

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Austin Steam Train Association

I have audited the accompanying statement of financial position of Austin Steam Train Association (ASTA), as of December 31, 2005, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of ASTA's management. My responsibility is to express an opinion on these financial statements based on my audit.

I have conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Austin Steam Train Association, as of December 31, 2005, 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.

Donald L. Allman, CPA

Round Rock, TX
March 5, 2007

**Austin Steam Train Association
Statement of Financial Position
December 31, 2005**

ASSETS

CURRENT ASSETS:	
Cash and Cash Equivalents	\$ 935,036
Accounts Receivable	3,947
Inventory	<u>23,311</u>
Total current assets	\$ 962,294
PROPERTY AND EQUIPMENT:	
Furniture & equipment	\$ 11,648
Machinery & equipment	67,375
Locomotive and Railroad Cars	1,041,222
Railroad Tracks & Facilities	276,631
Railroad Buildings	53,454
Vehicles	13,409
Less accumulated depreciation	<u>(920,642)</u>
Total property & equipment	\$ 543,097
OTHER ASSETS:	
Organizational Costs	\$ 1,000
Security Deposit	<u>1,000</u>
Total other assets	\$ 2,000
TOTAL ASSETS	<u>\$ 1,507,391</u> =====

See Notes to Financial Statements

**Austin Steam Train Association
Statement of Financial Position (Continued)
December 31, 2005**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:	
Accounts payable	\$ 52,519
Accrued interest - Directors	56,541
Deferred revenue	124,483
Other current liabilities	<u>24,174</u>
Total current liabilities	\$ 257,717
LONG-TERM LIABILITIES:	
Director loans	\$ 140,000
Loans payable	<u>11,873</u>
Total long-term liabilities	\$ 151,873
TOTAL LIABILITIES:	\$ 409,590
NET ASSETS:	
Unrestricted net assets	\$ 1,035,416
Restricted net assets	<u>62,385</u>
Total net assets	\$ 1,097,801
TOTAL LIABILITIES AND NET ASSETS	\$ 1,507,391 =====

See Notes to Financial Statements

**AUSTIN STEAM TRAIN ASSOCIATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

PUBLIC SUPPORT, REVENUES

Sales – Train tickets	\$ 339,126
Sales – Food, drinks & merchandise	26,276
Ground Lease payments	822,562
Contributions	34,384
Day Out With Thomas tickets	277,570
Day Out With Thomas merchandise	261,169
Membership dues	34,802
Cookbook funds	2,797
RGK Grant	10,000
Miscellaneous	5,371
Interest income	2,630
Projects – Movie	10,005
Rail Fare Revenues	<u>25,971</u>
 Total Revenues	 \$ 1,852,663

EXPENSES:

Program Services:

Purchases – Food, drinks & merchandise	17,070
Rail Fare Expenses	10,175
Day Out With Thomas expenses	184,199
Medical exams	4,097
Salaries	57,167
Payroll Taxes	4,898
Depreciation	69,640
Equipment rental	970
Fuel – diesel, gasoline, lubricants	45,509
Insurance	40,218
Leases	7,651
Maintenance & Repairs	252,902
Advertising	60,139
Miscellaneous	5,620
Moving expenses	325
Security	4,055
Supplies	7,867
Train Entertainment	24,901
Cellular Telephone	5,368
Utilities	6,821
 Total Program Services	 \$ 809,592

See Notes to Financial Statements

**AUSTIN STEAM TRAIN ASSOCIATION
STATEMENT OF ACTIVITIES (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2005**

EXPENSES: (Continued)

Supporting Services:	
General & Administrative	\$ 11,687
Salaries	128,162
Payroll Taxes	10,456
Rent	13,224
Legal & accounting	6,462
Interest	29,647
Mileage	5,354
Miscellaneous	5,066
Donations	6,166
Dues & subscriptions	605
Education & training	312
Fees	18,603
Parking	2,021
Postage & delivery	4,664
Printing	14,008
Promo/Volunteer Retention	5,739
Late Charges/Fines/Penalties	1,922
Complimentary Tickets	500
Creative Production	100
Telephone	5,117
Travel	690
Office expenses	3,859
Website fees	<u>221</u>
 Total Supporting services expenses	 \$274,585
 Total Expenses	 \$ 1,084,177
 Total Increase in Net Assets	 768,486
 Net assets, beginning of year	 329,315
 Net assets, end of the year	 \$1,097,801 =====

See Notes to Financial Statements

**AUSTIN STEAM TRAIN ASSOCIATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

OPERATING ACTIVITIES:	
Change in net assets	\$ 768,486
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	69,640
Decrease in accounts receivable	634
Increase in inventory	(51,730)
Increase in accounts payable	6,810
Increase in Deferred Revenue	195,785
Net cash provided (used) by operating activities	989,625
 CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES:	
Addition of equipment	\$ (9,313)
Net cash provided (used) by investing activities	(9,313)
 CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES:	
Payments on loans payable	(210,566)
Net cash provided (used) by financing activities	(210,566)
 NET INCREASE IN CASH	 769,746
 CASH AT BEGINNING OF YEAR	 165,290
 CASH AT END OF YEAR	 \$ 935,036 =====

