



FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

June 30, 2016 and 2015

COMMUNITY TRANSPORTATION NETWORK, INC.

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Independent Auditors' Report

Board of Directors
Community Transportation Network, Inc.

We have audited the accompanying financial statements of Community Transportation Network, Inc. (a not-for-profit corporation), which comprise the statement of financial position as of June 30, 2016, 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 control 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 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 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, 2016, 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.

2015 Financial Statements

The financial statements of Community Transportation Network, Inc. as of and for the year ended June 30, 2015, were audited by Krouse, Kern & Co., Inc., who merged with Katz, Sapper & Miller, LLP as of December 1, 2015, and whose report dated September 11, 2015, expressed an unmodified opinion on those financial statements.

Katz, Sapper & Miller, LLP

Fort Wayne, Indiana
December 2, 2016

COMMUNITY TRANSPORTATION NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	\$ 100,398	\$ 37,136
Receivables:		
Grants	163,330	279,090
Rider fees	45,359	57,829
Prepaid expenses	22,663	14,902
Deposits	75	75
Total Current Assets	<u>331,825</u>	<u>389,032</u>
PROPERTY AND EQUIPMENT, net	1,320,281	1,289,819
CASH - RESTRICTED FOR LONG-TERM PURPOSES	<u>70,655</u>	
TOTAL ASSETS	<u><u>\$ 1,722,761</u></u>	<u><u>\$ 1,678,851</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 6,837	\$ 12,866
Accrued expenses, payroll taxes and withholdings	32,114	32,475
Deferred revenue	2,795	2,795
Mortgage payable	80,800	
Total Current Liabilities	<u>122,546</u>	<u>48,136</u>
MORTGAGE PAYABLE		<u>280,000</u>
Total Liabilities	<u>122,546</u>	<u>328,136</u>
NET ASSETS		
Unrestricted	24,782	(34,732)
Temporarily restricted	1,575,433	1,385,447
Total Net Assets	<u>1,600,215</u>	<u>1,350,715</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,722,761</u></u>	<u><u>\$ 1,678,851</u></u>

See accompanying notes.

COMMUNITY TRANSPORTATION NETWORK, INC.

**STATEMENTS OF ACTIVITIES
Years Ended June 30, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUES						
Grants - foundations	\$ 214,195	\$ 552,939	\$ 767,134	\$ 174,405	\$ 651,255	\$ 825,660
Transportation fees - private pay	234,462		234,462	198,908		198,908
Transportation fees - government	116,497		116,497	131,065		131,065
Contributions	111,536		111,536	86,514		86,514
Fundraising revenue	44,585		44,585	26,075		26,075
Corporate donations and sponsorships	13,959		13,959	22,750		22,750
Interest income	38		38	65		65
In-kind donations	137,417		137,417	112,225		112,225
Other revenue	1,470		1,470	1,397		1,397
Gain on sale of property and equipment				10,725		10,725
Net assets released from restrictions	362,953	(362,953)		384,169	(384,169)	
Total Support and Revenues	<u>1,237,112</u>	<u>189,986</u>	<u>1,427,098</u>	<u>1,148,298</u>	<u>267,086</u>	<u>1,415,384</u>
EXPENSES						
Program - transportation services	993,643		993,643	914,820		914,820
Management and general	113,214		113,214	94,574		94,574
Fundraising	70,741		70,741	38,547		38,547
Total Expenses	<u>1,177,598</u>	<u>-</u>	<u>1,177,598</u>	<u>1,047,941</u>	<u>-</u>	<u>1,047,941</u>
CHANGE IN NET ASSETS	59,514	189,986	249,500	100,357	267,086	367,443
NET ASSETS						
Beginning of Year	<u>(34,732)</u>	<u>1,385,447</u>	<u>1,350,715</u>	<u>(135,089)</u>	<u>1,118,361</u>	<u>983,272</u>
End of Year	<u>\$ 24,782</u>	<u>\$ 1,575,433</u>	<u>\$ 1,600,215</u>	<u>\$ (34,732)</u>	<u>\$ 1,385,447</u>	<u>\$ 1,350,715</u>

See accompanying notes.

