

**COMMUNITY TRANSPORTATION  
NETWORK, INC.**

FORT WAYNE, INDIANA

Financial Statements

as of June 30, 2015 and 2014

**COMMUNITY TRANSPORTATION NETWORK, INC.**

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June 30, 2015

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September 11, 2015

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

## INDEPENDENT AUDITOR'S REPORT

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Community Transportation Network, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 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 from 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, 2015 and 2014, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

  
KROUSE, KERN & CO., INC.

**COMMUNITY TRANSPORTATION NETWORK, INC.**

Statements of Financial Position  
June 30, 2015 and 2014

<b>ASSETS</b>		
	2015	2014
<b><i>CURRENT ASSETS:</i></b>		
Cash and cash equivalents	\$ 37,136	\$ 5,849
Receivables:		
Grants	279,090	301,676
Rider fees (net)	57,829	34,995
Prepaid expenses	14,902	27,698
Deposits	75	75
Total Current Assets	389,032	370,293
<b><i>PROPERTY AND EQUIPMENT:</i></b>		
Property and equipment (net)	1,289,819	1,203,366
<b><i>GRANTS RECEIVABLE (net)</i></b>		
	-	46,333
<b><i>TOTAL ASSETS</i></b>	<b>\$ 1,678,851</b>	<b>\$ 1,619,992</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b><i>CURRENT LIABILITIES:</i></b>		
Accounts payable	\$ 12,866	\$ 15,912
Accrued expenses, payroll taxes and withholdings	32,475	33,663
Deferred revenue	2,795	2,795
Line of credit payable – bank	-	44,350
Total Current Liabilities	48,136	96,720
<b><i>NON-CURRENT LIABILITIES:</i></b>		
Mortgage payable	280,000	540,000
<b><i>NET ASSETS:</i></b>		
Unrestricted	(34,732)	(135,089)
Temporarily restricted	1,385,447	1,118,361
Total Net Assets	1,350,715	983,272
<b><i>TOTAL LIABILITIES AND NET ASSETS</i></b>	<b>\$ 1,678,851</b>	<b>\$ 1,619,992</b>

See Notes to Financial Statements.

**COMMUNITY TRANSPORTATION NETWORK, INC.**

Statement of Activities  
for the year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total	%
<b><i>SUPPORT AND REVENUES:</i></b>				
Grants – foundations	\$ 174,405	\$ 651,255	\$ 825,660	58%
Transportation fees – private pay	198,908	-	198,908	14%
Transportation fees – government	131,065	-	131,065	9%
Contributions	112,589	-	112,589	8%
Corporate donations and sponsorships	22,750	-	22,750	2%
Interest income	65	-	65	0%
In-kind donations	112,225	-	112,225	8%
Other revenue	1,397	-	1,397	0%
Gain on sale of vehicles	10,725	-	10,725	1%
Net assets released from restrictions	384,169	(384,169)	-	0%
<b>Total Support and Revenues</b>	<b>1,148,298</b>	<b>267,086</b>	<b>1,415,384</b>	<b>100%</b>
<b><i>EXPENSES:</i></b>				
Program – transportation services	914,820	-	914,820	87%
Management and general	94,574	-	94,574	9%
Fundraising	38,547	-	38,547	4%
<b>Total Expenses</b>	<b>1,047,941</b>	<b>-</b>	<b>1,047,941</b>	<b>100%</b>
Change in net assets	100,357	267,086	367,443	
Net assets – beginning of year	(135,089)	1,118,361	983,272	
<b><i>NET ASSETS – END OF YEAR</i></b>	<b>\$ (34,732)</b>	<b>\$ 1,385,447</b>	<b>\$ 1,350,715</b>	

See Notes to Financial Statements.

**COMMUNITY TRANSPORTATION NETWORK, INC.**

Statement of Activities  
for the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>%</u>
<b><i>SUPPORT AND REVENUES:</i></b>				
Grants – foundations	\$ 31,038	\$ 708,734	\$ 739,772	49%
Transportation fees – private pay	153,002	-	153,002	10%
Transportation fees – government	263,766	-	263,766	17%
Contributions	102,370	-	102,370	7%
Corporate donations and sponsorships	15,074	-	15,074	1%
Interest income	118	-	118	0%
In-kind donations	114,212	110,274	224,486	15%
Other revenue	3,406	-	3,406	0%
Loss on disposal of fixed assets	18,000	-	18,000	1%
Net assets released from restrictions	421,410	(421,410)	-	0%
Total Support and Revenues	<u>1,122,396</u>	<u>397,598</u>	<u>1,519,994</u>	<u>100%</u>
<b><i>EXPENSES:</i></b>				
Program – transportation services	1,017,218	-	1,017,218	88%
Management and general	98,452	-	98,452	8%
Fundraising	48,406	-	48,406	4%
Total Expenses	<u>1,164,076</u>	<u>-</u>	<u>1,164,076</u>	<u>100%</u>
Change in net assets	(41,680)	397,598	355,918	
Net assets – beginning of year	<u>(93,409)</u>	<u>720,763</u>	<u>627,354</u>	
<b><i>NET ASSETS – END OF YEAR</i></b>	<u><u>\$ (135,089)</u></u>	<u><u>\$ 1,118,361</u></u>	<u><u>\$ 983,272</u></u>	

See Notes to Financial Statements.

