

**COMMUNITY TRANSPORTATION
NETWORK, INC.**

FORT WAYNE, INDIANA

Financial Statements

as of June 30, 2020 and 2019

CONTENTS

	PAGE
FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT	
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3-4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-20

LEONARD J. ANDORFER & CO., LLP

Certified Public Accountants & Business Consultants

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

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, 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2020 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 financial statements of Community Transportation Network, Inc. as of June 30, 2019 were audited by other auditors whose report dated October 17, 2019 expressed an unmodified opinion on those statements.

Leonard J. Andorfer & Co., LLP

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

October 13, 2020

COMMUNITY TRANSPORTATION NETWORK, INC.
Statements of Financial Position

ASSETS	June 30 2020	June 30 2019
	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 187,454	\$ 43,179
Receivables		
Contributions receivable - net	548,195	436,650
Accounts receivable	64,112	64,528
Prepaid expenses	43,769	45,326
Investments	20,075	20,087
Beneficial interest	10,135	10,885
Cash restricted for long-term purposes	149,869	36,100
Certificates of deposits restricted for long-term purposes	-	50,000
Fixed assets - net	<u>1,589,027</u>	<u>1,606,510</u>
TOTAL ASSETS	<u><u>\$ 2,612,636</u></u>	<u><u>\$ 2,313,265</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 21,654	\$ 45,293
Deferred transportation revenue	2,795	2,795
Accrued expenses	41,298	76,624
Notes payable	<u>182,200</u>	<u>-</u>
Total Liabilities	247,947	124,712
NET ASSETS		
Net Assets Without Donor Restrictions	1,537,670	1,608,003
Net Assets With Donor Restrictions	<u>827,019</u>	<u>580,550</u>
Total Net Assets	<u>2,364,689</u>	<u>2,188,553</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,612,636</u></u>	<u><u>\$ 2,313,265</u></u>

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
(With Comparative Totals for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals 2020	Totals 2019
SUPPORT AND REVENUE				
Contributions				
Foundations	\$ 731,703	\$ 426,700	\$ 1,158,403	\$ 514,129
Corporations and individuals	189,732		189,732	723,922
United Way	50,000		50,000	55,022
Government grants	96,000		96,000	268,377
Transportation fees	601,245		601,245	658,485
Special events	65,876		65,876	95,371
Less: direct benefit to donors	(28,254)		(28,254)	(11,885)
Investment income	575		575	956
In-kind contributions			-	8,368
Miscellaneous	14,413		14,413	31,659
Gain (loss) on disposal of fixed assets	7,629		7,629	(2,502)
Total Support and Revenue	1,728,919	426,700	2,155,619	2,341,902
Net Assets Released From Restrictions	180,231	(180,231)	-	-
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	1,909,150	246,469	2,155,619	2,341,902
EXPENSES				
Transportation services	1,766,220		1,766,220	1,875,710
Management and general	157,828		157,828	170,158
Fund raising	55,435		55,435	113,027
Total Expenses	1,979,483		1,979,483	2,158,895
CHANGE IN NET ASSETS	(70,333)	246,469	176,136	183,007
NET ASSETS - BEGINNING OF YEAR	1,608,003	580,550	2,188,553	2,005,546
NET ASSETS - END OF YEAR	\$ 1,537,670	\$ 827,019	\$ 2,364,689	\$ 2,188,553

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals 2019
SUPPORT AND REVENUE			
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)
Investment income	956		956
In-kind contributions	8,368		8,368
Miscellaneous	31,659		31,659
Loss on disposal of fixed assets	(2,502)		(2,502)
Total Support and Revenue	1,755,102	586,800	2,341,902
Net Assets Released From Restrictions	437,794	(437,794)	-
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	2,192,896	149,006	2,341,902
EXPENSES			
Transportation services	1,875,710		1,875,710
Management and general	170,158		170,158
Fund raising	113,027		113,027
Total Expenses	2,158,895		2,158,895
CHANGE IN NET ASSETS	34,001	149,006	183,007
NET ASSETS - BEGINNING OF YEAR	1,574,002	431,544	2,005,546
NET ASSETS - END OF YEAR	\$ 1,608,003	\$ 580,550	\$ 2,188,553

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

COMMUNITY TRANSPORTATION NETWORK, INC.