COMMUNITY TRANSPORTATION NETWORK, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended June 30, 2016 and 2015

	2016				2015			
	Program – Transportation Services	Management and General	Fund Raising	Total	Program – Transportation Services	Management and General	Fund Raising	Total
Personnel costs	\$ 574,254	\$ 74,537	\$ 41,038	\$ 689,829	\$ 500,962	\$ 72,428	\$ 30,179	\$ 603,569
Bad debts		1,911		1,911		1,513		1,513
Conferences and meetings	13	177	638	828	151	74	161	386
Dues and subscriptions	313	215	13	541	12	469	68	549
Fuel	67,913			67,913	79,716			79,716
Insurance	63,425	4,981		68,406	67,977	2,100		70,077
Mortgage interest	5,342	239	227	5,808	13,568	555	502	14,625
Licenses	4,784	70		4,854	4,078	42		4,120
Marketing	48,712	9,763	23,587	82,062	18,512		3,425	21,937
Miscellaneous	3,496	848	500	4,844	6,150	51	308	6,509
Office expense	11,356	3,052	2,424	16,832	7,760	4,187	1,610	13,557
Occupancy	13,794	684	582	15,060	13,689	710	561	14,960
Professional services		12,583		12,583	520	9,400		9,920
Repairs and maintenance	62,818	492	57	63,367	61,085	263	93	61,441
Telephone	11,171	1,351	854	13,376	9,870	1,051	819	11,740
Total Expenses Before Depreciation	<u>867,391</u>	<u>110,903</u>	<u>69,920</u>	<u>1,048,214</u>	<u>784,050</u>	<u>92,843</u>	<u>37,726</u>	<u>914,619</u>
Depreciation	<u>126,252</u>	<u>2,311</u>	<u>821</u>	<u>129,384</u>	<u>130,770</u>	<u>1,731</u>	<u>821</u>	<u>133,322</u>
TOTAL EXPENSES	<u>\$ 993,643</u>	<u>\$ 113,214</u>	<u>\$ 70,741</u>	<u>\$ 1,177,598</u>	<u>\$ 914,820</u>	<u>\$ 94,574</u>	<u>\$ 38,547</u>	<u>\$ 1,047,941</u>

See accompanying notes.

COMMUNITY TRANSPORTATION NETWORK, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	\$ 249,500	\$ 367,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	129,384	133,322
Value of transportation equipment received - in-kind		(5,000)
Gain on sale of property and equipment		(10,725)
Contributions restricted for long-term purposes	(70,655)	
(Increase) decrease in certain assets:		
Receivables	128,230	46,085
Prepaid expenses	(7,761)	12,796
Decrease in certain liabilities:		
Accounts payable	(6,029)	(3,046)
Accrued expenses, payroll taxes and withholdings	(361)	(1,188)
Net Cash Provided by Operating Activities	<u>422,308</u>	<u>539,687</u>
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment		10,725
Purchase of property and equipment	(159,846)	(214,775)
Increase in restricted cash	(70,655)	
Net Cash Used by Investing Activities	<u>(230,501)</u>	<u>(204,050)</u>
FINANCING ACTIVITIES		
Payments on line of credit - bank		(44,350)
Payments on mortgage payable	(199,200)	(260,000)
Contributions for long-term purposes	70,655	
Net Cash Used by Financing Activities	<u>(128,545)</u>	<u>(304,350)</u>
INCREASE IN CASH	63,262	31,287
CASH		
Beginning of Year	<u>37,136</u>	<u>5,849</u>
End of Year	<u>\$ 100,398</u>	<u>\$ 37,136</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 5,808	\$ 14,625

See accompanying notes.

COMMUNITY TRANSPORTATION NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS June 30, 2016 and 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Community Transportation Network, Inc. (the Organization) is an Indiana non-for-profit corporation which was formed in 2000. The Organization's mission is to provide specialized transportation needs to 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. The Organization's primary sources of revenue are from rider fees, private and governmental contracts, foundation grants and contributions from donors.

Basis of Presentation: The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and classify the Organization's activities and net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** represent unrestricted resources available to support the Organization's operations.
- **Temporarily Restricted Net Assets** represent gifts that are subject to donor-imposed purpose or time restrictions that can be fulfilled either by actions of the Organization pursuant to those restrictions, with the passage of time, or both. Upon satisfaction of such restrictions, net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.
- **Permanently Restricted Net Assets** represent gifts with donor-imposed restrictions that the original gift amounts be maintained in perpetuity as an endowment. The Organization had no permanently restricted net assets as of June 30, 2016 and 2015.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash consists of cash on hand or in demand deposit accounts. The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from its bank accounts.

