

**COMMUNITY TRANSPORTATION  
NETWORK, INC.**

**FORT WAYNE, INDIANA**

**Financial Statements**

**as of June 30, 2021 and 2020**

## CONTENTS

	<b>PAGE</b>
<b>FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT</b>	
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-22

# LEONARD J. ANDORFER & CO., LLP

Certified Public Accountants & Business Consultants

[www.ljandorfer.com](http://www.ljandorfer.com)

---

110 W. Berry Street, Ste. 2202

Fort Wayne, Indiana 46802

(P) 260-423-9405 (F) 260-422-9206

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Community Transportation Network, Inc.  
Fort Wayne, Indiana

### Opinion

We have audited the accompanying financial statements of Community Transportation Network, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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 Community Transportation Network, Inc. as of June 30, 2021 and 2020, and the results of its operations 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 Community Transportation Network, Inc. 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 Community Transportation Network, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **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, including omissions, 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 Community Transportation Network, Inc.'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 Community Transportation Network, Inc.'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.

*Leonard J. Andorfer & Co., LLP*

LEONARD J. ANDORFER & CO., LLP  
Certified Public Accountants  
Fort Wayne, Indiana

October 6, 2021

**COMMUNITY TRANSPORTATION NETWORK, INC.**  
**Statements of Financial Position**

<b>ASSETS</b>	June 30 2021	June 30 2020
	<u>                    </u>	<u>                    </u>
Cash and cash equivalents	\$ 429,867	\$ 187,454
Receivables		
Contributions receivable - net	350,784	548,195
Accounts receivable	127,066	64,112
Prepaid expenses	48,943	43,769
Investments	45,093	20,075
Beneficial interest	13,350	10,135
Cash restricted for long-term purposes	319,044	149,869
Fixed assets - net	<u>1,713,601</u>	<u>1,589,027</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,047,748</u></b>	<b><u>\$ 2,612,636</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 38,650	\$ 21,654
Deferred transportation revenue	-	2,795
Accrued expenses	49,636	41,298
Notes payable	<u>332,200</u>	<u>182,200</u>
Total Liabilities	420,486	247,947
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	1,481,520	1,537,670
Net Assets With Donor Restrictions	<u>1,145,742</u>	<u>827,019</u>
Total Net Assets	<u>2,627,262</u>	<u>2,364,689</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,047,748</u></b>	<b><u>\$ 2,612,636</u></b>

See Independent Auditor's Report  
and Notes to Financial Statements.

**COMMUNITY TRANSPORTATION NETWORK, INC.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2021**  
**(With Comparative Totals for the Year Ended June 30, 2020)**

	Without Donor Restrictions	With Donor Restrictions	Totals 2021	Totals 2020
<b>SUPPORT AND REVENUE</b>				
Contributions				
Foundations	\$ 545,786	\$ 535,500	\$ 1,081,286	\$ 1,158,403
Corporations and individuals	101,095	25,000	126,095	189,732
United Way	75,000		75,000	50,000
Government grants	349,814		349,814	96,000
Transportation fees	459,925		459,925	601,245
Special events	90,942		90,942	65,876
Less: direct benefit to donors	( 20,346 )		( 20,346 )	( 28,254 )
Investment income	6,128		6,128	575
Miscellaneous	6,641		6,641	14,413
Gain on disposal of fixed assets	13,300		13,300	7,629
Total Support and Revenue	1,628,285	560,500	2,188,785	2,155,619
Net Assets Released From Restrictions	241,777	( 241,777 )	-	-
<b>TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>	1,870,062	318,723	2,188,785	2,155,619
<b>EXPENSES</b>				
Transportation services	1,671,421		1,671,421	1,766,220
Management and general	177,757		177,757	157,828
Fund raising	77,034		77,034	55,435
Total Expenses	1,926,212		1,926,212	1,979,483
<b>CHANGE IN NET ASSETS</b>	( 56,150 )	318,723	262,573	176,136
<b>NET ASSETS - BEGINNING OF YEAR</b>	1,537,670	827,019	2,364,689	2,188,553
<b>NET ASSETS - END OF YEAR</b>	\$ 1,481,520	\$ 1,145,742	\$ 2,627,262	\$ 2,364,689

See Independent Auditor's Report  
and Notes to Financial Statements.

