

**COMMUNITY TRANSPORTATION
NETWORK, INC.**

FINANCIAL STATEMENTS

Year Ended June 30, 2019

With Summarized Information for June 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

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, 2019, and the related statements of activities, functional expenses and cash flows for the year 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

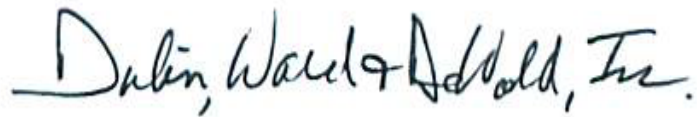
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Community Transportation Network, Inc's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Dublin, Ward & Adold, Inc." The signature is written in a cursive, flowing style.

Fort Wayne, Indiana

October 17, 2019

COMMUNITY TRANSPORTATION NETWORK, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019 with Summarized Information for June 30, 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 43,179	\$ 326,242
Receivables:		
Contributions receivable - net	436,650	147,667
Accounts receivable	64,528	40,402
Prepaid expenses	45,326	44,130
Investments	20,087	-
Beneficial interest	10,885	11,086
Cash restricted to long-term purposes	36,100	52,500
Certificates of deposit restricted for long-term purposes	50,000	-
Fixed assets - net	<u>1,606,510</u>	<u>1,501,900</u>
Total Assets	<u><u>\$ 2,313,265</u></u>	<u><u>\$ 2,123,927</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 45,293	\$ 39,510
Deferred transportation revenue	2,795	20,199
Accrued expenses	<u>76,624</u>	<u>58,672</u>
Total Liabilities	124,712	118,381
Net Assets:		
Without donor restrictions	1,608,003	1,574,002
With donor restrictions	<u>580,550</u>	<u>431,544</u>
Total Net Assets	<u>2,188,553</u>	<u>2,005,546</u>
Total Liabilities and Net Assets	<u><u>\$ 2,313,265</u></u>	<u><u>\$ 2,123,927</u></u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY TRANSPORTATION NETWORK, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019
with Summarized Information for the Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019
CHANGES IN NET ASSETS			
Support, Revenue and Gains:			
Contributions:			
Foundations	\$ 444,129	\$ 70,000	\$ 514,129
Corporations and individuals	207,122	516,800	723,922
United Way	55,022	-	55,022
Government grants	268,377	-	268,377
Transportation fees	658,485	-	658,485
Special events	95,371	-	95,371
Less: direct benefit to donors	(11,885)	-	(11,885)
Interest - net fees of \$95	1,152	-	1,152
In-kind contributions	8,368	-	8,368
Miscellaneous	31,659	-	31,659
Gain on beneficial interest	-	-	-
Gain on disposal of fixed assets	-	-	-
Net Assets Released From Restrictions	<u>437,794</u>	<u>(437,794)</u>	<u>-</u>
Total Support, Revenue and Gains	2,195,594	149,006	2,344,600
Expenses and Losses:			
Transportation services	1,875,710	-	1,875,710
Management and general	170,158	-	170,158
Fund raising	113,027	-	113,027
Loss on beneficial interest	69	-	69
Loss on investments	127	-	127
Loss on disposal of fixed assets	2,502	-	2,502
Total Expenses and Losses	<u>2,161,593</u>	<u>-</u>	<u>2,161,593</u>
CHANGES IN NET ASSETS	34,001	149,006	183,007
NET ASSETS - beginning of year - as previously stated	115,914	1,889,632	2,005,546
RECLASSIFICATION	<u>1,458,088</u>	<u>(1,458,088)</u>	<u>-</u>
NET ASSETS - beginning of year - as restated	<u>1,574,002</u>	<u>431,544</u>	<u>2,005,546</u>
NET ASSETS - end of year	<u>\$ 1,608,003</u>	<u>\$ 580,550</u>	<u>\$ 2,188,553</u>

The accompanying notes are an integral part of these financial statements.