**COMMUNITY TRANSPORTATION NETWORK, INC.**

Statement of Functional Expenses  
for the year ended June 30, 2015

	Program – Transportation Services	Management and General	Fund Raising	Total
Personnel costs	\$ 500,963	\$ 72,428	\$ 30,179	\$ 603,570
Bad debts	-	1,513	-	1,513
Conferences and meetings	151	74	161	386
Dues and subscriptions	12	469	68	549
Fuel	79,716	-	-	79,716
Insurance	67,977	2,100	-	70,077
Mortgage interest	13,568	555	502	14,625
Licenses	4,078	42	-	4,120
Marketing	18,512	-	3,425	21,937
Miscellaneous	6,150	51	308	6,509
Office expense	7,760	4,187	1,610	13,557
Occupancy	13,689	710	561	14,960
Professional services	520	9,400	-	9,920
Repairs and maintenance	61,085	263	93	61,441
Telephone	9,869	1,051	819	11,739
Total Expenses				
Before Depreciation	784,050	92,843	37,726	914,619
Depreciation	130,770	1,731	821	133,322
<b>TOTAL EXPENSES</b>	<b>\$ 914,820</b>	<b>\$ 94,574</b>	<b>\$ 38,547</b>	<b>\$ 1,047,941</b>

See Notes to Financial Statements.



**COMMUNITY TRANSPORTATION NETWORK, INC.**

Statement of Functional Expenses  
for the year ended June 30, 2014

	Program – Transportation Services	Management and General	Fund Raising	Total
Personnel costs	\$ 568,926	\$ 70,871	\$ 35,807	\$ 675,604
Bad debts	-	1,499	-	1,499
Conferences and meetings	200	251	175	626
Dues and subscriptions	-	784	-	784
Fuel	115,151	-	-	115,151
Insurance	56,629	2,206	-	58,835
Mortgage interest	9,205	-	-	9,205
Licenses	4,389	-	-	4,389
Marketing	3,897	25	4,125	8,047
Miscellaneous	2,660	351	4,671	7,682
Office expense	24,138	2,561	2,202	28,901
Occupancy	23,295	1,941	647	25,883
Professional services	-	10,556	-	10,556
Repairs and maintenance	76,097	69	53	76,219
Telephone	10,627	917	726	12,270
Total Expenses Before Depreciation	895,214	92,031	48,406	1,035,651
Depreciation	122,004	6,421	-	128,425
<b>TOTAL EXPENSES</b>	<b>\$ 1,017,218</b>	<b>\$ 98,452</b>	<b>\$ 48,406</b>	<b>\$ 1,164,076</b>

See Notes to Financial Statements.

**COMMUNITY TRANSPORTATION NETWORK, INC.**

Statements of Cash Flows  
for the years ended June 30, 2015 and 2014

<b><i>CASH FLOWS FROM OPERATING ACTIVITIES:</i></b>	2015	2014
Change in net assets	\$ 367,443	\$ 355,918
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Depreciation	133,322	128,425
Value of transportation equipment received – in-kind	(5,000)	(120,998)
(Gain) loss on sale of vehicles	(10,725)	(18,000)
Changes in Assets and Liabilities:		
Decrease in receivables	46,085	100,881
(Increase) decrease in prepaid expenses	12,796	(1,814)
(Increase) decrease in deposits	-	35,795
Decrease in accounts payable	(3,046)	(13,094)
Increase (decrease) in accrued expenses	(1,188)	1,446
Increase (decrease) in deferred revenue	-	(938)
Net Cash Flows From Operating Activities	539,687	467,621
 <b><i>CASH FLOWS FROM INVESTING ACTIVITIES:</i></b>		
Proceeds from sale of property and equipment	10,725	18,000
Purchase of capital assets	(214,775)	(1,040,316)
Net Cash Flows From Investing Activities	(204,050)	(1,022,316)
 <b><i>CASH FLOWS FROM FINANCING ACTIVITIES:</i></b>		
Net proceeds from (payments on) line of credit – bank	(44,350)	94
Proceeds from borrowings (payments) on mortgage	(260,000)	540,000
	(304,350)	540,094
 Net increase (decrease) in cash and cash equivalents	31,287	(14,601)
 Cash and cash equivalents – beginning of year	5,849	20,450
 <b><i>CASH AND CASH EQUIVALENTS – END OF YEAR</i></b>	\$ 37,136	\$ 5,849
 <b><i>SUPPLEMENTAL CASH FLOW INFORMATION</i></b>		
Interest paid	\$ 449	\$ 977
Value of transportation equipment pledged – in-kind	\$ -	\$ 74,260

See Notes to Financial Statements.