**COMMUNITY TRANSPORTATION NETWORK, INC.**  
**Statement of Activities and Changes in Net Assets**  
**Year Ended June 30, 2020**

	Without Donor Restrictions	With Donor Restrictions	Totals 2020
<b>SUPPORT AND REVENUE</b>			
Contributions			
Foundations	\$ 731,703	\$ 426,700	\$ 1,158,403
Corporations and individuals	189,732		189,732
United Way	50,000		50,000
Government grants	96,000		96,000
Transportation fees	601,245		601,245
Special events	65,876		65,876
Less: direct benefit to donors	( 28,254 )		( 28,254 )
Investment income	575		575
Miscellaneous	14,413		14,413
Gain on disposal of fixed assets	7,629		7,629
Total Support and Revenue	1,728,919	426,700	2,155,619
Net Assets Released From Restrictions	180,231	( 180,231 )	-
<b>TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS</b>	1,909,150	246,469	2,155,619
<b>EXPENSES</b>			
Transportation services	1,766,220		1,766,220
Management and general	157,828		157,828
Fund raising	55,435		55,435
Total Expenses	1,979,483		1,979,483
<b>CHANGE IN NET ASSETS</b>	( 70,333 )	246,469	176,136
<b>NET ASSETS - BEGINNING OF YEAR</b>	1,608,003	580,550	2,188,553
<b>NET ASSETS - END OF YEAR</b>	\$ 1,537,670	\$ 827,019	\$ 2,364,689

See Independent Auditor's Report  
and Notes to Financial Statements.

**COMMUNITY TRANSPORTATION NETWORK, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2021**

**(With Comparative Totals for the Year Ended June 30, 2020)**

	Transportation Services	Management and General	Fund Raising	Totals 2021	Totals 2020
Salaries	\$ 786,289	\$ 88,706	\$ 56,125	\$ 931,120	\$ 944,670
Employee health and retirement benefits	101,054	35,624	3,904	140,582	180,704
Payroll taxes	54,953	7,369	4,081	66,403	74,688
Total Salaries and Related Expenses	<u>942,296</u>	<u>131,699</u>	<u>64,110</u>	<u>1,138,105</u>	<u>1,200,062</u>
Repairs and maintenance	156,282	1,283	967	158,532	140,436
Fuel	107,552			107,552	119,562
Insurance	132,531	8,210		140,741	143,332
Office expense	18,207	6,205	1,080	25,492	27,905
Professional services		15,209		15,209	17,800
Telephone	28,324	1,012	676	30,012	23,038
Occupancy	16,389	943	906	18,238	17,397
Licenses	7,801	145		7,946	7,762
Interest		4,125		4,125	1,777
Miscellaneous	2,308	499	16	2,823	1,241
Equipment rental	2,669	334	334	3,337	3,933
Marketing	3,075	1,495	7,364	11,934	3,499
Dues and subscriptions	2,025	4,102	265	6,392	1,906
Conferences and meetings	616	1,265	35	1,916	2,371
Bad debts	1,474			1,474	783
Event expense			20,346	20,346	28,254
Total Expenses Before Depreciation	<u>1,421,549</u>	<u>176,526</u>	<u>96,099</u>	<u>1,694,174</u>	<u>1,741,058</u>
Depreciation	249,872	1,231	1,281	252,384	266,679
Total Expenses By Function	<u>\$ 1,671,421</u>	<u>\$ 177,757</u>	<u>\$ 97,380</u>	<u>\$ 1,946,558</u>	<u>\$ 2,007,737</u>
Less expenses included in support and revenue on the statement of activities			( 20,346 )	( 20,346 )	( 28,254 )
Total Expenses	<u><u>\$ 1,671,421</u></u>	<u><u>\$ 177,757</u></u>	<u><u>\$ 77,034</u></u>	<u><u>\$ 1,926,212</u></u>	<u><u>\$ 1,979,483</u></u>

See Independent Auditor's Report  
and Notes to Financial Statements.