Statement of Functional Expenses

Year Ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

	Transportation Services	Management and General	Fund Raising	Totals 2020	Totals 2019
Salaries	\$ 827,069	\$ 79,785	\$ 37,816	\$ 944,670	\$ 1,052,542
Employee health and retirement benefits	144,810	28,957	6,937	180,704	170,526
Payroll taxes	65,151	6,334	3,203	74,688	82,470
Total Salaries and Related Expenses	<u>1,037,030</u>	<u>115,076</u>	<u>47,956</u>	<u>1,200,062</u>	<u>1,305,538</u>
Repairs and maintenance	138,748	1,061	627	140,436	179,839
Fuel	119,562			119,562	162,148
Insurance	136,264	7,068		143,332	131,229
Office expense	18,401	8,485	1,019	27,905	35,541
Professional services		17,800		17,800	33,649
Telephone	21,382	991	665	23,038	22,146
Occupancy	15,627	915	855	17,397	17,280
Licenses	7,692	70		7,762	7,971
Interest		1,777		1,777	-
Miscellaneous	904	337		1,241	7,708
Equipment rental	2,553	965	415	3,933	4,237
Marketing	784	250	2,465	3,499	2,394
Dues and subscriptions	1,881		25	1,906	1,473
Conferences and meetings	428	1,778	165	2,371	1,398
Bad debts	783			783	323
Event expense			28,254	28,254	11,885
Total Expenses Before Depreciation	<u>1,502,039</u>	<u>156,573</u>	<u>82,446</u>	<u>1,741,058</u>	<u>1,924,759</u>
Depreciation	264,181	1,255	1,243	266,679	246,021
Total Expenses By Function	<u>\$ 1,766,220</u>	<u>\$ 157,828</u>	<u>\$ 83,689</u>	<u>\$ 2,007,737</u>	<u>\$ 2,170,780</u>
Less expenses included in support and revenue on the statement of activities			(28,254)	(28,254)	(11,885)
Total Expenses	<u><u>\$ 1,766,220</u></u>	<u><u>\$ 157,828</u></u>	<u><u>\$ 55,435</u></u>	<u><u>\$ 1,979,483</u></u>	<u><u>\$ 2,158,895</u></u>

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

COMMUNITY TRANSPORTATION NETWORK, INC.
Statement of Functional Expenses
Year Ended June 30, 2019

	Transportation Services	Management and General	Fund Raising	Totals 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	70,744	6,354	5,372	82,470
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
Event expense			11,885	11,885
Total Expenses Before Depreciation	1,632,776	168,248	123,735	1,924,759
Depreciation	242,934	1,910	1,177	246,021
Total Expenses By Function	1,875,710	170,158	124,912	2,170,780
Less expenses included in support and revenue on the statement of activities			(11,885)	(11,885)
Total Expenses	\$ 1,875,710	\$ 170,158	\$ 113,027	\$ 2,158,895

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

COMMUNITY TRANSPORTATION NETWORK, INC.

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

CASH FLOWS FROM OPERATING ACTIVITIES	2020	2019
Change in net assets	\$ 176,136	\$ 183,007
Adjustments to reconcile change in net assets to cash flows provided by operating activities		
Depreciation	266,679	246,021
Provision for bad debts	783	323
Change in present value discount	(8,345)	17,967
In-kind donation of fixed assets	-	(7,000)
(Gain) loss on disposal of fixed assets	(7,629)	2,502
Reinvested interest - net fees - beneficial interest	-	(288)
Reinvested interest - net fees - investments	-	(214)
Loss on beneficial interest	300	69
Loss on investments	11	127
(Increase) decrease in:		
Contributions receivable - net	(103,200)	(306,950)
Accounts receivable	(366)	(24,449)
Prepaid expenses	1,557	(1,196)
Increase (decrease) in:		
Accounts payable	(23,639)	5,783
Deferred transportation revenue	-	(17,404)
Accrued expenses	(35,326)	17,952
Net Cash Provided By Operating Activities	266,961	116,250
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	7,629	39,342
Purchase of fixed assets	(249,196)	(385,475)
Purchase of investments	-	(20,000)
Redemption of (purchase of) certificates of deposit	50,000	(50,000)
Proceeds from beneficial interest	450	420
Net Cash Used For Investing Activities	(191,117)	(415,713)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	182,200	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	258,044	(299,463)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	79,279	378,742
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 337,323	\$ 79,279

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 60% 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, 2020 and 2019. 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, 2020 and 2019, 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 2017.

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)

Contributions and Contributions Receivable - Contributions including gifts, grants, bequest, pledges, and other unconditional promises to give are recorded as revenue in the period received. 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.