**Total
2018**

\$ 641,734
242,960
57,560
221,504
531,253
69,155
(12,925)
514
1,150
3,296
683
59,362
-

1,816,246

1,415,659
157,914
97,715
-
-
-

1,671,288

144,958

1,860,588

-

1,860,588

\$2,005,546

COMMUNITY TRANSPORTATION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019
with Summarized Information for the Year Ended June 30, 2018

	Transportation Services	Management and General	Fund Raising	Total 2019
Salaries	\$ 892,171	\$ 88,492	\$ 71,879	\$ 1,052,542
Employee health and retirement benefits	136,781	28,067	5,678	170,526
Payroll taxes	<u>70,744</u>	<u>6,354</u>	<u>5,372</u>	<u>82,470</u>
Total Salaries and Related Expenses	1,099,696	122,913	82,929	1,305,538
Repairs and maintenance	177,455	1,274	1,110	179,839
Fuel	162,148	-	-	162,148
Insurance	122,523	8,706	-	131,229
Office expense	19,554	6,615	9,372	35,541
Professional services	-	20,523	13,126	33,649
Telephone	20,549	947	650	22,146
Occupancy	15,489	940	851	17,280
Licenses	7,866	105	-	7,971
Miscellaneous	2,532	4,496	680	7,708
Equipment rental	3,293	332	612	4,237
Marketing	42	185	2,167	2,394
Dues and subscriptions	845	576	52	1,473
Conferences and meetings	461	636	301	1,398
Bad debts	323	-	-	323
Fund raising	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenses Before Depreciation	1,632,776	168,248	111,850	1,912,874
Depreciation	<u>242,934</u>	<u>1,910</u>	<u>1,177</u>	<u>246,021</u>
Functional Expenses per Statement of Activities	1,875,710	170,158	113,027	2,158,895
Expenses included in support, revenue and gains:				
Cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>11,885</u>	<u>11,885</u>
Total Functional Expenses	<u><u>\$ 1,875,710</u></u>	<u><u>\$ 170,158</u></u>	<u><u>\$ 124,912</u></u>	<u><u>\$ 2,170,780</u></u>

The accompanying notes are an integral part of these financial statements.

**Total
2018**

\$ 844,299

113,539

68,367

1,026,205

99,816

137,235

107,122

24,936

7,850

21,139

18,455

6,592

1,239

3,852

6,439

1,701

1,427

2,070

8,879

1,474,957

196,331

1,671,288

12,925

\$ 1,684,213

COMMUNITY TRANSPORTATION NETWORK, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019 with Summarized Information
for the Year Ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 183,007	\$ 144,958
Adjustments to reconcile changes in net assets to cash flows from operating activities:		
Depreciation	246,021	196,331
Provision for bad debts	323	2,070
Change in present value discount	17,967	(3,020)
In-kind donation of fixed assets	(7,000)	-
Contributions restricted to long-term purposes	(451,800)	(86,764)
(Gain) loss on disposal of fixed asset	2,502	(59,362)
Reinvested interest - net fees - beneficial interest	(288)	(304)
Reinvested interest - net fees - investments	(214)	-
(Gain) loss on beneficial interest	69	(683)
(Gain) loss on investments	127	-
Change in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable - net	(306,950)	29,047
Accounts receivable	(24,449)	(9,354)
Prepaid expenses	(1,196)	(17,216)
Increase (decrease) in:		
Accounts payable	5,783	22,587
Deferred transportation revenue	(17,404)	(5,000)
Accrued expenses	17,952	5,161
	(335,550)	218,451
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	39,342	61,490
Purchase of fixed assets	(385,475)	(258,970)
Purchase of investments	(20,000)	-
Purchase of certificates of deposit	(50,000)	-
Proceeds from beneficial interest	420	451
	(415,713)	(197,029)

(continued)

The accompanying notes are an integral part of these financial statements.

COMMUNITY TRANSPORTATION NETWORK, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019 with Summarized Information
for the Year Ended June 30, 2018

	2019	2018
(continued)		
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to long-term purposes	<u>\$ 451,800</u>	<u>\$ 86,764</u>
INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(299,463)	108,186
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - beginning of year	<u>378,742</u>	<u>270,556</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - end of year	<u><u>\$ 79,279</u></u>	<u><u>\$ 378,742</u></u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY TRANSPORTATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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.

CTN is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

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.

Adoption of New Accounting Standards

During 2019, CTN adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The standard addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CTN has adjusted the presentation of these statements accordingly.

