>-</u>	<u>-</u>	<u>547,960</u>
CHANGE IN NET ASSETS	11,028	248,592	78,078	337,698
NET ASSETS, BEGINNING OF YEAR	<u>1,468,627</u>	<u>880,473</u>	<u>282,790</u>	<u>2,631,890</u>
NET ASSETS, END OF YEAR	<u>\$ 1,479,655</u>	<u>\$ 1,129,065</u>	<u>\$ 360,868</u>	<u>\$ 2,969,588</u>

See Notes to Financial Statements

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (COMPILED)

YEAR ENDED DECEMBER 31, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Earned Revenue				
Admissions	\$ 96,815	\$ -	\$ -	\$ 96,815
Annual membership dues	27,585	-	-	27,585
Life membership dues	2,650	-	-	2,650
Revenue from auxiliary operation	103,334	34,620	-	137,954
Total Earned Revenue	<u>230,384</u>	<u>34,620</u>	<u>-</u>	<u>265,004</u>
Contributed Support				
Grants	-	12,000	-	12,000
Contribution and bequests	135,591	83,948	14,957	234,496
Contributions-in-kind	24,006	16,853	-	40,859
Total Contributed Support	<u>159,597</u>	<u>112,801</u>	<u>14,957</u>	<u>287,355</u>
Other Revenue				
Interest and dividend income	3,290	27,764	7,397	38,451
Realized and unrealized gains (losses) on investments	4,487	16,634	22,652	43,773
Miscellaneous income	8,991	2,512	-	11,503
Total Other Revenue	<u>16,768</u>	<u>46,910</u>	<u>30,049</u>	<u>93,727</u>
Net assets released from restrictions	<u>133,023</u>	<u>(133,123)</u>	<u>100</u>	<u>-</u>
Total Support and Revenue	<u>539,772</u>	<u>61,208</u>	<u>45,106</u>	<u>646,086</u>
EXPENSES				
Program Services				
Curatorial and exhibits	196,356	-	-	196,356
Supporting Services				
Membership	22,480	-	-	22,480
General and administrative	177,484	-	-	177,484
Fundraising	2,829	-	-	2,829
Auxiliary operation	88,437	-	-	88,437
Total Supporting Services	<u>291,230</u>	<u>-</u>	<u>-</u>	<u>291,230</u>
Total Expenses	<u>487,586</u>	<u>-</u>	<u>-</u>	<u>487,586</u>
CHANGE IN NET ASSETS	52,186	61,208	45,106	158,500
NET ASSETS, BEGINNING OF YEAR	<u>1,416,441</u>	<u>819,265</u>	<u>237,684</u>	<u>2,473,390</u>
NET ASSETS, END OF YEAR	<u>\$ 1,468,627</u>	<u>\$ 880,473</u>	<u>\$ 282,790</u>	<u>\$ 2,631,890</u>

See Notes to Financial Statements

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,

	2007 (Audited)	2006 (Compiled)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 337,698	\$ 158,500
Adjustments to reconcile change in net assets to net cash provided by (used in) in operating activities:		
Depreciation	67,196	67,609
Net realized and unrealized (gains) losses on investments	(26,366)	(43,773)
Donations of investments	24,616	5,314
Changes in operating assets and liabilities:		
Other receivables	(11,931)	(3,869)
Pledges receivable	(134,445)	9,500
Inventories	4,014	7,384
Prepaid expenses	(19,478)	2,484
Accounts payable	11,038	(3,825)
Accrued payroll and taxes	4,913	-
Other accrued liabilities	18,533	(2,436)
Deferred revenue	(2,070)	3,440
Net cash provided by (used in) operating activities	<u>273,718</u>	<u>200,328</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	26,742	10,516
Purchases of investments	(50,274)	(32,252)
Cash paid for purchase of property and equipment	(17,907)	(11,913)
Net cash provided by (used in) investing activities	<u>(41,439)</u>	<u>(33,649)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long term debt	(7,523)	(9,678)
Net cash provided by (used in) financing activities	<u>(7,523)</u>	<u>(9,678)</u>
NET INCREASE (DECREASE) IN CASH	224,756	157,001
CASH, BEGINNING OF YEAR	<u>750,738</u>	<u>593,737</u>
CASH, END OF YEAR	<u>\$ 975,494</u>	<u>\$ 750,738</u>

See Notes to Financial Statements

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31,

	<u>2007</u> <u>(Audited)</u>	<u>2006</u> <u>(Compiled)</u>
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Income taxes paid (refunded)	<u>\$ -</u>	<u>\$ -</u>
Interest expense paid	<u>\$ 4,900</u>	<u>\$ 7,927</u>

SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

There were no noncash investing and financing activities for the years ended December 31, 2007 and 2006.