**COMMUNITY TRANSPORTATION NETWORK, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**

	Transportation Services	Management and General	Fund Raising	Totals 2020
Salaries	\$ 827,069	\$ 79,785	\$ 37,816	\$ 944,670
Employee health and retirement benefits	144,810	28,957	6,937	180,704
Payroll taxes	65,151	6,334	3,203	74,688
Total Salaries and Related Expenses	<u>1,037,030</u>	<u>115,076</u>	<u>47,956</u>	<u>1,200,062</u>
Repairs and maintenance	138,748	1,061	627	140,436
Fuel	119,562			119,562
Insurance	136,264	7,068		143,332
Office expense	18,401	8,485	1,019	27,905
Professional services		17,800		17,800
Telephone	21,382	991	665	23,038
Occupancy	15,627	915	855	17,397
Licenses	7,692	70		7,762
Interest		1,777		1,777
Miscellaneous	904	337		1,241
Equipment rental	2,553	965	415	3,933
Marketing	784	250	2,465	3,499
Dues and subscriptions	1,881		25	1,906
Conferences and meetings	428	1,778	165	2,371
Bad debts	783			783
Event expense			28,254	28,254
Total Expenses Before Depreciation	<u>1,502,039</u>	<u>156,573</u>	<u>82,446</u>	<u>1,741,058</u>
Depreciation	<u>264,181</u>	<u>1,255</u>	<u>1,243</u>	<u>266,679</u>
Total Expenses By Function	<u>1,766,220</u>	<u>157,828</u>	<u>83,689</u>	<u>2,007,737</u>
Less expenses included in support and revenue on the statement of activities			( <u>28,254</u> )	( <u>28,254</u> )
Total Expenses	<u>\$ 1,766,220</u>	<u>\$ 157,828</u>	<u>\$ 55,435</u>	<u>\$ 1,979,483</u>

See Independent Auditor's Report  
and Notes to Financial Statements.

**COMMUNITY TRANSPORTATION NETWORK, INC.**

**Statements of Cash Flows**

**Years Ended June 30, 2021 and 2020**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	2021	2020
Change in net assets	\$ 262,573	\$ 176,136
Adjustments to reconcile change in net assets to cash flows provided by operating activities		
Depreciation	252,384	266,679
Provision for bad debts	1,474	783
Change in present value discount	( 3,264 )	( 8,345 )
Gain on disposal of fixed assets	( 13,300 )	( 7,629 )
PPP loan forgiveness	( 182,200 )	-
Loss (gain) on beneficial interest	( 4,301 )	300
Loss (gain) on investments	( 1,655 )	11
(Increase) decrease in:		
Contributions receivable - net	200,675	( 103,200 )
Accounts receivable	( 64,428 )	( 366 )
Prepaid expenses	( 5,174 )	1,557
Increase (decrease) in:		
Accounts payable	16,996	( 23,639 )
Deferred transportation revenue	( 2,795 )	-
Accrued expenses	8,338	( 35,326 )
Net Cash Provided By Operating Activities	465,323	266,961
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of fixed assets	13,300	7,629
Purchase of fixed assets	( 376,958 )	( 249,196 )
Purchase of investments	( 23,363 )	-
Redemption of certificates of deposit	-	50,000
Proceeds from beneficial interest	1,086	450
Net Cash Used For Investing Activities	( 385,935 )	( 191,117 )
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from notes payable	332,200	182,200
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	411,588	258,044
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	337,323	79,279
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 748,911	\$ 337,323

See Independent Auditor's Report  
and Notes to Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

**Nature of Activities** – Community Transportation Network, Inc. (CTN) is a voluntary health and welfare organization established to provide an effective and dependable transportation alternative in Fort Wayne and Allen County, Indiana. Its mission is to provide dependable and efficient transportation so no one is left behind. CTN’s vision is that fewer transportation barriers will exist and full access to community life will be available to seniors, persons with disabilities, low income families, children and youth. CTN’s priorities are to provide medical transportation that is dependable, affordable, accessible and accommodating for vulnerable seniors and persons with disabilities; to better use community transportation resources through consolidation and partnerships with other nonprofit organizations; and to build its capacity to better meet transportation needs of the target populations in our community.