As a result of this change in accounting principle, net assets have been reclassified for the release of time restrictions of long-lived assets. The reclassification resulted in a decrease in net assets with donor restriction and an increase in net assets without donor restrictions totaling \$1,458,088.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During 2019 CTN also adopted ASU 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash. The standard requires entities to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling beginning-of-period and end-of-period total cash. CTN has adjusted the presentation of these statements accordingly.

The ASU's have been applied retrospectively to all periods presented.

Cash and Cash Equivalents

For purposes of the statement of cash flows, CTN considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Receivables

Accounts receivable is made up of rider fees receivable from individuals and agencies. Rider fees are recognized as revenue when the related services are provided. Accounts receivable are written off when deemed uncollectible. If necessary, CTN provides an allowance for uncollectible accounts, which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all receivables.

CTN recognizes contributions receivable as public support in the year that a firm pledge is made, and, if necessary, provides an allowance for uncollectible contributions receivable equal to the estimated collection of losses that will be incurred in the collection of all pledges. The estimated losses are based on historical collection experience coupled with a review of the current status of the existing receivables.

Unconditional contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities.

Fixed Assets

Land, buildings and equipment are stated at cost or, if donated, at fair value at 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. CTN follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets. Contributed property and equipment are recorded at fair value at the date of donation.

Net Assets

Net assets without donor restrictions are available for use at the discretion of CTN's management and the board of directors. From time to time the board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. CTN reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If a donor restriction is satisfied in the period the gift is received, the support is reported as net assets without donor restrictions.

Advertising

Advertising expenses are charged to operations as they were incurred.

Deferred Transportation Revenue

Deferred revenue represents revenues collected but not earned as of June 30 for transportation services.

Functional Allocation of Expense

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

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. Expenses allocated based on time and effort include salaries, employee benefits and payroll taxes. Expenses allocated based on square footage include occupancy, repairs and maintenance, and insurance. All other expenses are allocated by usage.

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 17, 2019, the date which the financial statements were available for issue.

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30 consist of the following:

	2019	2018
Contributions receivable	\$ 457,950	\$ 151,000
Less unamortized present value discount (2.76% and 1.28%)	<u>21,300</u>	<u>3,333</u>
Net contributions receivable	<u>\$ 436,650</u>	<u>\$ 147,667</u>
Amounts due in:		
Less than one year	\$ 177,950	\$ 111,000
One to five years	280,000	40,000
More than five years	<u>-</u>	<u>-</u>
	<u>\$ 457,950</u>	<u>\$ 151,000</u>

CTN has received notification of an intention to give in the amount of \$50,000 from the United Way of Allen County. The expected funding is to be used for programs in the 2020 fiscal year and has not been recorded as an asset of CTN as of June 30, 2019.

CTN has received notification of a gift totaling \$100,000 for their capital expansion campaign. The gift is conditional on breaking ground for the project. As of June 30, 2019, no amounts have been received on this conditional pledge.

3. BENEFICIAL INTEREST

The beneficial interest totaling \$10,885 at June 30, 2019 and \$11,086 at June 30, 2018 consists of funds held by the Community Foundation of Greater Fort Wayne (Foundation) which is the result of an agreement whereby CTN has transferred assets to the Foundation and has specified itself as the beneficiary of the assets. CTN may draw up to a certain percent 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 Community Foundation of Greater Fort Wayne holds investment assets, with a value of \$2,508 at June 30, 2019 and \$2,399 at June 30, 2018 for the benefit of CTN for which the Foundation has retained variance power. These assets are not recorded as assets of CTN.

4. FIXED ASSETS

Fixed assets consist of the following at June 30:

	2019	2018
Land	\$ 170,000	\$ 170,000
Office equipment and software	115,515	113,846
Building and improvements	868,965	852,200
Transportation equipment	<u>1,539,077</u>	<u>1,267,281</u>
	2,693,557	2,403,327
Accumulated depreciation	<u>1,087,047</u>	<u>901,427</u>
	<u>\$ 1,606,510</u>	<u>\$ 1,501,900</u>

CTN receives transportation equipment through federally funded grants. The equipment is owned by CTN while used in the program for which it was purchased or in other future authorized programs. Disposition of this equipment and any proceeds from dispositions are subject to regulations of the funding source.