See Notes to Financial Statements

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 (AUDITED) AND 2006 (COMPILED)

Note 1 - Nature of the Organization

New England Electric Railway Historical Society (the Society), the owner and operator of the Seashore Trolley Museum in Kennebunkport, Maine, and the operator of the National Streetcar Museum in Lowell, Massachusetts, is a Maine nonprofit educational organization dedicated to the purposes of providing a source of information of a scientific and educational nature relating to the historical and mechanical use and development of electric street railways and collecting, preserving and maintaining, for study and exhibition, electric street railway cars of the various periods and all types, forms and examples of electric street railway equipment; and doing all things necessary and properly pertaining to the accomplishment of the above mentioned purposes.

The Society operates a museum store as an auxiliary operation.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the Society have been prepared in accordance with the principles of fund accounting. Income is recognized when earned and expenses are recognized when the obligation is incurred.

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

Financial Statement Presentation - Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS), *Financial Statements of Not-for-Profit Organizations*. Under the standard, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows.

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions. This category also includes net fixed assets and net assets which have been designated by the Board of Trustees.

Temporarily restricted net assets - Net assets subject to donor stipulations that may or will be met either by actions of the Society and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor stipulations that they be maintained permanently by the Society. Generally the donors of the assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

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

Revenue Recognition - The Society recognizes all contributed support as income in the period received. Contributed support is reported as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of the support. When a restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 (AUDITED) AND 2006 (COMPILED)

Note 2 - Summary of Significant Accounting Policies (continued)

Revenue derived from annual membership dues is recorded over the period to which the dues relate. Life membership dues are considered income in the year received. Grant revenue is recognized to the extent expenditures are made which can be charged against the grant.

Merchandise sales from the Museum store and admissions to the Museum are recorded at the time of the sale.

Cash and Cash Equivalents - For financial statement purposes, the Society considers all highly liquid debt instruments purchased with a maturity of one year or less to be cash equivalents. Cash and cash equivalents consist of savings accounts and money market accounts, and are carried at cost, which approximates fair market value.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statement of financial position. Gains and losses are included in the change in net assets.

Inventories - The Society operates a museum store with electric railway memorabilia held for sale. Inventory consists of museum store goods and merchandise and is stated at the lower of average cost or market, on a first-in, first-out basis.

Pledges - The Society may have certain non-binding pledges for its capital and operating funds from members and friends. These conditional pledges are not recorded until the related cash payments or asset transfers are received by the Society. Unconditional pledges are recorded when the Society receives legally binding notification of the contribution. No allowance for uncollectible pledges is considered necessary for the years ended December 31, 2007 and 2006.

Property and Equipment - Property and equipment, both purchased and donated, are recorded at cost and fair value at date of receipt, respectively, and depreciated on the straight-line method over their estimated useful lives ranging from five to forty years.

Collections - The Society does not capitalize its collections. However, each significant collection item is catalogued, preserved and cared for, and activities verifying their existence and assessing their condition are performed. The collections are subject to a policy that requires proceeds from their sales to be used to make betterments to other existing items or to acquire other items for collections.

Income Taxes - The Society is exempt from Federal and State income taxes under the provisions of the Internal Revenue Code as an entity described in Section 501(c)(3). In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Concentration of Credit Risk - The Society maintains its cash equivalents in local financial institutions which provide Federal Deposit Insurance Corporation (FDIC) coverage up to \$100,000 and in investment accounts which provide Securities Investor Protection Corporation (SIPC) protection up to \$500,000. Unsecured cash equivalents as of December 31, 2007 are \$318,007.

Advertising Costs - The Society uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2007 and 2006 was \$28,688 and \$28,960, respectively.

Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 (AUDITED) AND 2006 (COMPILED)

Note 3 - Investments

Marketable securities at December 31, 2007 and 2006 are stated at market value and are composed of the following:

	<u>2007</u>	<u>Amortized</u> <u>Cost</u>	<u>Market Value</u>	<u>Unrealized</u> <u>Gains (Losses)</u>
Mutual Funds	\$	464,255	\$ 555,632	\$ 91,377
Common Stocks		-	-	-
Total	\$	<u>464,255</u>	\$ <u>555,632</u>	\$ <u>91,377</u>
	<u>2006</u>	<u>Amortized</u> <u>Cost</u>	<u>Market Value</u>	<u>Unrealized</u> <u>Gains (Losses)</u>
Mutual Funds	\$	443,032	\$ 528,681	\$ 85,649
Common Stocks		1,775	1,669	(106)
Total	\$	<u>444,807</u>	\$ <u>530,350</u>	\$ <u>85,543</u>

Note 4 - Pledges Receivable

The Society records unconditional promises to give as receivables and revenue when received. The Society distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the the anticipated net present value. A pledge was received in 2007 for the five year lease of a facility.