Advertising Costs – Advertising and promotional programs are charged to expense during the period in which they are incurred. Advertising expense in the amount of \$3,499 and \$2,394 was incurred in the years ending June 30, 2020 and 2019, respectively.

Donated Materials and Services – Donated services are recognized as contributions in accordance with FASB ASC 958-605-05, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives in-kind gifts of merchandise from numerous donors throughout the year. Many of these gifts are sold or given away at various fund raising events. The total value assigned to in-kind donations amounted to \$0 and \$8,368 for the years ended June 30, 2020 and 2019, respectively.

Compensated Absences – The Organization allows employees to receive compensation for paid time off. As of June 30, 2020 and 2019, compensated absences have been calculated as \$36,059 and \$29,684, respectively. This amount has been reflected in the 2019 and 2018 Statements of Financial Position as part of accrued expenses.

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.

In June 2018, the FASB issued ASU 2018-8-Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard is intended to address questions stemming from ASU 2014-9-Revenue from Contracts with Customers, regarding its implications on grants and contracts of nonprofit organizations. The guidance clarifies how entities determine whether to account for a transfer of assets as an exchange transaction or a contribution. The guidance also clarifies that a contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for transferred assets or a right of release of the promisor's obligation to transfer assets. The Organization has evaluated the standards and determined there will be no material impact to the financial statements. As such, the Organization adopted ASU 2018-8 effective July 1, 2019 resulting in no adjustment to opening balances. The Organization intends to adopt ASU 2014-9 for the year ended June 30, 2021.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 – Contributions Receivable

Contributions receivable as of June 30, 2020 and 2019 consist of the following:

	June 30, 2020	June 30, 2019
Contributions receivable	\$ 561,150	\$ 457,950
Less unamortized present value discount (2.75% and 2.76%)	<u>12,955</u>	<u>21,300</u>
Net contributions receivable	<u>\$ 548,195</u>	<u>\$ 436,650</u>
Amounts due in:		
Less than one year	\$ 270,450	\$ 177,950
One to five years	290,700	280,000
More than five years	-	-
	<u>\$ 561,150</u>	<u>\$ 457,950</u>

CTN has received notification of a gift totaling \$200,000 for their capital expansion campaign. The gift is conditional on raising \$1 million dollars for the project. As of June 30, 2020, no amounts have been received on this conditional pledge.

NOTE 3 – Investments

Investments as of June 30, 2020 and 2019 consisted of the following:

	June 30, 2020	June 30, 2019
Cash and cash investments	\$ 931	\$ 4,783
Fixed income	<u>19,144</u>	<u>15,304</u>
Total Investments at Fair Value	<u>\$ 20,075</u>	<u>\$ 20,087</u>
Total Investments at Historical Cost	<u>\$ 20,001</u>	<u>\$ 19,345</u>

NOTE 4 – Beneficial Interest – Community Foundations

Funds held at Community Foundations as of June 30, 2020 and 2019 are summarized as follows:

	June 30, 2020	June 30, 2019
Community Foundation of Greater Fort Wayne	<u>\$ 10,135</u>	<u>\$ 10,885</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 \$2,532 and \$2,508 at June 30, 2020 and 2019, 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, 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
Total	\$ 30,210	\$ 20,075	\$ -	\$ 10,135

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5 – Fair Value of Financial Instruments (Continued)

Fair value of financial instruments as of June 30, 2019 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	\$ 4,783	\$ 4,783	\$	\$
Fixed income	15,304	15,304		
Community Foundation of Greater Fort Wayne	<u>10,885</u>			<u>10,885</u>
Total	<u>\$ 30,972</u>	<u>\$ 20,087</u>	<u>\$ -</u>	<u>\$ 10,885</u>

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	<u>\$ 10,135</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, 2019:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance - July 1, 2018	\$ 11,086
Total gains or losses (realized/unrealized) included in earnings:	
Contributions	-
Interest and dividend income on securities	407
Unrealized losses	(75)
Realized gains on sale of securities	6
Investment fees	(119)
Transfers out	(420)
Ending Balance - June 30, 2019	\$ 10,885

NOTE 6 – Investment Income

Net investment income from the investment account, the Community Foundations and the Certificates of Deposits consisted of the following:

	June 30, 2020	June 30, 2019
Dividends, interest, and realized gains	\$ 2,322	\$ 1,202
Investment management fees	(87)	(119)
Unrealized losses	(1,660)	(127)
Total	\$ 575	\$ 956