**Basis of Presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Community Transportation Network, Inc. and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Net Assets With Donor Restrictions** – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

**Promises to Give** – Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires net assets with donor restrictions are reclassified to net assets without donor restrictions.

**Investments** – The Organization has adopted FASB ASC 958-320-50-1. Under FASB ASC 958-320-50-1, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

**Income Taxes** - The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 100% charitable contributions deduction limitation. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The Organization has adopted FASB ASC 740-10-25, and determined no material unrecognized tax benefits or liabilities exist as of June 30, 2021 and 2020. The adoption of FASB ASC 740-10-25 did not impact the organization's financial position or results of operations. If applicable, the organization will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of June 30, 2021 and 2020, respectively, the organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The organization does not anticipate any significant changes to unrecognized income tax benefits over the next year. The organization is generally no longer subject to examination by Federal or State agencies for years before 2018.

**Use of Estimates** - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**Reclassification** – Prior year presentation has been reclassified to conform with the current year's presentation. These reclassifications have no effect on previously reported operational results.

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

**Accounts Receivable** – If considered necessary, the Organization provides an allowance for doubtful receivables which is based on management's estimate of losses that will be incurred in the collection of all receivables.

**Property and Equipment** – Property and equipment are stated at cost or, if donated, at fair value at the date of the gift. Items with a cost or value of \$1,000 or more and a useful life of one year or more are capitalized. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. The Organization follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets as follows:

Building	39 years
Building Improvement	15 years
Transportation Equipment	4-10 years
Office Equipment	5-10 years

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

**Revenue Recognition** – The Organization recognizes revenue from the following sources:

**Contributions and Grants:** The Organization recognizes support when received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met.

**Transportation fees:** The Organization recognizes revenue from direct billed transportation fees when the related transportation services are provided. A portion of the Organization's transportation revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. In addition, the Organization bills partner agencies on a monthly basis for transportation services. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization did not receive any cost-reimbursable grants that have not been recognized at June 30, 2021 and 2020, and therefore no amount is recognized in the statement of financial position as a refundable grant for these contracts and grants.

**Special Events and Sponsorships:** The Organization has multiple special events where tickets are purchased for the event and revenue is recognized upon the occurrence of the event. In addition, the Organization will sell sponsorships for the events. When a sponsorship is sold, it contains elements of both an exchange transaction and a contribution. The Organization will recognize the contribution portion once received or unconditionally pledged. The portion related to the exchange transaction is recorded as deferred income until the event occurs at which time it is recognized as revenue.

**In-kind Contributions:** Contributions of professional services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Volunteers contribute amounts of time to the Organization's activities that do not meet recognition criteria, and the value of that time is not reflected in the financial statements.

**Advertising Costs** – Advertising and promotional programs are charged to expense during the period in which they are incurred. Advertising expense in the amount of \$11,934 and \$3,499 was incurred in the years ending June 30, 2021 and 2020, respectively.

**Compensated Absences** – The Organization allows employees to receive compensation for paid time off. As of June 30, 2021 and 2020, compensated absences have been calculated as \$35,651 and \$36,059, respectively. This amount has been reflected in the 2021 and 2020 Statements of Financial Position as part of accrued expenses.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

**Recent Accounting Pronouncements** – In February 2016, the FASB issued ASU 2016-2-Leases. The standard will increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard is effective for the Organization beginning January 1, 2022 and is currently being evaluated to determine the impact on the financial statements.