Pledges are expected to be realized in the following periods:

	<u>2007</u>
In one year or less	\$ 30,000
Between one year and five years	<u>105,000</u>
	135,000
Less:	
Discount at .15%	<u>(555)</u>
Pledges receivable – temporarily restricted	\$ <u>134,445</u>

Note 5 - Property and Equipment

The following summarizes land, buildings, and equipment at December 31,:

	<u>2007</u>	<u>2006</u>
Construction in progress	\$ 9,325	\$ 8,623
Land and improvements	407,281	395,176
Buildings and improvements	1,456,664	1,451,564
Track and wire	328,173	328,173
Machinery and equipment	<u>289,299</u>	<u>289,299</u>
	2,490,742	2,472,835
Accumulated depreciation	<u>(1,186,254)</u>	<u>(1,119,059)</u>
Property and Equipment, net	\$ <u>4,692,185</u>	\$ <u>4,656,371</u>

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 (AUDITED) AND 2006 (COMPILED)

Note 6 - Long-Term Debt

Long-term debt consisted of the following at December 31,:

	<u>2007</u>	<u>2006</u>
Note payable to bank, interest at 0.25% above Wall Street Journal Prime Rate (total rate currently at 6.50%), payable in monthly installments through 2009, with a final payment in October 2009 of \$50,747.	\$ 70,520	\$ 76,718
Installment note payable for lawn tractor, interest at 5.44%, payable in monthly installments through May 2007.	-	1,325
	<u>70,520</u>	<u>78,043</u>
Less: current portion	<u>6,709</u>	<u>7,523</u>
Long-term debt	<u>\$ 63,811</u>	<u>\$ 70,520</u>

The note payable to bank is payable on demand; however, the bank has agreed to accept monthly payments as described above. Assuming such scheduled payments, aggregate maturities of long-term debt for the five years subsequent to December 31, 2007 are as follows:

2008	\$ 6,709
2009	<u>63,811</u>
Total	\$ <u>70,520</u>

In 2009, the above note payable was renewed for an additional five years at a fixed rate of 5.75% with monthly payments of principal and interest at \$830, with a first security interest on all business assets.

Note 7 - Restrictions and Limitations of Net Asset Balances

Permanently restricted asset balances represent funds that must be maintained in perpetuity as endowment. The income earned on these funds may be used for the general operations of the Society.

Temporarily restricted net assets consisted of the following at December 31,:

	<u>2007</u>	<u>2006</u>
Program Activities:		
Restoration of vehicle collection	\$ 602,978	\$ 550,853
Museum development	294,970	246,142
Miscellaneous	<u>231,117</u>	<u>83,478</u>
Total	<u>\$ 1,129,065</u>	<u>\$ 880,473</u>

At December 31, 2007 and 2006, certain unrestricted net assets had been designated by the Board of Trustees for the following purposes:

	<u>2007</u>	<u>2006</u>
Program Activities:		
Restoration of vehicle collection	\$ 4,383	\$ 4,383
Endowment	23,065	3,400
Miscellaneous	<u>23,887</u>	<u>-</u>
Total	<u>\$ 51,335</u>	<u>\$ 7,783</u>

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 (AUDITED) AND 2006 (COMPILED)

Note 8 - Grants

During 2006, the Society received a state and federal grant for the restoration of an Atlantic Shore Line Railway locomotive that operated in the State of Maine, with a maximum limit of \$132,464 to be received. The grant is under a cost reimbursement contract whereby the expenses incurred under the grant require advance approval by the State of Maine, Department of Transportation. The grant was not expended during 2006.

During 2007, \$52,047 of the grant was expended, and recognized as income. Of this amount, \$46,746 has been reimbursed and \$5,301 is receivable. Total grant funds remaining as of December 31, 2007 were \$80,471.

Note 9 - Contributions In-kind and Contributed Services

The Society recognizes various types of in-kind support, including donations of materials, supplies, office expenses, and other items. Generally accepted accounting principles requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Most of the services received by the Society do not meet those criteria, and no amounts were recognized for the years ended December 31, 2007 or 2006. However, management estimates the fair value of those services to be \$313,705 for 2007 and \$338,200 for 2006, with a total of 22,408 volunteer hours for 2007 and 24,157 volunteer hours for 2006.

Directors and officers have made a significant contribution of their time to the Society and its programs. No amounts have been recognized in the accompanying statement of activities and changes in net assets because the criteria for recognition of such efforts under generally accepted accounting principles have not been satisfied.

The amounts reflected in the accompanying financial statements as contributions in-kind are offset by like amounts included in expenses.