5. INVESTMENTS

Investments as of June 30, 2019 are summarized as follows:

Cash and cash investments	\$ 4,783
Fixed income	<u>15,304</u>
	<u>\$ 20,087</u>

6. NET ASSETS

Net assets with donor restrictions are restricted for the following at June 30:

	2019	2018
Capital expansion	\$ 451,800	\$ -
Medical transport	88,750	303,805
Future operations	40,000	108,095
Other	<u>-</u>	<u>19,644</u>
	<u>\$ 580,550</u>	<u>\$ 431,544</u>

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

	2019	2018
Time requirement:		
Contributions receivable	\$ 68,095	\$ 70,000
Purpose requirement:		
Capital expansion	-	91,265
Medical transport	325,055	228,500
Other	<u>44,644</u>	<u>20,587</u>
	<u>\$ 437,794</u>	<u>\$ 410,352</u>

Net assets without donor restrictions are as follows:

	2019	2018
Undesignated	\$ 1,526,027	\$ 1,562,416
Board designated – capital match	51,004	-
Board designated – endowment	<u>30,972</u>	<u>11,586</u>
	<u>\$ 1,608,003</u>	<u>\$ 1,574,002</u>

7. FAIR VALUE MEASUREMENT

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

(continued)

7. **FAIR VALUE MEASUREMENT** (continued)

Level 1. Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2. Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in inactive markets.

Level 3. Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Beneficial interest. Value based upon CTN's proportionate share of the Community Foundation of Greater Fort Wayne's pooled investment portfolios.

Investments. Value determined by reference to quoted market prices and other relevant information generated by market transactions.

Fair value of assets and liabilities measured on a recurring basis at June 30, 2019 are as follows:

	Level 1	Level 3
Beneficial interest	\$ -	\$ 10,885
Fixed income investments	\$ 15,304	\$ -

Fair value of assets and liabilities measured on a recurring basis at June 30, 2018 are as follows:

	Level 1	Level 3
Beneficial interest	\$ -	\$ 11,086

(continued)

7. FAIR VALUE MEASUREMENT (continued)

Following is a reconciliation of activity for assets and liabilities measured at fair value based on significant unobservable inputs for the year ending June 30:

	2019	2018
Balance – beginning of year	\$ 11,086	\$ 10,550
Contributions	-	-
Total gains and losses included in earnings:		
Interest and dividends	407	424
Unrealized gain/(loss)	(75)	134
Realized gain/(loss)	6	548
Investment fees	<u>(119)</u>	<u>(119)</u>
	219	987
Disbursements	<u>(420)</u>	<u>(451)</u>
Balance – end of year	<u>\$ 10,885</u>	<u>\$ 11,086</u>

8. LINE OF CREDIT

CTN has a \$150,000 revolving line of credit with 1st Source Bank to be drawn upon as needed, bearing interest at the greater of .25% below the prime rate or 4.25% (5.25% at June 30, 2019). The note is secured by all business assets. No amount was outstanding on the note as of June 30, 2019.

9. RETIREMENT PLAN

CTN sponsors a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code. All full-time employees are eligible to participate in the plan. The plan allows participants to make contributions up to the levels established by Internal Revenue Service limitations. CTN matches contributions for all eligible employees who contribute up to 2.5% of their wages. The amount charged to operations was \$11,908 for 2019 and \$10,111 for 2018.

10. ENDOWMENT

Community Transportation Network, Inc. has currently invested its board designated endowment funds with the Community Foundation of Greater Fort Wayne and an investment account. The endowment has been established to promote the mission of the agency. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of Community Transportation Network, Inc. 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 endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanent endowment (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment 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 endowment fund that is not classified as a permanent endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

Endowment Net Asset Composition by Type of Fund as of June 30:

	2019	2018
Net assets without donor restrictions:		
Board designated endowment funds	\$ 30,972	\$ 11,086

(continued)