# COMMUNITY TRANSPORTATION NETWORK, INC.

## Notes to Financial Statements

### NOTE 1. NATURE OF ACTIVITIES

Community Transportation Network, Inc. (Organization) is a nonprofit organization that addresses the specialized transportation needs of all transit-dependent populations and human service agencies in Allen County, Indiana. It is the Organization's mission to both provide and coordinate transportation for seniors, persons with disabilities, economically disadvantaged families, children and youth, as well as other human service agencies to promote self-sufficiency.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ***BASIS OF ACCOUNTING:***

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly revenues are recognized when earned and expenses are recognized when incurred. The financial statements reflect all significant receivables, payables, and other liabilities.

#### ***BASIS OF PRESENTATION:***

The financial statements have been prepared in accordance with FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-205 requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted and permanently restricted.

The following classes of net assets are maintained:

#### Unrestricted Net Assets:

The unrestricted net asset class includes general assets and liabilities of the Organization. The unrestricted net assets of the Organization may be used at the discretion of management to support the Organization's purposes and operations.

#### Temporarily Restricted Net Assets:

The temporarily restricted net asset class includes assets of the Organization related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets.

#### Permanently Restricted Net Assets:

The Organization had no permanently restricted net assets as of June 30, 2015 and 2014.

## COMMUNITY TRANSPORTATION NETWORK, INC.

### Notes to Financial Statements (Continued)

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***CONTRIBUTIONS:***

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in FASB ASC 958-605, *Accounting for Contributions Received and Contributions Made*. In accordance with FASB ASC 958-605, contributions received are recorded as increases in unrestricted, temporarily restricted or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose of the 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. Restricted contributions received and released in the same year are shown as unrestricted in the statement of activities.

##### ***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, 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:***

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has determined that all receivables are fully collectible and therefore there was no allowance for uncollectible accounts as of June 30, 2015 and 2014.

## COMMUNITY TRANSPORTATION NETWORK, INC.

### Notes to Financial Statements (Continued)

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***GRANTS:***

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to grantors. However, the Board deems the contingency remote, since by accepting the grant and its terms, it has accommodated the objectives of the Organization to the provisions of the grant.

Grants are recorded as contributions to temporarily restricted net assets. If necessary, grants receivable over a period of years are valued at the discounted value of future cash flows using the Organization's latest borrowing rate. As of June 30, 2015 and 2014, the difference between the full amount and the discounted value of grants was \$0 and \$4,022, respectively.

Grant receivables as of June 30, 2015 are to be received within one year and are shown as current in the statement of financial position.

Management has determined that grants receivable are fully collectible; therefore, no allowance for uncollectible grants is considered necessary as of June 30, 2015 and 2014. If amounts become uncollectible, they are charged to operations when that determination is made. Any difference between this method and the allowance method required under generally accepted accounting principles would be immaterial.

##### ***PROPERTY AND EQUIPMENT:***

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful life of each asset. It is the Organization's policy to release restricted net assets (contributions) for donated or purchased property and equipment over the estimated useful life of the respective asset.

##### ***ADVERTISING:***

Advertising expenses are charged to operations as they were incurred.

## COMMUNITY TRANSPORTATION NETWORK, INC.

### Notes to Financial Statements (Continued)

#### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *INCOME TAX STATUS AND UNCERTAINTY IN INCOME TAXES:*

Community Transportation Network, Inc., is classified as a publicly supported organization, qualifies as a tax-exempt organization under 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes. However, the Organization may be subject to federal and state income taxes on unrelated business income as defined in the Internal Revenue Code.

The Organization follows the provisions of Financial Accounting Standards Board ASC 740, *Accounting for Uncertainty in Income Taxes* (FASB ASC 740-10) which requires the Organization to recognize a tax liability only if it is more likely than not the tax position would not be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax liability is recorded. The Organization has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions as of June 30, 2015.

The Organization files information returns in the U.S. federal jurisdiction and the State of Indiana. The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for tax years before 2012.

#### NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2015	2014
Land	\$ 170,000	\$ 170,000
Office equipment and software	101,184	88,953
Building and improvements	840,464	837,282
Transportation equipment	808,710	668,491
	<u>1,920,358</u>	<u>1,764,726</u>
Less: Accumulated depreciation	630,539	561,360
	<u>\$ 1,289,819</u>	<u>\$ 1,203,366</u>

#### NOTE 4. LINE OF CREDIT — MORTGAGE

The Organization has entered into an agreement with a commercial lender for a \$100,000 line of credit. The note is due on November 1, 2015 and bears interest at the prime rate plus .75% with a minimum rate of 4.00%. The note is secured by substantially all of the Organization's assets. There was a balance on the line of credit of \$0 and \$44,350 at June 30, 2015 and 2014, respectively.

**COMMUNITY TRANSPORTATION NETWORK, INC.**

Notes to Financial Statements (Continued)

**NOTE 4. MORTGAGE PAYABLE (Continued)**

The Organization has entered into an agreement with a commercial lender for a mortgage in the amount of \$650,000 dated December 30, 2013. The mortgage is interest only and requires a lump sum payment due on December 30, 2016, and bears interest at a fixed rate of 3.25%. The note is secured by the real property of the Organization. There was a balance on the mortgage of \$280,000 and \$540,000 as of June 30, 2015 and 2014, respectively.

**NOTE 5. NET ASSETS**

Temporarily restricted net assets were released for the following purpose and time restrictions at June 30:

	<u>2015</u>	<u>2014</u>
<u>Purpose Restrictions:</u>		
Medical transportation	\$ 11,325	\$ 56,590
Capital Campaign – building	22,689	6,003
Vehicles – INDOT	107,873	115,345
Vehicles – foundation	53,539	35,438
	<u>195,426</u>	<u>213,376</u>
<u>Time Restrictions:</u>		
Operations	<u>188,743</u>	<u>208,034</u>
	<u>\$ 384,169</u>	<u>\$ 421,410</u>

Temporarily restricted net assets were available for the following purpose or time restrictions at June 30:

	<u>2015</u>	<u>2014</u>
<u>Purpose Restrictions:</u>		
Medical transportation	\$ 38,600	\$ 11,325
Capital Campaign – building	821,093	488,807
Technology support	12,658	-
Vehicles – INDOT	292,887	278,204
Vehicles – foundation	13,974	89,641
	<u>1,179,212</u>	<u>867,977</u>
<u>Time Restrictions:</u>		
Operations	<u>206,235</u>	<u>250,384</u>
	<u>\$ 1,385,447</u>	<u>\$ 1,118,361</u>

# COMMUNITY TRANSPORTATION NETWORK, INC.

## Notes to Financial Statements (Continued)

### NOTE 6. RETIREMENT PLAN

The Organization 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 of up to the levels established by Internal Revenue Service limitations. If the employee contributes at least 2.5% of his/her wages, the Organization will match with a contribution of 2.5% of the individual's wages. The amount contributed by the Organization was \$8,394 and \$9,280 for 2015 and 2014, respectively.

### NOTE 7. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

Noncash activities include the following:

	<u>2015</u>	<u>2014</u>
In-kind contribution of services	\$ 23,559	\$ 15,967
In-kind contribution of equipment – depreciation	88,666	98,245
In-kind contribution of equipment – pledged	<u>-</u>	<u>110,274</u>
	<u>\$ 112,225</u>	<u>\$ 224,486</u>

### NOTE 8. CONCENTRATIONS

The Organization's financial instruments that are exposed to concentrations of credit risk consist principally of cash and promises to give. To reduce its risk, the Organization places its cash and cash equivalents with highly rated institutions. At times, such amounts may be in excess of the FDIC insured limit. The Organization routinely assesses the financial strength of its donors, and as a consequence, believes that their promise to give credit risk is limited.

### NOTE 9. LEASES

The Organization leased office space under an operating lease that expired on December 31, 2013 and called for monthly payments ranging from \$2,821 to \$3,235 over the term of the lease. Total lease, taxes, insurance and common area maintenance expenses for the years ended June 30, 2015 and 2014 was \$0 and \$25,883, respectively.

The Organization has lease agreements with two clients to provide transportation services utilizing the client'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 not determinable as of June 30, 2015 and 2014.



## COMMUNITY TRANSPORTATION NETWORK, INC.

### Notes to Financial Statements (Continued)

#### **NOTE 10. ALLOCATION OF EXPENSES**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The following program and supporting services are included in the accompanying financial statements:

Program – Includes the functions necessary to promote and fulfill the Organization's mission.

General and Administrative – Includes the functions necessary for management and overall direction of the Organization.

Fundraising – Provides the structure necessary to encourage and secure private financial support from individuals, foundations and corporations.

#### **NOTE 11. SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 11, 2015, the date the financial statements were available to be issued.