### NOTE 2 – Contributions Receivable

Contributions receivable as of June 30, 2021 and 2020 consist of the following:

	June 30, 2021	June 30, 2020
Contributions receivable	\$ 360,475	\$ 561,150
Less unamortized present value discount (2.75% and 2.76%)	<u>9,691</u>	<u>12,955</u>
Net contributions receivable	<u>\$ 350,784</u>	<u>\$ 548,195</u>
Amounts due in:		
Less than one year	\$ 209,200	\$ 270,450
One to five years	151,275	290,700
More than five years	-	-
	<u>\$ 360,475</u>	<u>\$ 561,150</u>

### NOTE 3 – Investments

Investments as of June 30, 2021 and 2020 consisted of the following:

	June 30, 2021	June 30, 2020
Cash and cash investments	\$ 22,723	\$ 931
Fixed income	<u>22,370</u>	<u>19,144</u>
Total Investments at Fair Value	<u>\$ 45,093</u>	<u>\$ 20,075</u>
Total Investments at Historical Cost	<u>\$ 44,189</u>	<u>\$ 20,001</u>

### NOTE 4 – Beneficial Interest – Community Foundations

Funds held at Community Foundations as of June 30, 2021 and 2020 are summarized as follows:

	June 30, 2021	June 30, 2020
Community Foundation of Greater Fort Wayne	<u>\$ 13,350</u>	<u>\$ 10,135</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 4 – Beneficial Interest – Community Foundations (Continued)

The investments held by the Community Foundation are the result of agreements whereby the Organization has transferred assets, without variance power, to the Foundation and has specified itself as the beneficiary of those assets. The Organization may draw up to a certain percentage of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundation.

Additionally, the Foundation holds investment assets, with a value of \$4,391 and \$2,532 at June 30, 2021 and 2020, respectively, for the benefit of the Organization for which they have retained variance power. These assets are not recorded as assets of the Organization.

### NOTE 5 – Fair Value of Financial Instruments

FASB ASC 820-10-50-1 requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by Community Transportation Network, Inc. impacted by this pronouncement include the investments held at market value.

FASB ASC 820-10-50-1 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of input described below:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value of financial instruments as of June 30, 2021 is as follows:

	Total	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents	\$ 22,723	\$ 22,723	\$	\$
Fixed income	22,370	22,370		
Community Foundation of Greater Fort Wayne	13,350			13,350
<b>Total</b>	<b>\$ 58,443</b>	<b>\$ 45,093</b>	<b>\$ -</b>	<b>\$ 13,350</b>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 5 – Fair Value of Financial Instruments (Continued)**

Fair value of financial instruments as of June 30, 2020 is as follows:

	Total	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents	\$ 931	\$ 931	\$	\$
Fixed income	19,144	19,144		
Community Foundation of Greater Fort Wayne	10,135			10,135
<b>Total</b>	<b>\$ 30,210</b>	<b>\$ 20,075</b>	<b>\$ -</b>	<b>\$ 10,135</b>

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2021:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance - July 1, 2020	\$ 10,135
Total gains or losses (realized/unrealized) included in earnings:	
Contributions	-
Interest and dividend income on securities	279
Unrealized gains	3,511
Realized gains on sale of securities	33
Investment fees	( 128 )
Transfers out	( 480 )
Ending Balance - June 30, 2021	<u>\$ 13,350</u>



## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 5 – Fair Value of Financial Instruments (Continued)

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2020:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance - July 1, 2019	\$ 10,885
Total gains or losses (realized/unrealized) included in earnings:	
Contributions	-
Interest and dividend income on securities	320
Unrealized losses	( 557 )
Realized gains on sale of securities	24
Investment fees	( 87 )
Transfers out	( 450 )
Ending Balance - June 30, 2020	\$ 10,135

### NOTE 6 – Investment Income

Net investment income from the investment account, the Community Foundations and the savings accounts consisted of the following:

	June 30, 2021	June 30, 2020
Dividends, interest, and realized gains	\$ 4,048	\$ 2,322
Investment management fees	( 128 )	( 87 )
Unrealized gains (losses)	2,208	( 1,660 )
Total	\$ 6,128	\$ 575

### NOTE 7 – Functional Expenses

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, certain professional services, supplies, information technology, insurance and other expenses, which are allocated on the basis of time and effort.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 8 – Property and Equipment**

The components of property and equipment are as follows:

	June 30, 2021	June 30, 2020
Land	\$ 170,000	\$ 170,000
Building and improvements	889,746	889,746
Office equipment and software	120,932	117,503
Transportation equipment	1,747,059	1,684,356
Construction in process	207,996	35,882
	<u>3,135,733</u>	<u>2,897,487</u>
Accumulated depreciation	<u>( 1,422,132 )</u>	<u>( 1,308,460 )</u>
Total	<u>\$ 1,713,601</u>	<u>\$ 1,589,027</u>

**NOTE 9 – Net Assets with Donor Restrictions**

The Organization has net assets that are donor restricted for the following purposes:

	June 30, 2021	June 30, 2020
Capital expansion	\$ 881,519	\$ 581,019
Medical transport	193,723	160,500
Future operations	40,000	80,000
Other	30,500	5,500
Total	<u>\$ 1,145,742</u>	<u>\$ 827,019</u>

Net assets released from net assets with donor restrictions are as follows:

	June 30, 2021	June 30, 2020
Time requirements	\$ 80,000	\$ 40,000
Purpose requirement:		
Capital expansion	-	20,781
Medical transport	161,777	58,750
Other	-	60,700
	<u>\$ 241,777</u>	<u>\$ 180,231</u>

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 9 – Net Assets with Donor Restrictions (Continued)

Net assets without donor restrictions are as follows:

	June 30, 2021	June 30, 2020
Undesignated	\$ 1,372,073	\$ 1,456,456
Board designated - capital match	51,004	51,004
Board designated - endowment	58,443	30,210
	<u>\$ 1,481,520</u>	<u>\$ 1,537,670</u>

### NOTE 10 – Commitments and Contingencies

Community Transportation Network, Inc. maintains its cash accounts at local banks. The cash balances and short-term investments are insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2021 and 2020 the Organization had uninsured cash balances of \$470,930 and \$16,989, respectively.

In June 2021, the Organization signed a construction contract to construct a 15,000 square foot truck maintenance building. The total cost of the project is expected to exceed \$1,500,000 and will be funded in part by a loan with First Merchants Bank.

### NOTE 11 – Retirement Plan

The Organization sponsors a defined contribution plan where contributions to the plan are made for all employees with at least 30 days of continuous employment. The Organization's contributions are 100% vested after 5 years of employment. The Organization matches amounts contributed by eligible employees up to 2.5% of each employee's total compensation. Expenses for the years ended June 30, 2021 and 2020 amounted to \$14,198 and \$12,191, respectively.

### NOTE 12 – Endowments

The Organization's endowment consists of two funds established for providing revenue from earnings. Its endowment includes board designated endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with donor restricted funds, including designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not classified in net assets with donor restrictions is classified as designated net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 12 – Endowments (Continued)**

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment net asset composition by type of fund as of June 30, 2021, is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board designated funds - campaign	\$ 45,093	\$	\$ 45,093
Board designated funds - Community Foundation	13,350		13,350
	<u>\$ 58,443</u>	<u>\$ -</u>	<u>\$ 58,443</u>

Endowment net asset composition by type of fund as of June 30, 2020, is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board designated funds - campaign	\$ 20,075	\$	\$ 20,075
Board designated funds - Community Foundation	10,135		10,135
	<u>\$ 30,210</u>	<u>\$ -</u>	<u>\$ 30,210</u>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**NOTE 12 – Endowments (Continued)**

Changes in endowment net assets for the year ended June 30, 2021, are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - beginning of year	\$ 30,210	\$	\$ 30,210
Contributions (net)	23,363		23,363
Investment return:			
Dividends, interest and realized investment gains/losses	3,142		3,142
Unrealized gain	2,208		( 2,208 )
Total investment return	5,350		( 5,350 )
Appropriation of endowment assets for expenditures	( 480 )		( 480 )
Endowment net assets - end of year	<u>\$ 58,443</u>	<u>\$ -</u>	<u>\$ 58,443</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets - beginning of year	\$ 30,972	\$	\$ 30,972
Contributions (net)			-
Investment return:			
Dividends, interest and realized investment gains/losses	1,348		1,348
Unrealized loss	( 1,660 )		( 1,660 )
Total investment return	( 312 )		( 312 )
Appropriation of endowment assets for expenditures	( 450 )		( 450 )
Endowment net assets - end of year	<u>\$ 30,210</u>	<u>\$ -</u>	<u>\$ 30,210</u>

**Funds With Deficiencies** – From time to time, the fair value of assets associated with individual donor restricted funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. These deficiencies result from unfavorable investment performance due to unfavorable market conditions for the investments supporting the donor restricted and designated net assets.