Grants Receivable consist of unconditional promises to give that are expected to be collected in future years and grants classified as conditional promises to the extent that conditions have been met but reimbursement from the grantor has not yet been received. Grants receivable are reported as either temporarily or permanently restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period.

Grants receivable are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions and grants in the statements of activities. Grants receivable are reviewed for collectability and a provision for doubtful accounts is recorded based on management's judgment and analysis of past collection experience and other relevant factors. Management has determined that all grants receivable are fully collectible and therefore there was no allowance for doubtful accounts as of June 30, 2016 and 2015.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rider Fees 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 rider fees receivable are fully collectible and therefore there was no allowance for uncollectible accounts as of June 30, 2016 and 2015.

Property and Equipment: Expenditures for property and equipment are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives as follows:

Building and improvements	10-40 years
Office equipment and software	3-10 years
Transportation equipment	4-10 years

The Organization's property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of property and equipment have been required.

Contributions and Grants are recognized as support and revenues when they are received or unconditionally pledged. The Organization reports such gifts as restricted support and revenues if they are subject to time or donor-imposed restrictions, unless restrictions are met in the same year, in which case donor-restricted contributions and grants are included in unrestricted support and revenues. Restricted support received for capital assets is recognized over the estimated useful life of the asset. The revenue is shown as net assets released from restriction on the statement of activities. Conditional contributions are not recorded as support and revenues until the conditions are met.

Transportation Fees are recognized as revenue when the related services are provided.

In-kind Donations: Donations of services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Contributions of food, equipment, and other goods are recorded at estimated fair value when received.

Fundraising Revenue, including related sponsorship revenue and other contributions, is recognized upon occurrence of the event. Revenue and support received which is restricted for the operation of events occurring subsequent to the statement of financial position date is reflected as temporarily restricted net assets.

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among program and support services based on space occupied, time spent by Organization staff, or other estimates made by the Organization's management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Costs are expensed as incurred and amounted to \$82,062 and \$21,937 in the years ended June 30, 2016 and 2015, respectively.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2016 and 2015.

The Organization files U.S. federal and Indiana information tax returns. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for fiscal years before 2013.

Reclassifications: Certain amounts in the 2015 financial statements have been reclassified to conform to the presentation of the 2016 financial statements.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through December 2, 2016, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2016 and 2015 :

	2016	2015
Land	\$ 170,000	\$ 170,000
Building and improvements	840,464	840,464
Office equipment and software	106,240	101,184
Transportation equipment	<u>963,500</u>	<u>808,710</u>
	2,080,204	1,920,358
Less: Accumulated depreciation	<u>759,923</u>	<u>630,539</u>
	<u>\$1,320,281</u>	<u>\$1,289,819</u>

NOTE 3 - DEBT AND CREDIT ARRANGEMENTS

The Organization has entered into an agreement with a commercial lender for a \$100,000 line of credit. The note bears interest at the prime rate plus .75% with a minimum rate of 4.25%. The note is secured by substantially all of the Organization's assets. There were no borrowings on the line of credit as of June 30, 2016 and 2015. The note expired on November 1, 2016, and the Organization did not renew the note.

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. The Organization has been prepaying the mortgage with available funds. There was a balance on the mortgage of \$80,800 and \$280,000 as of June 30, 2016 and 2015, respectively.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30, 2016 and 2015:

	2016	2015
Program Restricted:		
Capital campaign – building	\$ 910,638	\$ 821,093
Fundraising events	2,400	
Medical transportation	68,500	38,600
Technology support	9,791	12,658
Vehicles – INDOT	270,426	292,887
Vehicles – foundations	161,323	13,974
Time Restricted:		
Operations	<u>152,355</u>	<u>206,235</u>
	<u>\$1,575,433</u>	<u>\$1,385,447</u>

Temporarily restricted net assets were released for the following purpose and time restrictions for the years ended June 30 2016 and 2015:

	2016	2015
Program Restricted:		
Capital campaign – building	\$ 26,074	\$ 22,689
Medical transportation	73,600	11,325
Technology support	2,867	
Vehicles – INDOT	78,799	107,873
Vehicles – foundations	12,733	53,539
Time Restricted:		
Operations	<u>168,880</u>	<u>188,743</u>
	<u>\$362,953</u>	<u>\$384,169</u>

NOTE 5 - 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 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 \$7,109 for the years ended June 30, 2016 and 2015, respectively.

NOTE 6 - LEASES

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.