NOTE 7 – Functional Allocation of Expenses

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 8 – Property and Equipment

The components of property and equipment are as follows:

	June 30, 2020	June 30, 2019
Land	\$ 170,000	\$ 170,000
Building and improvements	889,746	868,965
Office equipment and software	117,503	115,515
Transportation equipment	1,684,356	1,539,077
Construction in process	35,882	-
	<u>2,897,487</u>	<u>2,693,557</u>
Accumulated depreciation	(<u>1,308,460</u>)	(<u>1,087,047</u>)
Total	<u>\$ 1,589,027</u>	<u>\$ 1,606,510</u>

NOTE 9 – Net Assets with Donor Restrictions

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

	June 30, 2020	June 30, 2019
Capital expansion	\$ 581,019	\$ 451,800
Medical transport	160,500	88,750
Future operations	80,000	40,000
Other	5,500	-
Total	<u>\$ 827,019</u>	<u>\$ 580,550</u>

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

	June 30, 2020	June 30, 2019
Time requirements	\$ 40,000	\$ 68,095
Purpose requirement:		
Capital expansion	20,781	-
Medical transport	58,750	325,055
Other	60,700	44,644
	<u>\$ 180,231</u>	<u>\$ 437,794</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 – Net Assets with Donor Restrictions (Continued)

Net assets without donor restrictions are as follows:

	June 30, 2020	June 30, 2019
Undesignated	\$ 1,456,456	\$ 1,526,027
Board designated - capital match	51,004	51,004
Board designated - endowment	30,210	30,972
	<u>\$ 1,537,670</u>	<u>\$ 1,608,003</u>

NOTE 10 – Off-Balance Sheet Risk

The Organization receives substantial support from United Way organizations in several counties and from one significant fund-raising event. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities.

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, 2020 and 2019 the Organization had uninsured cash balances of \$16,989 and \$0, respectively.

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, 2020 and 2019 amounted to \$12,191 and \$11,908, 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, 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>

Endowment net asset composition by type of fund as of June 30, 2019, is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board designated funds - campaign	\$ 20,087	\$	\$ 20,087
Board designated funds - Community Foundation	10,885		10,885
	<u>\$ 30,972</u>	<u>\$ -</u>	<u>\$ 30,972</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 – Endowments (Continued)

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

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Total</u>
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	(<u>1,660</u>)		(<u>1,660</u>)
Total investment return	(<u>312</u>)		(<u>312</u>)
Appropriation of endowment assets for expenditures	(<u>450</u>)		(<u>450</u>)
Endowment net assets - end of year	<u>\$ 30,210</u>	<u>\$ -</u>	<u>\$ 30,210</u>

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor <u>Restriction</u>	With Donor <u>Restriction</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 11,086	\$	\$ 11,086
Contributions (net)	20,000		20,000
Investment return:			
Dividends, interest and realized investment gains/losses	508		508
Unrealized loss	(<u>202</u>)		(<u>202</u>)
Total investment return	306		306
Appropriation of endowment assets for expenditures	(<u>420</u>)		(<u>420</u>)
Endowment net assets - end of year	<u>\$ 30,972</u>	<u>\$ -</u>	<u>\$ 30,972</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 12 – Endowments (Continued)

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.

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 – Bank

On April 20, 2020, the Organization secured a note with 1st Source Bank under the provisions of the Paycheck Protection Program in the amount of \$182,200. The loan bears interest at 1% and may be forgiven if the Organization complies with the terms specified in the agreement. The loan matures in March 2022.

NOTE 14 – Related Party Transactions

The Organization paid \$6,015 and \$5,407 for the years ended June 30, 2020 and 2019, 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 1st Source Bank to be drawn upon as needed, bearing interest at .25% below the prime rate (3% at June 30, 2020). The note is secured by all business assets. No amount was outstanding on the note as of June 30, 2020 or 2019. Interest expense of \$1,777 was incurred for the year ended June 30, 2020.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

	2020	2019
Cash and cash equivalents	\$ 337,323	\$ 129,279
Accounts receivable	64,112	64,528
Contributions receivable, net	548,195	436,650
Investments	20,075	20,087
 Total financial assets, excluding noncurrent receivables	 969,705	 650,544
 Contractual or donor-imposed restrictions:		
Capital expansion	(581,019)	(451,800)
 Board designations:		
Capital match	(51,004)	(51,004)
Endowment	(20,075)	(20,087)
 Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	 \$ 317,607	 \$ 127,653

NOTE 17 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 13, 2020, the date the financial statements were available to be issued.

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.