

**COMMUNITY TRANSPORTATION  
NETWORK, INC.**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

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## INDEPENDENT AUDITOR'S 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, 2017, 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

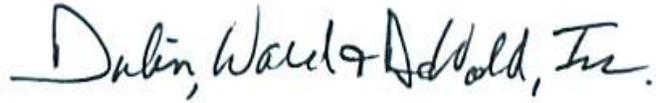
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2017, 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.

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

Fort Wayne, Indiana  
October 12, 2017

**COMMUNITY TRANSPORTATION NETWORK, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
June 30, 2017

**ASSETS**

Cash and cash equivalents	\$ 270,556
Receivables:	
Contributions receivable - net	175,764
Accounts receivable	31,048
Prepaid expenses	26,914
Beneficial interest	10,550
Fixed assets - net	<u>1,441,389</u>
<b>Total Assets</b>	<b><u><u>\$ 1,956,221</u></u></b>

**LIABILITIES AND NET ASSETS**

Accounts payable	\$ 16,923
Deferred transportation revenue	20,199
Accrued expenses	<u>58,511</u>
<b>Total Liabilities</b>	95,633
Net Assets:	
Unrestricted	173,628
Temporarily restricted	<u>1,686,960</u>
<b>Total Net Assets</b>	<b><u>1,860,588</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 1,956,221</u></u></b>

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

**COMMUNITY TRANSPORTATION NETWORK, INC.**  
**STATEMENT OF ACTIVITIES**  
Year Ended June 30, 2017

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>CHANGES IN NET ASSETS</b>			
<b>Support, Revenue and Gains:</b>			
Contributions:			
Foundations	\$ 305,255	\$ 274,367	\$ 579,622
Corporations and individuals	242,315	-	242,315
United Way	1,062	55,000	56,062
Government grants	93,557	167,200	260,757
Transportation fees	399,047	-	399,047
Special events	60,138	-	60,138
Less: direct benefit to donors	(11,306)	-	(11,306)
Interest - net fees of \$95	305	-	305
In-kind contributions	7,091	-	7,091
Miscellaneous	3,665	-	3,665
Gain on beneficial interest	383	-	383
Gain on disposal of fixed assets	14,000	-	14,000
<b>Net Assets Released From Restrictions:</b>			
Satisfaction of purpose requirements	256,802	(256,802)	-
Satisfaction of time requirements	41,238	(41,238)	-
Satisfaction of purchase requirements	32,000	(32,000)	-
	1,445,552	166,527	1,612,079
<b>Total Support, Revenue and Gains</b>			
<b>Expenses:</b>			
Transportation services	1,078,557	-	1,078,557
Management and general	141,093	-	141,093
Fund raising	77,056	-	77,056
	1,296,706	-	1,296,706
<b>Total Expenses</b>			
<b>CHANGES IN NET ASSETS</b>	148,846	166,527	315,373
<b>NET ASSETS - July 1, 2016 - as previously stated</b>	24,782	1,575,433	1,600,215
<b>PRIOR PERIOD ADJUSTMENT</b>	-	(55,000)	(55,000)
<b>NET ASSETS - July 1, 2016 - as restated</b>	24,782	1,520,433	1,545,215
<b>NET ASSETS - June 30, 2017</b>	\$ 173,628	\$ 1,686,960	\$ 1,860,588

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

**COMMUNITY TRANSPORTATION NETWORK, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended June 30, 2017

	<b>Transportation Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 523,373	\$ 74,566	\$ 51,141	\$ 649,080
Employee health and retirement benefits	48,277	15,666	2,700	66,643
Payroll taxes	41,339	5,758	4,020	51,117
<b>Total Salaries and Related Expenses</b>	612,989	95,990	57,861	766,840
Repairs and maintenance	102,229	1,828	1,166	105,223
Insurance	70,050	11,245	-	81,295
Fuel	76,964	-	-	76,964
Telephone	14,505	1,767	645	16,917
Occupancy	15,335	759	652	16,746
Office expense	9,460	4,433	181	14,074
Marketing	2,582	450	10,688	13,720
Professional services	-	10,645	-	10,645
Bad debts	749	7,466	-	8,215
Licenses	5,196	70	-	5,266
Equipment rental	2,801	521	521	3,843
Miscellaneous	863	1,140	195	2,198
Fund raising	-	-	3,719	3,719
Dues and subscriptions	633	771	262	1,666
Conferences and meetings	344	986	291	1,621
Interest expense	1,238	313	54	1,605
<b>Total Expenses Before Depreciation</b>	915,938	138,384	76,235	1,130,557
Depreciation	162,619	2,709	821	166,149
<b>Total Expenses</b>	<b>\$ 1,078,557</b>	<b>\$ 141,093</b>	<b>\$ 77,056</b>	<b>\$ 1,296,706</b>