10. ENDOWMENT (continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30:

	2019	2018
Net assets without donor restrictions:		
Balance – beginning of year	\$ 11,086	\$ 10,550
Contributions	20,000	-
Total gains and losses included in earnings:		
Interest and dividends	655	424
Unrealized gain/(loss)	(202)	134
Realized gain/(loss)	6	548
Investment fees	<u>(153)</u>	<u>(119)</u>
	306	987
Disbursements	<u>(420)</u>	<u>(451)</u>
Balance – end of year	<u>\$ 30,972</u>	<u>\$ 11,086</u>

Return Objectives and Risk Parameters

CTN has adopted investment and spending policies for endowment assets that attempts to maximize the return of investments while protecting the principal so the fund will be able to serve the CTN's needs over the long term; produce sufficient income to meet the needs of CTN; and provide long-term growth in assets as may be fairly balanced by the need for reasonable income and investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, CTN 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). CTN targets a diversified asset allocation that places a greater emphasis on fixed-income investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

In accordance with the agreement with the Community Foundation of Greater Fort Wayne, CTN may draw up to 4% of the value of the assets each year. CTN will use the same spending policy for assets held in their investment account.

11. OPERATING LEASES

CTN leases office equipment under an operating lease expiring in December, 2019. Total rental expense was \$4,237 for the year ended June 30, 2019 and \$3,852 for the year ended June 30, 2018.

Minimum future rental payments under noncancelable operating leases having initial or remaining terms in excess of one year as of June 30, 2019 for each of the next five years and in the aggregate are:

2020	\$	750
2021 and thereafter		<u>-</u>
	\$	<u>750</u>

CTN has lease agreements with a customer to provide transportation services utilizing the customer's vehicles. The vehicles are leased to CTN for \$1 per year for each vehicle. The value of the lease for these vehicles was reviewed by management and determined to be immaterial to the financial statements.

12. IN-KIND CONTRIBUTIONS

CTN recognized contributions of certain goods and services received at the fair value of those goods and services as follows:

	2019	2018
Program services:		
Office expense	\$ -	\$ 550
Miscellaneous	868	
Management and general:		
Professional services	-	600
Fundraising:		
Miscellaneous	500	-
Van	<u>7,000</u>	<u>-</u>
	<u>\$ 8,368</u>	<u>\$ 1,150</u>

13. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

Non-cash investing and financing activities include \$7,000 of in-kind vehicle received in 2019.

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.

	2019	2018
Cash and cash equivalents	\$ 43,179	\$ 326,242
Cash restricted for long-term purposes	<u>36,100</u>	<u>52,500</u>
Total cash, cash equivalents and restricted cash	<u>\$ 79,279</u>	<u>\$ 378,742</u>

14. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was \$2,394 for 2019 and \$6,439 in 2018.

15. GOVERNMENT GRANTS

Government grants of \$268,377 at June 30, 2019 and \$221,504 at June 30, 2018 consist of funds received through the U.S. Department of Transportation's Enhanced Mobility for Seniors and Individuals with Disabilities grant (CFDA # 20.513) passed through the Fort Wayne Public Transportation Corporation.

16. RELATED PARTIES

The Organization paid \$5,407 in 2019 and \$2,654 in 2018 to a company related to a member of the Board of Directors for payroll administration.

17. AVAILABILITY AND LIQUIDITY

The following represents Community Transportation Network, Inc.'s financial assets at June 30, 2019 and 2018:

Financial assets at year end:	2019	2018
Cash and cash equivalents	\$ 43,179	\$ 326,242
Accounts receivable	64,528	40,402
Contributions receivable - net	436,650	147,667
Investments	20,087	-
Beneficial interest	10,885	11,086
Cash restricted to long-term purposes	36,100	52,500
Certificates of deposit restricted to long term purposes	<u>50,000</u>	<u>-</u>
Total financial assets	661,429	577,897
Less assets not to be used in one year:		
Contributions to be received for operating in less than one year	-	(40,000)
Capital expansion	(451,800)	-
Board designated – capital match	(51,004)	-
Board designated endowment	<u>(30,972)</u>	<u>(11,086)</u>
Total assets not to be used in one year	<u>(533,776)</u>	<u>(51,086)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 127,653</u>	<u>\$ 526,811</u>

In addition to financial assets available to meet general expenditures over the next year, CTN receives monthly transportation fees that support its general operations. The Organization also has a \$150,000 line of credit that may be utilized as needed.