See Notes to Financial Statements

Austin Steam Train Association
Notes to Financial Statements
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

The Austin Steam Train Association (ASTA) is a nonprofit corporation organized under the Nonprofit Corporation Act of the State of Texas, incorporated in July 1989 and began restoration projects in February 1990. The purpose of ASTA is promoting the awareness of and interest in the history and preservation of railroad lines and equipment. The Austin Steam Train Association carried 18,719 passengers through the hill country and downtown Austin on historic railroad equipment and educated the population about the historic importance of the rail line we operate on. ASTA also maintained and refurbished numerous historic coach rail cars.

The ASTA is a nonprofit organization as described in Section 501(c) (3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Public Support and Revenue

Contributions are generally available for unrestricted use in the related year, unless specifically restricted by the donor. Unconditional promises to give are recorded as received. Grants and other contributions of cash and other assets are reported as unrestricted unless specifically stipulated by the donor. Revenues from sales of tickets, merchandise, food & beverages are unrestricted unless specifically restricted.

Accounting Method

The Company uses the accrual method of recording their revenues and expenses. This requires revenues and expenses relating to the closing of mortgage loans to be recorded if the closing date of the loan is within the fiscal year.

Estimates.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. .

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. No balance for uncollectible accounts is used as the accounts receivable balance is very small and immaterial to the financial statements.

Austin Steam Train Association
Notes to Financial Statements
December 31, 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents.

The ASTA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. For financial statement reporting cash and cash equivalents include cash on hand, cash on deposit with banks and other financial institutions, certificates of deposits, and money market accounts.

Equipment, Furniture & Railroad Cars, Tracks & Buildings

Equipment, furniture & railroad cars, tracks and buildings are capitalized at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Expenditures for normal maintenance and repairs are charged to expense and significant improvements are capitalized.

Functional Expenses

Expenses are charged directly to program or management in general categories based on specific identification. Any indirect expenses will be allocated based salary expenditures.

Income Tax Status

The Austin Steam Train Association is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Revenue Recognition

Revenues are recorded when they are properly identified and receivable. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence (if any) of any donor restrictions. If a restriction expires due to time limit or purpose of restriction fulfilled, then temporarily restricted net assets are reclassified to unrestricted net assets.

Note 2 – Cash Account in Excess of FDIC Coverage

Cash accounts of ASTA were in excess of the FDIC coverage limit of \$100,000 during the year ended 12/31/05. Balances exceeding the FDIC coverage limit could be at risk in the event of bank failure. ASTA has not experienced any losses during 2005 due to cash balances exceeding the FDIC coverage limit. At 12/31/05 ASTA's uninsured cash balances totaled \$465,546.

Austin Steam Train Association
Notes to Financial Statements
December 31, 2005

Note 3 – Furniture, Equipment and Railroad Cars, Tracks & Buildings

The following is a summary of furniture, equipment and railroad cars, tracks & buildings as of December 31, 2005:

Furniture	\$ 11,648
Equipment & machinery	80,784
Railroad cars, tracks, etc.	<u>1,371,307</u>
	1,463,739
Less accumulated deprec.	<u>(920,642)</u>
TOTAL	\$ 543,097

Note 4 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

Restricted Cash reserved for Engine Repairs	\$ 46,767
Restricted Cash reserved merchandise funds	14,528
Restricted Cash reserved for renovations/repairs	<u>1,090</u>
Total temporarily restricted net assets	\$ 62,385

Note 5 – Notes Payable

Director loan payable to Arthur Boone, no interest rate, no payment terms \$140,000
 Note payable Andy Fish, no interest rate, no payment terms \$11,873

\$151,873

Note 6 – Operating Lease Commitment

ASTA has entered into a three-year, non-cancelable operating lease for its office facility requiring rent of \$12,500 to \$13,000 annually. The lease grants the ASTA the right to renew the lease for an additional two year term. ASTA also leases certain equipment under monthly operating leases. Rent expense for 2005 was \$13,224.

The Company's main office space and branch office space are leased under operating lease agreements. The approximate future minimum rental commitments at 12/31/05 are as follows:
 December 31,

2006	\$ 12,500
2007	\$ 13,000
2008	\$ 8,667

Austin Steam Train Association
Notes to Financial Statements
December 31, 2005

Note 7 – Donated Services

The ASTA receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and special projects. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS No. 116 have not been satisfied.

Note 8 – Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Austin Steam Train Association

Audited Financial Statements
For the Year Ended December 31, 2005

Austin Steam Train Association

Contents

INDEPENDENT AUDITOR'S REPORT:	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	2-3
Statement of Activities	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-10