Note 10 - Commitments and Contingencies

The Society maintains operating space in Lowell, Massachusetts as a small museum store and office space under an operating lease agreement for purposes of operating the National Streetcar Museum and displays. The agreement does not include a rental payment but does call for the Society to be responsible for all utilities, and is for a term of five years, ending June 30, 2012. The estimated present value of the rent under this lease agreement as of December 31, 2007 is \$134,445 and is included in pledges receivable. Rent expense for the year ended December 31, 2007 was \$15,000.

Rent expense will be recognized annually as follows:

2008	\$	30,000
2009		30,000
2010		30,000
2011		30,000
2012		<u>15,000</u>
Total	\$	<u>135,000</u>

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 (AUDITED) AND 2006 (COMPILED)

Note 11 - Subsequent Events

In February 2008, the Society entered into a 60-month operating lease agreement for a copier. Rental payments are \$95 per month plus tax. In addition, a twelve-month lease agreement was entered into during 2009, with monthly payments of \$35. Total minimum annual rentals are as follows:

2008	\$	1,406
2009		1,613
2010		1,193
2011		1,193
2012		1,193
Thereafter		<u>137</u>
Total	\$	<u>6,735</u>

In 2009, the Society obtained a \$30,000 line of credit with a six-month draw period repayable over five years. The interest rate is fixed at 5.75%, and interest only payments are due over the first six-months, then monthly principal and interest payments are due based on a seven year amortization. A final balloon payment will be due at the end of the five year term. This loan is cross-collateralized with the renewed loan described in Note 6.

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

February 28, 2010

To the Board of Trustees
New England Electric Railway Historical Society
Kennebunkport, ME

Our report on our audit of the basic financial statements of New England Electric Railway Historical Society for December 31, 2007 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Functional Expenses for 2007 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The 2006 Schedule of Functional Expenses was compiled by us. We did not audit or review this Schedule and, accordingly, express no opinion or other form of assurance on it.

Cummings, Lamont + McNamara P.A.
Certified Public Accountants
Kennebunk, Maine

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

SCHEDULE OF FUNCTIONAL EXPENSES (AUDITED)

YEAR ENDED DECEMBER 31, 2007

	Curatorial and Exhibits	Membership	General and Administrative	Fundraising	Auxiliary Operation	Total
Salaries and related expenses	\$ 70,021	\$ -	\$ 30,892	\$ -	\$ 14,962	\$ 115,875
Professional fees	1,759	373	15,688	-	200	18,020
Utilities	18,752	3,093	13,458	-	1,150	36,453
Conservation and maintenance	36,902	874	7,319	-	-	45,095
Taxes and fees	55	-	3,410	-	-	3,465
Insurance	-	-	19,807	-	-	19,807
Rent and equipment rental	20,359	-	-	-	-	20,359
Administration	13,659	9,360	51,610	1,135	11,715	87,479
Interest	4	-	4,896	-	-	4,900
Miscellaneous	65,304	904	427	-	-	66,635
Cost of goods sold	-	-	-	-	62,676	62,676
Total Expenses Before Depreciation	226,815	14,604	147,507	1,135	90,703	480,764
Depreciation	39,278	909	15,629	-	11,380	67,196
Total Expenses	<u>\$ 266,093</u>	<u>\$ 15,513</u>	<u>\$ 163,136</u>	<u>\$ 1,135</u>	<u>\$ 102,083</u>	<u>\$ 547,960</u>

See Auditors' Report on Page 13.

NEW ENGLAND ELECTRIC RAILWAY HISTORICAL SOCIETY

SCHEDULE OF FUNCTIONAL EXPENSES (COMPILED)

YEAR ENDED DECEMBER 31, 2006

	Curatorial and Exhibits	Membership	General and Administrative	Fundraising	Auxiliary Operation	Total
Salaries and related expenses	\$ 48,068	\$ -	\$ 38,552	\$ -	\$ 13,064	\$ 99,684
Professional fees	-	374	4,490	-	150	5,014
Utilities	18,137	2,164	14,654	-	517	35,472
Conservation and maintenance	67,634	-	11,661	-	-	79,295
Taxes and fees	-	-	2,481	-	-	2,481
Insurance	-	-	20,819	-	-	20,819
Rent and equipment rental	2,587	-	2,622	-	423	5,632
Administration	13,144	13,390	59,152	2,829	2,107	90,622
Interest	-	-	7,927	-	-	7,927
Miscellaneous	7,262	5,860	-	-	-	13,122
Cost of goods sold	-	-	-	-	59,909	59,909
Total Expenses Before Depreciation	156,832	21,788	162,358	2,829	76,170	419,977
Depreciation	39,524	692	15,126	-	12,267	67,609
Total Expenses	\$ 196,356	\$ 22,480	\$ 177,484	\$ 2,829	\$ 88,437	\$ 487,586

See Auditors' Report on Page 13.