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

**COMMUNITY TRANSPORTATION NETWORK, INC.**  
**STATEMENT OF CASH FLOWS**  
Year Ended June 30, 2017

**CASH FLOWS FROM OPERATING ACTIVITIES**

Changes in net assets	\$ 315,373
Adjustments to reconcile changes in net assets to cash flows from operating activities:	
Depreciation	166,149
Provision for bad debts	8,215
Change in present value discount	6,353
In-kind donation of fixed assets	(1,607)
Gain on disposal of fixed asset	(14,000)
Reinvested interest - net fees	(167)
Gain on beneficial interest	(383)
Change in assets and liabilities:	
(Increase) decrease in:	
Contributions receivable - net	(81,253)
Accounts receivable	13,562
Prepaid expenses	(4,176)
Increase (decrease) in:	
Accounts payable	10,086
Deferred revenue	17,404
Accrued expenses	26,397
<b>Cash Flows From Operating Activities</b>	<b>461,953</b>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of fixed assets	14,000
Purchase of fixed assets	(285,650)
Addition to beneficial interest	(10,000)
(Increase) decrease in cash restricted to long-term purposes	70,655
<b>Cash Flows From Investing Activities</b>	<b>(210,995)</b>

**CASH FLOWS FROM FINANCING ACTIVITIES**

<b>Cash Flows From Financing Activities</b>	<b>(80,800)</b>
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<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>170,158</b>
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<b>CASH AND CASH EQUIVALENTS - July 1, 2016</b>	<b>100,398</b>
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<b>CASH AND CASH EQUIVALENTS - June 30, 2017</b>	<b>\$ 270,556</b>
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The accompanying notes are an integral part of these financial statements.

**COMMUNITY TRANSPORTATION NETWORK, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2017

**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 qualifies for the 50% charitable contributions deduction limitation. Community Transportation Network, Inc. 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.

**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.

(continued)

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

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. The Organization has adopted a policy of implying a time restriction that expires over the useful life of long-lived assets acquired or constructed with contributions restricted for that purpose. In the absence of donor-imposed restrictions on the use of the asset, gifts of long lived assets are reported as unrestricted support.

### **Contributions**

All contributions are considered to be available for the general programs of CTN unless specifically restricted by the donor. The CTN reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor restriction is satisfied in the period the gift is received, this support is reported as unrestricted revenue. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these assets do not expire and no assets are reclassified in the statement of activities.

### **Advertising**

Advertising expenses are charged to operations as they were incurred.

(continued)

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

**Deferred Transportation Revenue**

Deferred revenue represents revenues collected but not earned as of June 30, 2017 for transportation services.

**Subsequent Events**

Management has evaluated subsequent events through October 12, 2017, the date which the financial statements were available for issue.

**2. CONTRIBUTIONS RECEIVABLE**

Pledges receivable as of June 30, 2017 consist of the following:

Pledges receivable	\$ 182,117
Less unamortized present value discount (1.28%)	<u>6,353</u>
Net pledges receivable	<u>\$ 175,764</u>
Amounts due in:	
Less than one year	\$ 67,117
One to five years	115,000
More than five years	<u>-</u>
	<u>\$ 182,117</u>

CTN has received notification of an intention to give in the amount of \$55,000 from the United Way of Allen County. The expected funding is to be used for programs in 2018 and has not been recorded as an asset of CTN as of June 30, 2017.

**3. BENEFICIAL INTEREST**

The beneficial interest totaling \$10,550 at June 30, 2017 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.