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 12 – Endowments (Continued)

**Return Objectives and Risk Parameters** – The organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as designated funds. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving Objectives** – To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**Spending Policy** – The Organization has a policy of appropriating for distribution each year 5% of its endowment fund’s average fair value over the prior four quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the current value. This is consistent with the organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

### NOTE 13 – Notes Payable

On April 20, 2020, the Organization secured a note with 1<sup>st</sup> Source Bank under the provisions of the Paycheck Protection Program in the amount of \$182,200. The loan was forgiven in full under the terms of the program and has been included in government grants in the statement of activities and net assets.

In January 2021, the Organization received an additional PPP loan from 1<sup>st</sup> Source Bank in the amount of \$182,200. The loan bears interest at 1% and may be forgiven in the Organization complies with the terms specified in the agreement. The loan matures in January 2023.

In July 2020, the Organization secured a loan from the Small Business Administration (SBA) in the amount of \$150,000. The loan bears interest at a rate of 2.75% and requires no payments through June 30, 2022. Principal and interest payments of \$641 will begin in July 2022. Interest expense of \$4,125 was recognized on this loan for the year ended June 30, 2021. The loan is secured by all business assets and matures in July 2052.

Principal payments required over the next five years under the terms of the SBA loan are as follows:

<u>June 30,</u>	<u>Amount</u>
2022	\$ -
2023	3,129
2024	3,504
2025	3,602
2026	3,702

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 14 – Related Party Transactions

The Organization paid \$8,731 and \$6,015 for the years ended June 30, 2021 and 2020, respectively, to a company related to a member of the Board of Directors for payroll administration.

### NOTE 15 – Line of Credit

CTN has a \$150,000 revolving line of credit with 1<sup>st</sup> Source Bank to be drawn upon as needed, bearing interest at .25% below the prime rate (3% at June 30, 2021). The note is secured by all business assets. No amount was outstanding on the note as of June 30, 2021 or 2020. Interest expense of \$0 and \$1,777 was incurred for the years ended June 30, 2021 and 2020, respectively.

### NOTE 16 – Liquidity and Availability of Financial Assets

The following reflects the financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the board approves that action.

	2021	2020
Cash and cash equivalents	\$ 748,911	\$ 337,323
Accounts receivable	127,066	64,112
Contributions receivable, net	350,784	548,195
Investments	45,093	20,075
Total financial assets, excluding noncurrent receivables	1,271,854	969,705
Contractual or donor-imposed restrictions:		
Capital expansion	( 881,519 )	( 581,019 )
Board designations:		
Capital match	( 51,004 )	( 51,004 )
Endowment	( 45,093 )	( 20,075 )
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$ 294,238	\$ 317,607

### NOTE 17 – Statement of Cash Flows Supplemental Disclosures

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the statement of financial position that sum to the same such amounts shown in the statement of cash flows.

	2021	2020
Cash and cash equivalents	\$ 429,867	\$ 187,454
Cash restricted for long-term purposes	319,044	149,869
Total cash, cash equivalents and restricted cash	\$ 748,911	\$ 337,323

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### NOTE 18 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 6, 2021, the date the financial statements were available to be issued.

In August 2021, the Organization purchased land located at 3401 Adams Center Road in Fort Wayne, Indiana in the amount of \$507,000. A portion of the purchase price (\$266,000) was funded by a donation by the seller and will be recorded as an in-kind contribution in fiscal year ended June 30, 2022.

The Organization is monitoring the COVID-19 outbreak in the United States and throughout the world for impacts to its operations. Public health organizations are providing daily updates on changes to be made, including closures in certain industries. The length of the outbreak is uncertain at this time and therefore, the impact on the Organization's financial condition and results of its operations is unknown.