(continued)

**3. BENEFICIAL INTEREST (continued)**

Additionally, the Community Foundation of Greater Fort Wayne holds investment assets, with a value of \$2,102 at June 30, 2017 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:

Land	\$ 170,000
Office equipment and software	107,846
Building and improvements	845,361
Transportation equipment	<u>1,153,723</u>
	2,276,930
Accumulated depreciation	<u>835,541</u>
	<u>\$ 1,441,389</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. NET ASSETS**

Temporarily restricted net assets are restricted for the following:

Vehicles (INDOT)	\$ 489,183
Capital campaign assets	925,668
Medical transport	146,525
Future operations	115,404
Other	<u>10,180</u>
	<u>\$ 1,686,960</u>

The board of directors has designated \$55,000 of unrestricted net assets to be used to purchase a school bus. The school bus was purchased in July, 2017.

## 6. 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:

*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 Foundations of Greater Fort Wayne's pooled investment portfolios.

Fair value of assets and liabilities measured on a recurring basis at June 30, 2017 are as follows:

	<b>Level 3</b>
Beneficial interest	\$ 10,550

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, 2017:

(continued)

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

Balance – July 1, 2016	\$	-
Contributions		10,000
Total gains and losses included in earnings:		
Interest and dividends		262
Unrealized gain/(loss)		272
Realized gain/(loss)		111
Investment fees		<u>(95)</u>
		550
Disbursements		<u>-</u>
Balance – June 30, 2017	\$	<u>10,550</u>

**7. 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% (4.25% at June 30, 2017). The note is secured by real estate. No amount was outstanding on the note as of June 30, 2017.

**8. 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 \$7,804 for 2017.

**9. ENDOWMENT**

Community Transportation Network, Inc. has currently invested its board designated endowment funds with the Community Foundation of Greater Fort Wayne. 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.

(continued)

**9. ENDOWMENT (continued)**

**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 permanently restricted net assets (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 in permanently restricted net assets is classified as temporarily restricted net assets 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, 2017:**

Unrestricted net assets:		
Board designated endowment funds	\$	10,550

(continued)

**9. ENDOWMENT (continued)**

**Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017:**

Unrestricted net assets:	
Balance – July 1, 2016	\$ -
Contributions	10,000
Total gains and losses included in earnings:	
Interest and dividends	262
Unrealized gain/(loss)	272
Realized gain/(loss)	111
Investment fees	<u>(95)</u>
	550
Disbursements	<u>-</u>
Balance – June 30, 2017	<u>\$ 10,550</u>

**Spending Policy and How the Investment Objectives Relate to Spending Policy**

In accordance with the agreement with the Community Foundation of Greater Fort Wayne, the Organization may draw up to 4% of the value of the assets each year.

**10. OPERATING LEASES**

CTN leases office equipment under an operating lease expiring in December, 2019. Total rental expense was \$3,843 for the year ended June 30, 2017.

Minimum future rental payments under noncancelable operating leases having initial or remaining terms in excess of one year as of June 30, 2017 for each of the next five years and in the aggregate are:

2018	\$ 1,500
2019	1,500
2020	750
2021 and thereafter	<u>-</u>
	<u>\$ 3,750</u>

(continued)

**10. OPERATING LEASES (continued)**

The Organization has lease agreements with a customer to provide transportation services utilizing the customer's vehicles. The vehicles are leased to the Organization 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.

**11. IN-KIND CONTRIBUTIONS**

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

	<b>2017</b>
Program services:	
Office expense	\$ 790
Management and general:	
Professional services	3,075
Fundraising:	
Marketing	1,620
Software	<u>1,607</u>
	<u>\$ 7,091</u>

**12. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES**

Cash used in operating activities includes interest paid of \$1,605 in 2017.

Non cash investing and financing activities include \$1,607 of in-kind software received in 2017.

**13. COMMITMENTS**

CTN has entered into an agreement to purchase a bus for \$48,750. As of June 30, 2017, \$1,000 has been paid on this commitment.

**14. ADVERTISING COSTS**

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was \$13,720 for 2017.

**15. GOVERNMENT GRANTS**

Government grants of \$260,757 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. PRIOR PERIOD ADJUSTMENT**

The temporarily restricted net asset balance at July 1, 2016 has been restated to correct an error made in the recording of a contribution receivable in a prior year. The error had no effect on the change in net assets for 2016.

**17. RELATED PARTIES**

The Organization paid \$2,149 in 2017 to a company related to a member of the Board of Directors for payroll administration.

